

*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*

June 26, 2013



### **CHOICE PROPERTIES REAL ESTATE INVESTMENT TRUST**

**\$400 million 3.554% Series A Senior Unsecured Debentures due July 5, 2018**

**and**

**\$200 million 4.903% Series B Senior Unsecured Debentures due July 5, 2023**

This prospectus qualifies the distribution to the public (the "Offering") of (i) \$400 million aggregate principal amount of 3.554% series A senior unsecured debentures due July 5, 2018 (the "Series A Debentures") and (ii) \$200 million aggregate principal amount of 4.903% series B senior unsecured debentures due July 5, 2023 (the "Series B Debentures" and, together with the Series A Debentures, the "Debentures") of Choice Properties Real Estate Investment Trust (the "REIT"). The REIT is an unincorporated, open-ended real estate investment trust established under, and governed by, the laws of the Province of Ontario.

The Debentures will be direct senior unsecured obligations of the REIT. Interest on the Debentures will be calculated and payable semi-annually in arrears in equal installments on January 5 and July 5 in each year, commencing on January 5, 2014. Interest for any period other than a full semi-annual period will be calculated on the basis of the actual number of days elapsed during such interest period and a year of 365 days or, in the case of a leap year, 366 days. The Debentures will be redeemable at the option of the REIT at any time at the redemption prices described under "Details of the Offering — Redemption by the REIT". See "Details of the Offering" for particulars of the material attributes of the Debentures.

The REIT has also filed a prospectus (the "Unit Prospectus") dated the date hereof relating to the contemporaneous initial public offering (the "Unit Offering") of 40,000,000 units (the "Units") of the REIT at a price of \$10.00 per Unit (the "Unit Offering Price"). The Units will be issued to the public pursuant to the Unit Prospectus on closing of the Unit Offering.

Loblaw Companies Limited ("Loblaw") has taken the initiative in creating the REIT in order to optimize Loblaw's real estate holdings and establish a growth-oriented public real estate entity. The REIT was formed primarily to own income-producing commercial properties located in Canada. In connection with the completion of the Offering, the Unit Offering and related transactions (the "Closing"), the REIT will indirectly acquire, through Choice Properties Limited Partnership (the "Partnership"), a portfolio of 425 properties totaling approximately 35.3 million square feet of gross leasable area ("GLA"), comprising 415 retail properties, one office complex and nine warehouse properties (collectively, the "Initial Properties"). The retail properties will be made up of (i) 267 properties with a stand-alone store operating under a banner owned or licensed by Loblaw or certain of its subsidiaries (a "Loblaw-Owned Banner"), (ii) 143 properties anchored by a store operating under a Loblaw-Owned Banner that also contain one or more third-party tenants, and (iii) five properties containing only third-party tenants. The office complex consists of two office buildings and the warehouse properties include two properties that host three warehouses each. All of the Initial Properties are currently indirectly owned by Loblaw, and represent approximately 75% of its owned real estate portfolio (measured by square feet). Loblaws Inc., a subsidiary of Loblaw, will be the REIT's most significant tenant for the foreseeable future, representing approximately 91.2% of its annual base minimum rent on Closing and 88.3% of its GLA. On Closing, the remaining terms of the leases with Loblaws Inc. will range from 10 to 18 years, with a weighted average remaining lease term of 14 years. See "Acquisition of the Initial Properties" and "Assets of the REIT".

Loblaw is listed on the Toronto Stock Exchange ("TSX") under the symbol "L". It had a market capitalization of approximately \$14.0 billion as of the date of this prospectus and 2012 revenues of more than \$31.0 billion. Loblaw has had an investment grade credit rating from each of DBRS Limited ("DBRS") and Standard & Poor's Ratings Service ("S&P") for over 10 years. Loblaw is Canada's largest food distributor and a leading provider of drugstore, general merchandise and financial products and services. Loblaw and its franchisees currently operate 1,053 stores across Canada.

*(continued on next page)*



# Choice Properties<sup>REIT</sup>™

## Strengths and Investment Highlights

- Attractive Yield
- Large and Diversified National Commercial Property Portfolio
- Strong Investment Grade Major Tenant with a Highly Valuable Brand in a Stable Industry
- Outstanding Leasing Profile
- Strong Balance Sheet and Investment Grade Ratings
- Strong Alignment of Interests with Loblaw
- Internal Executive Management, Strong Board Leadership, and Continuity of Operational Resources





# Choice Properties REIT

## Properties



(continued from cover)

On Closing, it is expected that Loblaw will hold an approximate 83.1% effective interest in the REIT through ownership of 21,500,000 Units and all of the Class B limited partnership units (“Class B LP Units”) of the Partnership that are economically equivalent to and exchangeable for Units (or an approximate 81.7% effective interest in the REIT if the over-allotment option granted to the underwriters in connection with the Unit Offering is exercised in full). In addition, Loblaw will hold all of the outstanding Class C limited partnership Units (“Class C LP Units”) of the Partnership. See “Key Investors — Retained Interest of Loblaw”. Loblaw has advised the REIT that its current expectation is that it will continue to own a majority effective interest in the REIT for at least the next 10 years. Concurrent with the Unit Offering, George Weston Limited or its subsidiaries (other than Loblaw) (“GWL”), Loblaw’s majority shareholder, will purchase 20,000,000 Units from the REIT at the Unit Offering Price for a total subscription price of \$200 million. Neither Loblaw, GWL nor any of their respective subsidiaries will purchase any Debentures in connection with the Offering.

The objectives of the REIT are to: (a) provide holders of Units (“Unitholders”) with stable, predictable and growing monthly cash distributions on a tax-efficient basis; (b) enhance the value of the REIT’s assets in order to maximize long-term Unitholder value; and (c) expand the REIT’s asset base while also increasing its adjusted funds from operations (“AFFO”) per Unit, including through accretive acquisitions and site intensification. The REIT initially intends to make monthly cash distributions of \$0.054167 per Unit to Unitholders, which are estimated to be approximately 90% of the REIT’s AFFO, on an annual basis, during the period from July 1, 2013 to June 30, 2014 (the “Forecast Period”). See “Non-GAAP Measures” and “Distribution Policy”.

The REIT’s growth strategy will focus on optimizing rent generated from the Initial Properties as well as leveraging the REIT’s relationship with Loblaw to access accretive commercial property acquisition opportunities and to participate with Loblaw in the development or redevelopment of stores and shopping centres. Under the terms of a strategic alliance agreement with Loblaw, Loblaws Inc. and Loblaw Properties Limited (the “Strategic Alliance Agreement”) to be entered into on Closing, the REIT will have, subject to certain exceptions, the right of first offer to purchase any property in Canada that Loblaw or its subsidiaries seek to sell in the future. Loblaw has advised the REIT that its current intention, subject to market conditions, is to offer to sell to the REIT the significant majority of its remaining approximately 12 million square feet of existing owned property over the next 10 years. Loblaw has also advised the REIT that, following Closing, it intends to continue to acquire property to develop new retail stores and has agreed that the REIT will have, subject to certain exceptions, a right to participate in the development of new shopping centres that will be anchored by a store operating under a Loblaw-Owned Banner. Any new retail stores or shopping centres developed by Loblaw or its subsidiaries following Closing will also be subject to the REIT’s right of first offer to purchase such properties in the event that Loblaw or its subsidiaries decides to sell them. See “The REIT — Growth Strategies” and “Arrangements with Loblaw — Strategic Alliance Agreement”. Although the REIT expects that the majority of its near-term acquisitions will be from Loblaw, the REIT also intends to pursue acquisitions from vendors other than Loblaw or its subsidiaries.

On Closing, the REIT will employ an experienced internal senior management team that will be supported by an internal team of professionals with experience in asset management, property management, property acquisitions and dispositions, development, leasing and finance. Loblaws Inc. or certain of its subsidiaries will provide certain administrative and other services (including certain property management services) for the REIT, on a cost-recovery basis, pursuant to the Services Agreement. See “Arrangements with Loblaw — Services Agreement”.

**The Debentures have been provisionally rated “BBB” by each of DBRS and S&P. In addition, the REIT has been assigned a provisional issuer credit rating of “BBB” by each of DBRS and S&P. Credit ratings are intended to provide investors with an independent assessment of the credit quality of an issue or issuer of securities and do not speak to the suitability of any particular securities for any particular investor. The credit ratings assigned to the Debentures by each of DBRS and S&P are not a recommendation to purchase, hold or sell such Debentures. Prospective investors should consult the relevant rating organization with respect to the interpretation and implications of the ratings. Ratings may be revised or withdrawn at any time by the respective rating organization. See “Credit Ratings”.**

The TSX has conditionally approved the listing of the Units under the symbol “CHPUN”. Listing is subject to the REIT fulfilling all of the requirements of the TSX on or before September 10, 2013. See “Plan of Distribution”.

**The Debentures will not be listed on any securities exchange or quotation system and, consequently, there is no market through which these securities may be sold and a purchaser may not be able to resell securities purchased under this prospectus. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures, and the extent of issuer regulation. See “Risk Factors”.**

The completion of the Offering and the Unit Offering are expected to occur concurrently, and the closing of the Offering is conditional upon the completion of the Unit Offering and the closing of the acquisition by the REIT of the Initial Properties. In the event that the Offering does not close concurrently with the Unit Offering, the REIT will nonetheless complete the Unit Offering and the transactions related thereto as described in this prospectus. See “Acquisition of the Initial Properties”, “Details of the Offering” and “Plan of Distribution”.

	Price to the Public	Agents’ Fee	Net Proceeds to the REIT <sup>(1)</sup>
Per \$1,000 principal amount of Series A Debentures . . . . .	\$1,000	\$3.50	\$996.50
Per \$1,000 principal amount of Series B Debentures . . . . .	\$1,000	\$4.00	\$996.00
Total Offering . . . . .	\$600 million	\$2.2 million	\$597.8 million

Notes:

(1) Before deducting the REIT’s expenses of the Offering estimated at \$0.8 million, which, together with the Agents’ fee, will be paid from the gross proceeds of the Offering.

CIBC World Markets Inc. (“CIBCWM”), RBC Dominion Securities Inc. (“RBCDS”), TD Securities Inc. (“TDSI”), BMO Nesbitt Burns Inc. (“BMONB”), Citigroup Global Markets Canada Inc. (“Citigroup”), Desjardins Securities Inc. (“Desjardins”), J.P. Morgan Securities Canada Inc. (“JP Morgan”), Merrill Lynch Canada Inc. (“BofAML”), National Bank Financial Inc. (“NBF”) and Scotia Capital Inc. (“SCI” and, together with CIBCWM, RBCDS, TDSI, BMONB, Citigroup, Desjardins, JP Morgan, BofAML and NBF, the “Agents”), as agents, conditionally offer the Debentures qualified under this prospectus for sale, on a best efforts basis, subject to prior sale, if, as and when issued by the REIT and accepted by the Agents in accordance with the conditions contained in the agency agreement between the REIT, Loblaw and the Agents referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the REIT by Torys LLP and on behalf of the Agents by Blake, Cassels & Graydon LLP.

In connection with the distribution of the Debentures, the Agents may over-allocate or effect transactions which stabilize or maintain the market price of the Debentures at levels other than those which otherwise might prevail on the open market. Subscriptions will be received subject to rejection or allocation in whole or in part and the Agents reserve the right to close the subscription books at any time without notice. Closing is expected to occur on July 5, 2013 or such other date as the REIT and the Agents may agree, but in any event no later than July 19, 2013. Registrations and transfers of Debentures will be effected electronically through the book-entry only system administered by CDS Clearing and Depository Services Inc. Beneficial owners of Debentures will not, except in certain limited circumstances, be entitled to receive physical certificates evidencing their ownership of Debentures. See “Details of the Offering” and “Plan of Distribution”.

**A prospective purchaser should review this document in its entirety and carefully consider the risk factors described under “Risk Factors” before purchasing any Debentures.**

**CIBCWM, RBCDS, TDSI, BMONB, Desjardins, NBF and SCI are affiliates of Canadian chartered banks that have committed to provide to the REIT a \$500 million operating credit facility at Closing. BMONB is also an affiliate of a Canadian chartered bank with which the REIT expects to enter into an uncommitted letter of credit facility of up to \$40 million on or shortly following Closing. In addition, CIBCWM, RBCDS, TDSI, BMONB, Citigroup, Desjardins, JP Morgan, BofAML, NBF and SCI are affiliates of financial institutions that have provided credit lines to Loblaw in the aggregate principal amount of approximately \$3.0 billion. Consequently, the REIT may be considered a “connected issuer” of each of CIBCWM, RBCDS, TDSI, BMONB, Citigroup, Desjardins, JP Morgan, BofAML, NBF and SCI under applicable Canadian securities laws. See “Debt Strategy and Indebtedness” and “Plan of Distribution”.**

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

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## GLOSSARY

“**Acquired Indebtedness**” means the Indebtedness of a person (i) existing at the time such person becomes a Subsidiary of the REIT, or (ii) assumed by the REIT or any of its Subsidiaries in connection with the acquisition of assets from such person, calculated as of the date such person becomes a Subsidiary or the date of such acquisition other than, in each case, Indebtedness incurred in connection with or in contemplation of such person’s becoming a Subsidiary or of such acquisition.

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

“**Acquisition**” means the acquisition by the REIT of the Initial Properties.

“**Acquisition Agreements**” means, collectively, the agreements of purchase and sale to be entered into on or before Closing pursuant to which the REIT will indirectly acquire the Initial Properties, as described under “Acquisition of the Initial Properties — Acquisition Agreements and Master Acquisition Agreement”, and “**Acquisition Agreement**” means any one of them.

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

“**Affiliates**” has the meaning given to that term in National Instrument 45-106 — *Prospectus and Registration Exemptions*.

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

“**Agency Agreement**” means the agency agreement dated as of June 26, 2013 among the REIT, Loblaw and the Agents, as described under “Plan of Distribution”.

“**Agents**” means, collectively, CIBCWM, RBCDS, TDSI, BMONB, Citigroup, Desjardins, JP Morgan, BofAML, NBF and SCI.

“**Aggregate Adjusted Assets**” as at any date means, as at the relevant Calculation Reference Date, the Aggregate Assets, *provided that* the component amount thereof that would otherwise comprise the amount shown on the REIT’s balance sheet as “Investment properties” (or its equivalent) shall be instead calculated as the amount obtained by applying the Capitalization Factor as at such Calculation Reference Date to determine the fair value of the REIT’s assets that would comprise “Investment properties” as at such date, using the valuation methodology described by the REIT in its then most recently published annual or interim financial statements or management’s discussion and analysis, applied consistently in accordance with past practice, *provided further that* (i) until the date of the REIT’s first published interim financial statements or management’s discussion and analysis following Closing, the component amount of Aggregate Adjusted Assets that would otherwise comprise the amount shown on the REIT’s balance sheet as “Investment properties” shall be deemed to be \$6,925 million and (ii) until the completion of the interim period commencing July 1, 2013 and ending September 30, 2013, the Calculation Reference Date shall be the Closing Date.

“**Aggregate Assets**” of the REIT as of any date means the total assets of the REIT, excluding goodwill and future income tax assets, determined on a consolidated basis and in accordance with GAAP, and giving effect to the Proportionate Consolidation Adjustments and to the extent applicable, adjusted for any adjustments which correspond to those made in accordance with the definition of Consolidated EBITDA (other than fair value adjustments reflecting an increase or decrease in the fair value of investment properties).

“**Appraisals**” means the estimates of the fair market value of the Initial Properties provided by the Appraiser.

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

“**Arcturus**” means Arcturus Realty Corporation, the third-party property manager of certain of the Initial Properties pursuant to the Property Management Agreement.

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

“**Balance Sheet Date**” has the meaning given to that term under “Details of the Offering — Certain Covenants”.

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

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

“**Board**” means the Board of Trustees of the REIT.

“**BofAML**” means Merrill Lynch Canada Inc.

“**CAGR**” means compound annual average growth rate.

“**Calculation Reference Date**” means, with respect to any date, the last day of the most recently completed fiscal quarter of the REIT, unless otherwise noted.

“**Canada Yield Price**” has the applicable meaning given to that term under “Details of the Offering — Redemption by the REIT”.

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

“**Capitalization Factor**” of the REIT means, as at the relevant Calculation Reference Date, the amount determined as the simple average of the weighted average capitalization rate published by the REIT in reference to the calculation of the fair value of its assets in the REIT’s annual or interim financial statements or management’s discussion and analysis published for each of the eight (8) most recently completed fiscal quarters (including the fiscal quarter in which the relevant Calculation Reference Date occurs), provided that (i) for the first seven (7) fiscal quarters of the REIT, such average shall be calculated on a rolling-up basis as the average with respect to the completed fiscal quarters, which rolling up shall include the Deemed Fiscal Quarters as though each such Deemed Fiscal Quarter was a completed fiscal quarter of the REIT, and (ii) the first fiscal quarter of the REIT shall be the interim period from July 1, 2013 to September 30, 2013 (the “**First Fiscal Quarter**”). For the purposes of this definition, the REIT shall be deemed to have completed four fiscal quarters prior to the First Fiscal Quarter for which the capitalization rate for each such deemed fiscal quarter shall be equal to 6.16% (the “**Deemed Fiscal Quarters**”).

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

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

“**Change of Control**” means the acquisition by a person, or group of persons acting jointly or in concert, directly or indirectly, other than the Weston Group or a member of the Weston Group or Loblaw Companies Limited or any of its Subsidiaries (in the event Loblaw Companies Limited ceases to be part of the Weston Group), of more than 50% of the aggregate voting rights attached to the Units and Special Voting Units of the REIT (taking into account (i) full dilution from the exchange of all then-outstanding Class B LP Units into Units of the REIT; and (ii) in respect of any other securities that are convertible or exchangeable into Units of the REIT, only dilution resulting from the conversion or exercise of such other convertible or exchangeable securities held by such person or group of persons).

“**Change of Control Triggering Event**” has the meaning given to that term under “Details of the Offering — Repurchase upon Change of Control Triggering Event”.

“**CIBCWM**” means CIBC World Markets Inc.

“**CICA**” means the Canadian Institute of Chartered Accountants.

“**Citigroup**” means Citigroup Global Markets Canada Inc.

“**Class A LP Notes**” means, collectively, the Class A promissory notes to be issued by the Partnership in connection with the Acquisition.

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

“**Class B LP Notes**” means, collectively, the Class B promissory notes to be issued by the Partnership in connection with the Acquisition.

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

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

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

“**Closing Date**” means July 5, 2013, or such other date as the REIT and the Agents may agree, but in any event no later than July 19, 2013.

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

“**Consolidated EBITDA**” of the REIT for any period means Consolidated Net Income for such period increased by the sum of, without duplication (i) Consolidated Interest Expense for such period, (ii) depreciation and amortization expense for such period, and (iii) Consolidated Income Tax Expense for such period (other than income taxes, either positive or negative, attributable to unusual or non-recurring gains or losses or other non-cash gains or losses as adjusted for in calculating Consolidated Net Income).

“**Consolidated Income Tax Expense**” of the REIT for any period means the income tax expense of the REIT for such period, determined on a consolidated basis and in accordance with GAAP and including Proportionate Consolidation Adjustments.

“**Consolidated Indebtedness**” of the REIT as at any date means the consolidated Indebtedness of the REIT as at such date determined in accordance with GAAP and including Proportionate Consolidation Adjustments.

“**Consolidated Interest Expense**” of the REIT for any period means the aggregate amount of interest expense of the REIT, adjusted in all cases for Proportionate Consolidation Adjustments in respect of Consolidated Indebtedness, Capital Lease Obligations, the original issue discount (or, as applicable, premium) of any Consolidated Indebtedness issued at a price less than (or, as applicable, more than) the face amount thereof paid, accrued or scheduled to be paid or accrued by the REIT during such period and, to the extent interest has been capitalized on projects that are under development or held for future development during the period, the amount of interest so capitalized (including Proportionate Consolidation Adjustments), all as determined on a consolidated basis in accordance with GAAP; provided that (A) such amount shall be adjusted, as and to the extent applicable, for non-cash gains or losses related to the Transferor Notes and (B) notwithstanding its presentation under GAAP, all interest expense of the REIT in respect of convertible debenture Indebtedness and Subordinated Indebtedness will be included at the face rate of interest thereon and, for the purpose of calculations made in respect of the Debentures, distributions paid on the Class C LP Units will be included, and (C) for the avoidance of doubt, distributions in respect of the Class B LP Units will not be included in determining Consolidated Interest Expense.

“**Consolidated Net Income**” of the REIT for any period means the net income (loss) of the REIT for such period determined on a consolidated basis in accordance with GAAP, excluding (i) the aggregate amount of distributions on the Class B LP Units for such period, (ii) any gain or loss attributable to the sale or other disposition of any asset or liability of the REIT, other than the sale or disposition of income properties held for resale, (iii) any non-cash changes in fair value and other non-cash gains or losses of the REIT, determined on a consolidated basis in accordance with GAAP, (iv) other non-recurring items, and including (v) any Proportionate Consolidation Adjustments; and including or excluding, as applicable, the related tax impact of items (i) to (iv).

“**Consolidated Secured Indebtedness**” of the REIT at any date means the Consolidated Indebtedness that is secured in any manner by any Lien as at such date, determined in accordance with GAAP and including Proportionate Consolidation Adjustments.

“**Consolidated Unsecured Indebtedness**” of the REIT at any date means the Consolidated Indebtedness of the REIT that is not secured in any manner by any Lien as at such date, determined in accordance with GAAP and including Proportionate Consolidation Adjustments.

“**Coverage Ratio**” has the meaning given to that term under “Details of the Offering — Certain Covenants”.

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

“**Credit Facility**” means the senior unsecured revolving credit facility in the amount of \$500 million to be made available to the REIT on Closing by a syndicate of lenders, as described under “Debt Strategy and Indebtedness — Composition of Indebtedness — Revolving Credit Facility”.

“**DBRS**” means DBRS Limited.

“**Debentures**” means, collectively, the Series A Debentures and the Series B Debentures.

“**Debt Service**” means, for any period, the sum of (without duplication) (i) Consolidated Interest Expense for such period and (ii) all regularly scheduled principal payments made with respect to Consolidated Indebtedness during such period (other than any balloon, bullet or similar principal payable at maturity or which repays such Indebtedness in full).

“**Declaration of Trust**” means the declaration of trust of the REIT dated as of May 21, 2013, as described under “Declaration of Trust and Description of the REIT Units”.

“**Deferred Income Plans**” means, collectively, trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, deferred profit sharing plans, registered disability savings plans and tax-free savings accounts, each as described in the Tax Act.

“**Deferred Unit Plan**” means the deferred unit plan of the REIT to be adopted by the REIT at Closing.

“**Deferred Units**” means deferred units issued pursuant to the Deferred Unit Plan.

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

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

“**Desjardins**” means Desjardins Securities Inc.

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

“**DRIP**” means the Distribution Reinvestment Plan of the REIT.

“**EBITDA**” means earnings before interest, taxes, depreciation and amortization.

“**Encumbered**” when used, as of any date, in reference to any asset of the REIT, means an asset which is encumbered by any Lien that secures the payment of any obligations under any Indebtedness. The designation of a particular asset as Encumbered at any particular time shall not necessarily result in its continued designation as such at any future time and *vice versa* (i.e., assets previously designated Encumbered may cease to qualify as such in accordance with the foregoing definition and assets previously not designated as such may become designated Encumbered upon meeting the qualification criteria of the foregoing definition).

“**Equity Underwriters**” mean, collectively, CIBCWM, RBCDS, TDSI, BMONB, Desjardins, NBF, SCI, GMP and Raymond James, as described under “Plan of Distribution — Unit Offering”.

“**Equity Underwriting Agreement**” means the underwriting agreement dated as of June 26, 2013 among the REIT, Loblaw and the Equity Underwriters, as described under “Plan of Distribution — Unit Offering”.

“**Exchange Agreement**” means the agreement to be entered into at Closing pursuant to which Loblaw will be granted, among other things, the right to require the REIT to exchange each Class B LP Unit held by Loblaw for one Unit as described under “Key Investors — Retained Interest of Loblaw — Exchange Rights”.

“**Excluded Transaction**” means, for purposes of the Strategic Alliance Agreement, any transaction or series of transactions (including any sale, acquisition, construction, development or redevelopment transaction or series of transactions) involving a property owned or being acquired by Loblaw (in whole or in part) and in respect of which, in the opinion of Loblaw, acting reasonably: (i) the REIT does not have the expertise or ability to complete such transaction(s) on substantially the same terms, or to substantially the same standard, or within substantially the same timing; (ii) any such transaction where Loblaw determines that the REIT does not own the requisite interests in land or that any person that is not Loblaw or a supplier to a Loblaw business has advantageous approvals, permits, consent rights or agreements in place that would benefit the ultimate

transaction; or (iii) is (are) proposed to be entered into by Loblaw for strategic purposes and involves more than one property that is or will be owned by Loblaw, in whole or in part.

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

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

“**First Supplemental Indenture**” means the first supplemental indenture to the Indenture to be dated as of the Closing Date and providing for the creation and issuance of the Series A Debentures.

“**Forecast Period**” means the forecast period contemplated under “Financial Forecast”, being the period from July 1, 2013 to June 30, 2014.

“**Fuel Facility**” has the meaning given to that term under “Assets of the REIT — Description of Material Lease Terms with Loblaw”.

“**GAAP**” means generally accepted accounting principles in Canada (which for Canadian reporting issuers is IFRS) as in effect from time to time and as adopted by the REIT from time to time for the purposes of its public financial reporting.

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

“**GLA**” means gross leasable area.

“**Global Debenture**” has the meaning given to that term under “Details of the Offering — Depository Services”.

“**GMP**” means GMP Securities L.P.

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

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

“**Guarantee**” means a guarantee to be provided by the Guarantors substantially in the form attached as Schedule “B” to each of the Supplemental Indentures.

“**Guarantor**” means each of the General Partner and the Partnership together with any person that becomes a Subsidiary of the REIT after the Closing Date (other than a Nominee Subsidiary or an inactive Subsidiary).

“**GWL**” means George Weston Limited, the parent company and majority shareholder of Loblaw, and/or its Subsidiaries (other than Loblaw).

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

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

“**Indebtedness**” of any person means (without duplication) (i) any obligation of such person for borrowed money (including, for greater certainty, the full principal amount of convertible debt, notwithstanding its presentation under GAAP), (ii) any obligation of such person incurred in connection with the acquisition of property, assets or businesses, (iii) any obligation of such person issued or assumed as the deferred purchase price of property, (iv) any Capital Lease Obligation of such person, and (v) any obligations of the type referred to in clauses (i) through (iv) of another person, the payment of which such person has guaranteed or for which such person is responsible or liable; provided that, (A) for the purpose of clauses (i) through (v) (except in respect of convertible debt, as described above), an obligation will constitute Indebtedness of such person only to the extent that it would appear as a liability on the consolidated balance sheet of such person in accordance with GAAP, (B) obligations referred to in clauses (i) through (iii) exclude trade accounts payable, distributions payable to Unitholders, accrued liabilities arising in the ordinary course of business which are not overdue or which are being contested in good faith, deferred revenues, intangible liabilities, deferred income taxes, deferred financing costs, tenant deposits and indebtedness with respect to the unpaid balance of installment receipts where such indebtedness has a term not in excess of 12 months, and (C) Units, Class A LP Units, Class B LP Units, Class C LP Units, and exchangeable securities do not constitute Indebtedness. Furthermore, obligations referred to in clauses (i) through (v) shall be adjusted, as and to the extent applicable, for (a) any adjustments which correspond to those made in accordance with the definition of Consolidated EBITDA, and (b) Proportionate Consolidation Adjustments.

**“Indebtedness Percentage”** has the meaning given to that term under “Details of the Offering — Certain Covenants”.

**“Indenture”** means the trust indenture to be entered into between the REIT and the Indenture Trustee, dated as of the Closing Date, pursuant to which the Debentures will be created and issued.

**“Indenture Trustee”** means BNY Trust Company of Canada.

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

**“Initial Properties”** means the portfolio of 425 properties totaling approximately 35.3 million square feet of GLA, comprising 415 retail properties, one office complex and nine warehouse properties that the REIT will indirectly acquire through the Partnership in connection with the Closing, and **“Initial Property”** means any one of them.

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

**“JP Morgan”** means J.P. Morgan Securities Canada Inc.

**“LCBO”** means the Liquor Control Board of Ontario.

**“Lead Agents”** means, collectively, CIBCWM, RBCDS, TDSI and BMONB.

**“Lead Equity Underwriters”** means, collectively, CIBCWM, RBCDS and TDSI.

**“Lead Trustee”** refers to the Independent Trustee of the Board who is responsible for ensuring the appropriate leadership for the Independent Trustees, as further described under “Declaration of Trust and Description of REIT Units — Conflicts of Interest”.

**“Lien”** means any security interest, encumbrance, lien, hypothec, mortgage, pledge, charge or any other arrangement (including a deposit arrangement) or condition that in substance secures payment or performance of an obligation.

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

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

**“Loblaw”** means, collectively, Loblaw Companies Limited together with its Subsidiaries (excluding the REIT and the REIT’s Subsidiaries), or, as the context requires, only Loblaw Companies Limited.

**“Loblaw Associated Property”** means, for purposes of the Strategic Alliance Agreement, any retail, office, warehouse, distribution centre, industrial or commercial property that (i) is used or leased by Loblaw or a supplier to a Loblaw business or a franchisee of Loblaw (or, as the context requires, is intended to be so used or leased) and (ii) if it has third-party tenants (or, as the context requires, upon completion of the proposed acquisition, construction and/or development, will have), has no more than two third-party tenants (or subtenants in the case of a property that constitutes a long-term ground lease or emphyteutic lease).

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

**“Loblaw-Owned Banner”** means (i) corporate-owned or licensed (in the case of Dominion) store banners, including Atlantic Superstore, Dominion, Extra Foods, Loblaws, Maxi, Maxi & Cie, Provigo, Real Canadian Superstore, T&T Supermarket, Zehrs Markets; (ii) wholesale outlets operating as Cash & Carry, Presto, and The Real Canadian Wholesale Club; and (iii) franchised and affiliated store banners operating as Save Easy, Fortinos, Extra Foods, no frills, Super Valu, Valu-mart, Provigo and Your Independent Grocer.

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

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

**“Master Acquisition Agreement”** means the Master Acquisition Agreement to be entered into on Closing pursuant to which the Transferors or Loblaw, as the case may be, will provide, among other things, certain

representations, warranties and indemnities in respect of the Initial Properties to the REIT and the Partnership, as described under “Acquisition of the Initial Properties — Acquisition Agreements and Master Acquisition Agreement”.

“**Material Subsidiary**” at any date means any Subsidiary of the REIT which constitutes more than 10% of Unitholders’ Equity calculated as at such date.

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

“**NBF**” means National Bank Financial Inc.

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

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

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

“**Nominee Subsidiary**” means a Subsidiary of the REIT holding registered title to real property on behalf of the REIT but which does not otherwise hold any assets or carry on any business and which has incurred no Indebtedness.

“**Non-Residents**” means (i) non-residents of Canada, (ii) partnerships that are not Canadian partnerships, or (iii) a combination of non-residents and such partnerships (all within the meaning of the Tax Act).

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

“**NSLC**” means the Nova Scotia Liquor Corporation.

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

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

“**Participants**” has the meaning given to that term under “Details of the Offering — Depository Services”.

“**Partnership**” means Choice Properties Limited Partnership, a limited partnership existing under the *Limited Partnership Act* (Ontario).

“**Permitted Indebtedness**” means:

- (a) Indebtedness of (A) the REIT owed to any of its Subsidiaries and (B) any Subsidiary of the REIT owed to the REIT and/or another of its Subsidiaries (each of the entities in (A), and (B) being for this purposes a “related entity”), provided, however, that the provisions of this subsection (a) will no longer be applicable,
  - i. upon the subsequent transfer or other disposition of such Indebtedness to any person that is not a related entity to the transferor, to the amount that was so transferred or otherwise disposed of to such other person; or
  - ii. in the case of Indebtedness of the REIT owed to any of its Subsidiaries, upon the subsequent issuance or disposition of common shares (including, without limitation, by consolidation or merger) of such Subsidiary which results in such Subsidiary ceasing to be a Subsidiary of the REIT (and thereby for this purpose a “third party”), to the amount of such Indebtedness equal to the product obtained by multiplying the amount of such Indebtedness by the percentage of common shares of the third party owned immediately after such issuance or disposition of such common shares by persons other than the REIT or one of its Subsidiaries,

and, in each case, such amount of such Indebtedness will be deemed for the purpose of the calculation of the Indebtedness Percentage to have been incurred at the time of such transfer, issuance or disposition; and

- (b) Indebtedness of the REIT or any of its Subsidiaries which is incurred or the proceeds of which are used to renew, extend, repay, redeem, purchase, refinance or refund (each a “refinancing”) any

Indebtedness of the REIT or any of its Subsidiaries outstanding on the date hereof or permitted to be incurred hereunder, provided, however, that (i) the Indebtedness which is incurred will not exceed the aggregate principal amount of all Indebtedness which is so refinanced at such time, plus the amount of any premium required to be paid in connection with such refinancing pursuant to the terms of the Indebtedness which is so refinanced or the amount of any premium reasonably determined by the REIT or the relevant Subsidiary as necessary to accomplish such refinancing by means of a tender offer or privately negotiated agreement, plus the expenses of the REIT and the relevant Subsidiary incurred in connection with such refinancing and (ii) for purposes of the Debentures, the Indebtedness which is incurred, the proceeds of which are used to refinance the Debentures or Indebtedness of the REIT or any of its Subsidiaries which ranks equally and rateably with the Debentures or Indebtedness of the REIT or any of its Subsidiaries which is subordinate in right of payment to the Debentures, will only be permitted if, in the case of any refinancing of the Debentures or Indebtedness of the REIT or any of its Subsidiaries which ranks equally and rateably with the Debentures, the Indebtedness which is incurred is made equal and rateable to the Debentures or subordinated to the Debentures and, in the case of any refinancing of the Indebtedness of the REIT or any of its Subsidiaries which is subordinate to the Debentures, the Indebtedness which is incurred is made subordinate to the Debentures at least to the same extent as is such Indebtedness which is being so refinanced.

“**Phase I ESA Reports**” means Phase I environmental site assessment reports, as described under “Assessments and Valuation of the Initial Properties — Environmental Site Assessments”.

“**Phase II ESA Reports**” means Phase II environmental site assessment reports, as described under “Assessments and Valuation of the Initial Properties — Environmental Site Assessments”.

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

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

“**Preferred Units**” means preferred units of the REIT that may be created in the future, and “**Preferred Unit**” means any one of them.

“**Property Management Agreement**” means the property management agreement between the REIT and Arcturus to be entered into at Closing pursuant to which it is expected that Arcturus will provide property management services to the REIT in respect of 150 of the 425 Initial Properties.

“**Proportionate Consolidation Adjustments**” means accounting adjustments to reflect assets, liabilities, equity, revenues and expenses on a proportionate basis in place of the REIT’s use of equity accounting in accordance with GAAP with respect to real estate investments or interests in which the REIT participates.

“**Rating**” means a final rating, if any, assigned to the senior unsecured debt of the REIT or to the REIT, as applicable, by a Specified Rating Agency.

“**Raymond James**” means Raymond James Ltd.

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

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

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

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

“**Reference Period**” means the most recently completed four fiscal quarters for which consolidated financial statements of the REIT have been publicly released preceding the date of a calculation.

“**Registered Plans**” means, collectively, trusts governed by registered retirement savings plans, registered retirement income funds, registered disability savings plans, deferred profit sharing plans, tax-free savings accounts and registered education savings plans.

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

“**REIT Notes**” means, collectively, the promissory notes to be issued by the Partnership to the REIT on Closing evidencing indebtedness of the Partnership owing to the REIT, and “**REIT Note**” means any one of them.

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

“**S&P**” means Standard & Poor’s Ratings Service.

“**SAQ**” means Société des alcools du Québec.

“**SCI**” means Scotia Capital Inc.

“**Second Supplemental Indenture**” means the second supplemental indenture to the Indenture to be dated as of the Closing Date and providing for the creation and issuance of the Series B Debentures.

“**Secured Coverage Ratio**” has the meaning given to that term under “Details of the Offering — Certain Covenants”.

“**SEDAR**” means the System for Electronic Documents Analysis and Retrieval at [www.sedar.com](http://www.sedar.com).

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

“**Series A Debentures**” means the \$400 million aggregate principal amount of 3.554% Series A senior unsecured debentures of the REIT due July 5, 2018.

“**Series B Debentures**” means the \$200 million aggregate principal amount of 4.903% Series B senior unsecured debentures of the REIT due July 5, 2023.

“**Services**” means the services to be provided by Loblaw to the REIT, on a cost-recovery basis, pursuant to the Services Agreement, as described under “Arrangements with Loblaw — Services Agreement”.

“**Services Agreement**” means the services agreement among the REIT, the Partnership and Loblaws Inc. to be entered into at Closing pursuant to which Loblaws Inc. or certain of its Subsidiaries will provide the Services, as described under “Arrangements with Loblaw — Services Agreement”.

“**Shopping Centre Property**” means, for purposes of the Strategic Alliance Agreement, any property which has (or, as the context requires, upon completion of the proposed acquisition, construction and/or development, will have) three or more tenants that are not Loblaw or a supplier to a Loblaw business (or subtenants in the case of a property that constitutes a long-term ground lease or emphyteutic lease).

“**SIFT Rules**” means the rules applicable to SIFT trusts and SIFT partnerships in the Tax Act, as described under “Risk Factors — Risk Factors Related to the Offering — Tax Related Risks”.

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

“**Specified Rating Agencies**” shall mean each of Moody’s Investors Service, Inc., S&P, DBRS and Fitch Ratings Inc. as long as, in each case, it has not ceased to rate the Debentures of the particular series or failed to make a rating of Debentures of the particular series publicly available for reasons outside of the REIT’s control; provided that if one or more of Moody’s Investors Service, Inc., S&P, DBRS or Fitch Ratings Inc. ceases to rate the applicable series of Debentures or fails to make a rating of the applicable series of Debentures publicly available for reasons outside of the REIT’s control, the REIT may select any other “approved rating organization” within the meaning of National Instrument 41-101 — *General Prospectus Requirements* as a replacement agency for such one or more of them, as the case may be; and “**Specified Rating Agency**” means any one of them.

“**Strategic Alliance Agreement**” means the strategic alliance agreement among the REIT, Loblaw, Loblaws Inc. and Loblaw Properties Limited to be entered into at Closing, as described under “Arrangements with Loblaw — Strategic Alliance Agreement”.

“**Subordinated Indebtedness**” means Indebtedness of the REIT (or its successor) (i) that is expressly subordinate in right of payment to the Debentures and the obligations of the REIT and its Subsidiaries under its revolving credit facilities and (ii) in connection with the issuance of which each Specified Rating Agency confirms in writing that its Rating, if any, for the Debentures upon the issuance of the Indebtedness will be at least equal to the Rating accorded to the Debentures immediately prior to the issuance of the Indebtedness.

“**Subsidiary**” has the meaning given to that term in National Instrument 45-106 — *Prospectus and Registrations Exemptions*.

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

“**Supermarket Lease**” means a lease that permits a Supermarket Use, regardless of whether the demised premises subject to such lease are actually used for a Supermarket Use.

“**Supermarket Tenant**” means any tenant pursuant to a Supermarket Lease.

“**Supermarket Use**” means a retail and/or wholesale location which has a total selling area of more than 6,000 square feet and:

- a) sells primarily food products such as produce and meat, baked goods, dairy, dry and frozen grocery, confectionary, packaged and prepared foods (as customarily sold by grocery stores and supermarkets) (collectively, “**Food Products**”); or
- b) has at least 6,000 square feet of selling area offering Food Products and also sells any of the following products: health and beauty products; basic baby items; household cleaning and paper products; floral; pet supplies; and/or prescription or non-prescription drugs (collectively, “**Non-Food Products**”), provided that the aggregate selling areas dedicated to Food Products and Non-Food Products comprises more than the lesser of (x) 50% of the total selling area and (y) 20,000 square feet.

“**Supplemental Indentures**” means, collectively, the First Supplemental Indenture and the Second Supplemental Indenture, and “**Supplemental Indenture**” means any one of them.

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

“**TDSI**” means TD Securities Inc.

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

“**Transferor Notes**” means, collectively, the \$2.6 billion aggregate principal amount of promissory notes to be issued by the Partnership to the Transferor Trust in exchange for the Transferor Trust Notes, as described under “Debt Strategy and Indebtedness — Composition of Indebtedness — Transferor Notes”, and “**Transferor Note**” means any one of them.

“**Transferors**” means, collectively, Loblaw Inc., Provigo Distribution Inc., Loblaw Properties Limited, Loblaw Properties West Inc. and Provigo Properties Limited, and “**Transferor**” means any one of them.

“**Transferor Trust**” means a trust created pursuant to a declaration of trust which will initially be established for the benefit of the Transferors.

“**Transferor Trust Notes**” means, collectively, the \$2.6 billion aggregate principal amount of promissory notes issued by the Transferors to the Transferor Trust in exchange for units of the Transferor Trust, and subsequently assigned by (a) the Transferor Trust to the Partnership in exchange for the Transferor Notes, and (b) the Partnership to the Transferors as partial consideration for the sale of the Initial Properties. See “Acquisition of the Initial Properties”.

“**Trustees**” means the trustees from time to time of the REIT, and “**Trustee**” means any one of them.

“**TSX**” means the Toronto Stock Exchange.

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

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

“**Unencumbered Aggregate Adjusted Assets**” as at any date means, as at the relevant Calculation Reference Date, the Aggregate Assets (excluding any amount relating to assets that are Encumbered), *provided that* the component amount thereof that would otherwise comprise the amount shown on a balance sheet as “Investment properties” (or its equivalent) shall be instead calculated as the amount obtained by applying the Capitalization Factor as at such Calculation Reference Date to determine the fair value of the REIT’s assets that would comprise “Investment properties” (excluding assets that are Encumbered) using the valuation methodology described by the REIT in its then most recently published annual or interim financial statements or management’s discussion and analysis, applied consistently in accordance with past practice, *provided further* (i) that until the date of the REIT’s first published interim financial statements or management’s discussion and analysis, the component amount of Aggregate Adjusted Assets that would otherwise comprise the amount shown on the REIT’s balance sheet as “Investment properties” shall be deemed to be \$6,925 million and (ii) until the completion of the interim period commencing July 1, 2013 and ending September 30, 2013, the Calculation Reference Date shall be the Closing Date.

“**Unit Offering**” means the offering of the Units pursuant to the Unit Prospectus.

“**Unit Offering Price**” means the price per Unit sold pursuant to the Unit Offering.

“**Unit Over-Allotment Option**” means the option granted to the Equity Underwriters by the REIT, exercisable in whole or in part and at any one time up to 30 days after Closing, to purchase up to an additional 4,000,000 Units on the same terms as set forth in the Unit Prospectus, solely to cover over-allocations, if any, and for market stabilization purposes, as described under “Plan of Distribution — Unit Offering”.

“**Unit Prospectus**” means the prospectus dated the date hereof relating to the contemporaneous Unit Offering.

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

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

“**Unitholders’ Equity**” means, for purposes of the definition of Material Subsidiary only, at any time, the aggregate of (i) the aggregate amount of Unitholders’ equity of the REIT plus (ii) the aggregate capital ascribed to the Class B LP Units plus (iii) the aggregate capital ascribed to the Class C LP Units, in each case, as shown on the REIT’s most recently published annual or interim consolidated balance sheet at such time and calculated as at such date in accordance with GAAP.

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

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

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

“**Weston Group**” means (a) W. Galen Weston (“**WGW**”); (b) his spouse; (c) any lineal descendant of WGW (treating for this purpose, for greater certainty, any legally adopted descendants as a lineal descendant) (d) the estate trustee of any person listed in clauses (a) to (c); (e) any trust (whether testamentary or inter vivos) primarily for the lineal descendants of WGW, spouses of such lineal descendants, WGW himself or his spouse; and/or (f) any and all corporations which are directly or indirectly controlled by one or more of the foregoing, provided that for the purposes of this definition, “control” of a corporation means the ownership of, or control or direction over, more than 50% of the total voting interest entitled (without regard to the occurrence of any contingency) to vote in the election of the board of directors and the votes attached to such voting interest are sufficient, if exercised, to elect a majority of the board of directors of such corporation and “spouse” includes a person’s widow or widower.

## ABOUT THIS PROSPECTUS

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

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

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

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

All references in this prospectus to "AFFO per Unit" refer to AFFO per Unit on a fully-diluted basis.

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

Applicable securities laws require the REIT to include pro forma financial statements in this prospectus in respect of the Third-Party Tenant Portfolio giving effect to, among other things, the Offering, the Unit Offering and the Acquisition, only if such pro forma financial statements are necessary for this prospectus to contain full, true and plain disclosure of all material facts relating to the Debentures. As evidenced by their execution of the certificates attached to this prospectus, the REIT, Loblaw and the Agents do not believe that such pro forma financial statements are necessary for this purpose, and, accordingly, no such statements are included. The REIT, Loblaw and the Agents made their determination on the basis that: (i) the Third-Party Tenant Portfolio is expected to generate less than 10% of the REIT's NOI during the Forecast Period; and (ii) the Financial Forecast included in this prospectus, together with the other information in this prospectus related to the Initial Properties, provides investors with meaningful material information about the REIT and its business following Closing.

## MEANING OF CERTAIN REFERENCES

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

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

References to “management” in this prospectus means the persons acting in the capacities of the REIT’s Chief Executive Officer, Chief Financial Officer and Chief Operating 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.

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

## MARKET AND INDUSTRY DATA

This prospectus includes market and industry data and forecasts that were obtained from third-party sources, industry publications and publicly available information as well as industry data prepared by management on the basis of its knowledge of the commercial 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 Canada has been developed through its experience and participation in the industry. Management believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there can be no assurance as to the accuracy or completeness of this data. Third-party sources, which include CBRE Canada and Statistics Canada, 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, Loblaw nor the Agents 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.

## FORWARD-LOOKING STATEMENTS

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

- the REIT’s relationship with Loblaw, including in respect of (i) Loblaw’s retained interest in the REIT and its current intention with respect thereto, (ii) the services to be provided to the REIT (whether directly or indirectly) by Loblaw, (iii) expected transactions to be entered into between Loblaw and the REIT (including the REIT’s acquisition of certain interests in properties held by Loblaw) and (iv) the Strategic Alliance Agreement;
- the REIT’s intention with respect to, and ability to execute, its internal and external growth strategies;
- the forecasted financial results of the REIT, including the assumptions contained in such forecast, for the periods set out in the “Financial Forecast” section of this prospectus;

- the REIT's capital expenditure requirements and capital expenditures to be made by the REIT and Loblaw;
- the REIT's distribution policy and the distributions to be paid to Unitholders;
- the distributions to be paid to holders of Partnership units;
- use of the net proceeds to be received by the REIT upon the exercise of the Unit Over-Allotment Option, if exercised;
- use of the net proceeds to be received by the REIT upon the closing of the Offering and the Unit Offering;
- the REIT's debt strategy, including the REIT entering into the Credit Facility;
- the REIT's access to available sources of debt and/or equity financing;
- future compensation and governance practices by the REIT;
- future legislative and regulatory developments which may affect the REIT;
- the expected tax treatment of the REIT and its distributions to Unitholders;
- the REIT's ability to meet its stated obligations;
- the REIT's ability to expand its asset base and make accretive acquisitions;
- the percentage of cash distributions to be paid to Unitholders that will be tax deferred in 2013; and
- the ability of the REIT to qualify as a "mutual fund trust", as defined in the Tax Act, and as a "real estate investment trust", as defined in the SIFT Rules.

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

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

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

## NON-GAAP MEASURES

Funds from operations (“FFO”), adjusted funds from operations (“AFFO”) and net operating income (“NOI”) are key measures of performance used by real estate businesses. However, such measures are not defined by GAAP and do not have standardized meanings prescribed by GAAP. 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 GAAP measurement most directly comparable to FFO, AFFO and NOI is net income.

“FFO” is defined consistently with the definition presented in the White Paper on funds from operations prepared by the Real Property Association of Canada (“REALpac”). FFO is calculated as net income in accordance with GAAP, adjusted by removing the impact of, but not limited to (i) fair value adjustments on investment properties; (ii) other fair value adjustments including fair value adjustments on redeemable or exchangeable units; (iii) gains and losses on the sale of investment properties; (iv) amortization of tenant incentives; and (v) distributions on redeemable or exchangeable units treated as interest expense.

“AFFO” is defined as FFO subject to certain adjustments, to (a) remove the impact of: (i) amortization of fair value mark-to-market adjustments on debt and amortization of financing costs; (ii) adjusting for any differences resulting from recognizing property rental revenues or expenses on a straight-line basis; (iii) initial one-time costs to establish the REIT; (iv) depreciation; and (v) non-cash compensation incentive plans; and (b) by deducting a reserve for normalized maintenance capital expenditures, tenant inducements and leasing commissions. Other adjustments may be made to AFFO as determined by the Trustees in their sole discretion.

“NOI” is defined as rental revenue from properties less property operating expenses as presented in the statement of income prepared in accordance with GAAP. Accordingly, NOI excludes certain expenses included in the determination of net income such as general and administrative expenses, fair value adjustments and amortization.

FFO, AFFO and NOI should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with GAAP 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. See “Forecast Non-GAAP Reconciliation”.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Torys LLP, counsel to the REIT, and Blake, Cassels & Graydon LLP, counsel to the Agents, based on the current provisions of the Tax Act, provided that on the Closing Date (i) the REIT qualifies as a “mutual fund trust” within the meaning of the Tax Act and (ii) Units are listed on a designated stock exchange in Canada (which currently includes the TSX), the Debentures will be, on the Closing Date, qualified investments under the Tax Act for trusts governed by registered retirement savings plans (“RRSP”), registered retirement income funds (“RRIF”), registered education savings plans, registered disability savings plans, tax-free savings accounts (“TFSA”) and deferred profit sharing plans (other than trusts governed by deferred profit sharing plans to which contributions are made by the REIT).

Notwithstanding that the Debentures may be qualified investments for a TFSA, RRSP or RRIF, the holder of a TFSA, or the annuitant of a RRSP or RRIF, as the case may be, will be subject to a penalty tax on the Debentures if such Debentures are a “prohibited investment” (as defined in the Tax Act) for the TFSA, RRSP or RRIF. The Debentures will not be a “prohibited investment” for a TFSA, RRSP or RRIF provided the holder of the TFSA or the annuitant under the RRSP or RRIF, 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” (within the meaning of the Tax Act) in the REIT and (iii) does not have a “significant interest” (within the meaning of the Tax Act) in a corporation, partnership or trust with which the REIT does not deal at arm’s length for purposes of the Tax Act. Proposed amendments to the Tax Act released on December 21, 2012 propose to delete the condition in (iii) above. Holders of a TFSA and annuitants of a RRSP or RRIF should consult their own tax advisors as to whether the Debentures will be prohibited investments in their particular circumstances.

## PROSPECTUS SUMMARY

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

### THE REIT

#### Establishment and Overview

The REIT is 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. The principal, registered and head office of the REIT is located at 22 St. Clair Avenue East, Suite 800, Toronto, Ontario, M4T 2S5. The REIT has been formed primarily to own income-producing commercial properties located in Canada.

Loblaw has taken the initiative in creating the REIT in order to optimize Loblaw's real estate holdings and establish a growth-oriented public real estate entity. Loblaw is listed on the TSX under the symbol "L", had a market capitalization of approximately \$14.0 billion as of the date of this prospectus, 2012 revenues of more than \$31.0 billion and EBITDA of approximately \$2.0 billion. Loblaw has had an investment grade credit rating from each of DBRS and S&P for over 10 years. Loblaw is Canada's largest food distributor and a leading provider of drugstore, general merchandise and financial products and services. Loblaw and its franchisees currently operate 1,053 stores across Canada and, according to The Globe and Mail's 2012 Top 1000 rankings, Loblaw, together with its franchisees, is one of Canada's largest private sector employers with more than 134,000 full-time and part-time employees. For over 50 years, Loblaw has operated through corporate, franchised and affiliated stores, and it currently owns a real estate portfolio for its retail and ancillary operations spanning approximately 47 million square feet. Loblaw or its franchisees operate both conventional and discount retail stores, each of which operate under a Loblaw-Owned Banner. Loblaw's store network is supported by, among other things, owned office and warehouse facilities located across Canada.

Loblaw believes that the Initial Properties will provide the REIT with a stable base upon which to grow, including through property improvements and site intensification. External growth is expected through, among other things, future property acquisitions from Loblaw and from third parties. A primary objective of the REIT is to expand its asset base to increase the REIT's AFFO per Unit.

In connection with the Closing, the REIT will indirectly acquire the Initial Properties, being a portfolio of 425 properties totaling approximately 35.3 million square feet of GLA, comprising 415 retail properties, one office complex and nine warehouse properties. The retail properties will be made up of (i) 267 properties with a stand-alone store operating under a Loblaw-Owned Banner, (ii) 143 properties anchored by a store operating under a Loblaw-Owned Banner that also contain one or more third-party tenants, and (iii) five properties containing only third-party tenants. The office complex consists of two office buildings and the warehouse properties include two properties that host three warehouses each. All of the Initial Properties are currently indirectly owned by Loblaw, and represent approximately 75% of its owned real estate portfolio (measured by square feet). Loblaw will be the REIT's most significant tenant for the foreseeable future, representing approximately 91.2% of the REIT's annual base minimum rent as of the Closing Date and 88.3% of its GLA. On Closing, the remaining terms of the Loblaw Leases will range from 10 to 18 years, with a weighted average remaining lease term of 14 years. See "Acquisition of the Initial Properties" and "Assets of the REIT".

On Closing, it is expected that Loblaw will hold an approximate 83.1% effective interest in the REIT through ownership of 21,500,000 Units and all of the Class B LP Units of the Partnership, which are economically equivalent to and exchangeable for Units (or an approximate 81.7% effective interest in the REIT if the Unit Over-Allotment Option is exercised in full). In addition, Loblaw will hold all of the outstanding Class C LP Units of the Partnership. See "Key Investors — Retained Interest of Loblaw". Concurrently with the Unit Offering, GWL will purchase 20,000,000 Units from the REIT at the Unit Offering Price for a subscription price of \$200 million. Loblaw has advised the REIT that its current expectation is that it will continue to own a majority effective interest in the REIT for at least the next 10 years. Neither Loblaw, GWL nor any of their respective Subsidiaries will purchase any Debentures in connection with the Offering. Loblaw is also entering

into the Strategic Alliance Agreement with the REIT for an initial term of 10 years, with an automatic renewal for a second term that will continue until the earlier of (i) 20 years from the Closing Date and (ii) the date on which Loblaw ceases to own a majority effective interest in the REIT on a fully-diluted basis. For greater certainty, in the event that Loblaw owns less than a 50% effective interest in the REIT at the end of the initial 10-year term, the Strategic Alliance Agreement will not be renewed and will terminate. See “Arrangements with Loblaw — Strategic Alliance Agreement”.

On Closing, the REIT will employ an experienced internal senior management team that will be supported by an internal team of professionals with experience in asset management, property management, property acquisitions and dispositions, development, leasing and finance. Loblaw Inc. will provide certain administrative and other services for the REIT, on a cost-recovery basis, pursuant to the Services Agreement (including certain property management services). See “Arrangements with Loblaw — Services Agreement”.

See “The REIT — Establishment and Overview”.

### **Business Strategy and Objectives of the REIT**

The primary strategy of the REIT is to create Unitholder value over the long-term by generating sustainable cash flow and capital appreciation. To achieve this objective, management will proactively manage the portfolio with the intent of driving development through intensification and by increasing the productivity of operations to increase cash flow from the Initial Properties and future acquisitions. Management intends to be focused and disciplined in acquiring properties, with a primary focus on supermarket-anchored shopping centres, stand-alone supermarkets with or without intensification opportunities and other well-located retail properties that management believes present the best opportunity to generate stable, growing cash flow and capital appreciation. The REIT will maintain a strong balance sheet and practice prudent financial management to minimize financial risk for Unitholders and achieve an optimal cost of capital.

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

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

### **Strengths and Investment Highlights**

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

- **Attractive Yield.** The REIT intends to pay stable, predictable and growing monthly cash distributions, initially expected to provide Unitholders with an annual yield of approximately 6.50% based on an AFFO payout ratio of approximately 90%.
- **Large and Diversified National Commercial Property Portfolio.** The Initial Properties will consist of approximately 35.3 million square feet of GLA across Canada, including retail, warehouse and office properties. The majority of the GLA (86.2%) is located in primarily retail properties. The Initial Properties are geographically diversified with 38.2% of the GLA located in Ontario, 28.9% in western Canada, 17.5% in Quebec and 15.4% in the Atlantic provinces. Additionally, the Initial Properties are diversified between large urban population centres, medium population centres and small/rural population centres, representing 57.2%, 16.8% and 26.0% of the REIT’s total GLA, respectively. 23.3% of the Initial Properties (measured by GLA) are located in the metropolitan locations of Toronto, Montreal, Vancouver and Calgary. Loblaw has been accumulating this real estate portfolio for over 30 years, and management believes that it would be extremely difficult to replicate the portfolio, given the current real estate market dynamics in Canada. The magnitude of the portfolio of Initial Properties will enable the REIT to benefit from economies of scale and represents an attractive platform for growth.

- ***Strong Investment Grade Major Tenant with Highly Valuable Brands in a Stable Industry.*** The REIT’s largest tenant, Loblaw, is a market leader in a strong and stable industry segment. Loblaw will represent 91.2% of the REIT’s annual base minimum rent on Closing. Loblaw carries a long-term, investment grade, corporate debt credit rating of “BBB” from each of DBRS and S&P. The Canadian supermarkets and other grocery sector is characterized by non-discretionary consumer spending and a history of stable growth. With more than 22 banners across the country, Loblaw serves more than 14 million customers each week. Each Loblaw-Owned Banner generally experiences strong banner recognition in Canada. See “Assets of the REIT — Description of the REIT’s Key Tenant”.
- ***Outstanding Leasing Profile.*** The Initial Properties are expected to have an occupancy level of 97.9% at Closing. Loblaw will occupy approximately 88.3% of the REIT’s total GLA on Closing. The REIT’s lease portfolio maturity profile will be well-distributed, with remaining lease terms generally ranging from 10 to 18 years from the Closing Date. The weighted average remaining lease term for the REIT’s entire portfolio and the weighted average remaining lease term for all Loblaw-occupied space, in each case from the Closing Date, is expected to be approximately 13 years and 14 years, respectively.
- ***Strong Balance Sheet and Investment Grade Ratings.*** On Closing, the REIT will have a Consolidated Indebtedness (plus the aggregate amount of capital ascribed to the Class C LP Units) to Aggregate Adjusted Assets ratio of approximately 51% and a service coverage ratio of 3.3 times (before giving effect to the mark-to-market adjustment on the Transferor Notes). At Closing, all of the REIT’s debt will be unsecured, including the Credit Facility, and the regular payments thereon will consist of interest only, which will provide the REIT with a stable, economical and flexible capital structure. The Debentures have been assigned a provisional rating of “BBB” by each of DBRS and S&P. In addition, the REIT has been assigned a provisional issuer credit rating of “BBB” by each of DBRS and S&P. See “Credit Ratings”.
- ***Strong Alignment of Interests with Loblaw.*** The interests of the REIT and Loblaw will be integrally aligned as the REIT will enable Loblaw to optimize its real estate holdings and increase the speed of development of new retail sites. Loblaw’s interests will be further aligned with the interests of the other Unitholders through its approximate 83.1% effective interest in the REIT through ownership of 21,500,000 Units and all of the Class B LP Units (or an approximate 81.7% effective interest in the REIT if the Unit Over-Allotment Option is exercised in full). In addition, Loblaw will hold all of the outstanding Class C LP Units of the Partnership. Loblaw’s majority shareholder, GWL, will be making a \$200 million equity investment in the REIT on Closing by subscribing for 20,000,000 Units at the Unit Offering Price, thereby providing GWL with a 5.6% interest in the REIT on a fully-diluted basis (or an approximate 5.6% interest in the REIT if the Unit Over-Allotment Option is exercised in full). In addition, each of Loblaw and GWL have agreed to a contractual hold period of 18 months following Closing pursuant to the Equity Underwriting Agreement, and Loblaw has advised the REIT that its current expectation is that it will continue to own a majority effective interest in the REIT for at least the next 10 years. This demonstrates a strong commitment by both Loblaw and GWL to maintain their respective meaningful interests in the REIT. See “Key Investors” and “Plan of Distribution” — Unit Offering.

In addition, on Closing, the REIT and Loblaw, Loblaws Inc. and Loblaw Properties Limited will enter into the Strategic Alliance Agreement that will have an initial term of 10 years and will facilitate a preferential and mutually beneficial business and operating relationship between the parties. For example, the REIT will have, subject to certain exceptions, the right of first offer to purchase any property, including stores or shopping centres developed by Loblaw, that Loblaw or its Subsidiaries seeks to sell in the future. Management expects that its relationship with Loblaw will meaningfully contribute to the REIT’s strong and sustainable acquisition growth pipeline. See “Arrangements with Loblaw — Strategic Alliance Agreement” and “Risk Factors”.

- ***Internal Executive Management, Strong Board Leadership, and Continuity of Operational Resources.*** The REIT will be managed and operated by an internal senior management team comprising the REIT’s President and Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. The REIT’s President and Chief Executive Officer, John Morrison, has over 30 years of experience in the commercial

real estate industry, including four years as the former Chief Executive Officer of one Canada's largest retail focused real estate investment trusts. Similarly, the REIT's Chief Financial Officer, Bart Munn, has over 30 years of experience in the commercial and residential real estate industry, including 15 years as a Chief Financial Officer, most recently at another of Canada's largest retail focused real estate investment trusts. Together they bring a strong understanding of, and vast operating experience in, the Canadian real estate and public markets. The REIT's Chief Operating Officer, Jane Marshall, has been a real estate executive with Loblaw for over 20 years, has extensive knowledge of Loblaw's properties and a strong business relationship with Loblaw. As well, the REIT's Board, a majority of whom are independent, is comprised of Trustees with extensive experience in corporate governance, capital markets and real estate. See "Trustees and Management of the REIT" and "Interests of Management and Others in Material Transactions".

The senior management team will be supported by an internal team of professionals with experience in asset management, property management, property acquisitions and dispositions, development, leasing and finance. Pursuant to the Services Agreement, Loblaw will provide the REIT with various services (including certain property management services) on a cost-recovery basis. See "Arrangements with Loblaw — Services Agreement".

See "The REIT — Strengths and Investment Highlights".

## **Growth Strategies of the REIT**

### ***External Growth***

The objective of the REIT's external growth initiatives will be to expand the REIT's portfolio in order to increase cash flow. External growth will be facilitated by a number of factors, including those listed below. The REIT intends to pursue a disciplined external growth strategy, primarily targeting acquisitions of supermarket-anchored shopping centres, stand-alone supermarkets with or without intensification opportunities and other well-located retail properties in Canada.

- **Right of First Offer to Acquire Additional Properties from Loblaw.** At the time of Closing, Loblaw will continue to own commercial properties comprising an aggregate of approximately 12 million square feet. Loblaw has advised the REIT that, subject to market conditions, its current intention is to offer to sell the significant majority of these properties to the REIT within 10 years after Closing. Management is also aware that Loblaw intends to continue to develop new properties and acquire properties that may also be suitable for the REIT's portfolio, for which the REIT would have a right of first offer, subject to certain exceptions. See "Arrangements with Loblaw — Strategic Alliance Agreement" and "Risk Factors".
- **Disciplined Acquisition Program.** In addition to commercial properties likely to be acquired from Loblaw, the REIT intends to complete acquisitions from third party vendors. The REIT intends to focus its acquisition efforts primarily on commercial properties with characteristics and amenities that are in high demand by potential tenants. The REIT will evaluate potential acquisition opportunities based on a number of factors, including price, expected financial performance, physical features, existing leases, functionality of design, geographic market, location, opportunity for future value enhancement and compliance with the terms of the Strategic Alliance Agreement. See "Arrangements with Loblaw — Strategic Alliance Agreement" and "Risk Factors".
- **Target Attractive New Development Opportunities.** The REIT intends to selectively target new development opportunities that have the potential to generate new leasing revenue and increase the underlying value of the REIT's portfolio. Management of the REIT has experience in creating value through development activities, and the REIT will pursue attractive opportunities either with Loblaw, with third-party partners or on its own. New development opportunities will be assessed based on a number of factors, including expected financial return, ability to lease new space, functionality of design, geographic market, location, physical amenities, opportunity for future value and compliance with the terms of the Strategic Alliance Agreement. See "Arrangements with Loblaw — Strategic Alliance Agreement" and "Risk Factors".

## Internal Growth

Management believes that there are opportunities to increase the cash flow and value of the Initial Properties through initiatives designed to enhance operations. The REIT will seek to improve the performance, value and long-term cash flow of its portfolio, initially consisting of the Initial Properties, through a number of activities, including the following:

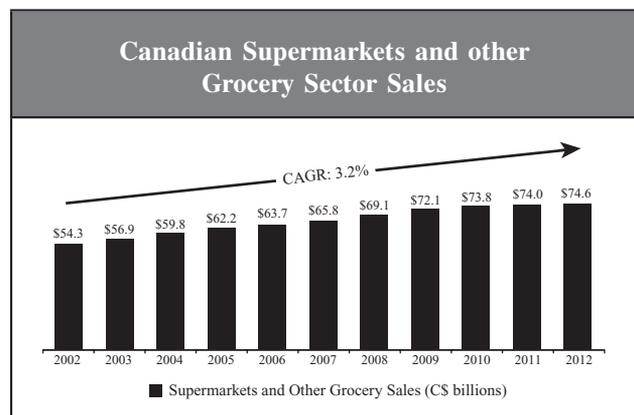
- **Capitalizing on Intensification Opportunities.** Management has redevelopment expertise that will enable the REIT to undertake future property expansion and redevelopment opportunities, where appropriate. Moreover, certain of the Initial Properties contain vacant land or other intensification opportunities which management anticipates will support expansions totaling at least 3.5 million square feet of at-grade GLA. Under the terms of the Strategic Alliance Agreement, both the REIT and Loblaw will benefit from any construction, development or redevelopment that results in intensified use of any applicable property, including the Initial Properties. See “Arrangements with Loblaw — Strategic Alliance Agreement” and “Risk Factors”.
- **Realizing on the Contractual Escalations Embedded in the Leases.** On Closing, the Loblaw Leases will have remaining terms ranging from 10 to 18 years with a weighted average remaining lease term of 14 years and a steady state, weighted average annual rent escalation of approximately 1.5%. It will take the REIT approximately 5 years to achieve this steady state level as about 20% of the Loblaw Leases escalate in each of the five years following Closing at an effective average annual escalation rate of 1.5%. These rent escalations should enable the REIT to generate strong, stable internal growth.

See “Growth Strategies of the REIT”.

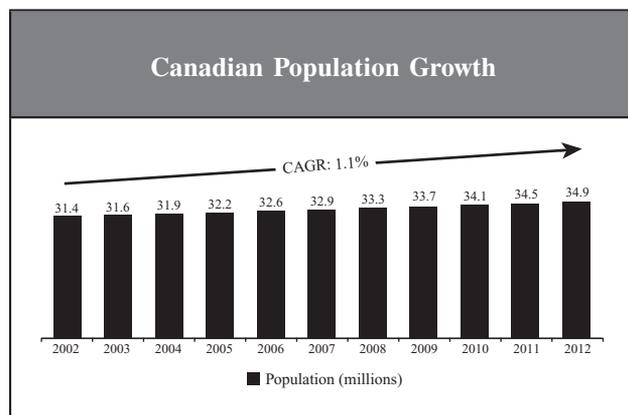
## Canadian Retail and Real Estate Market Characteristics

### Canadian Supermarket Retail Market Characteristics

According to Statistics Canada, the Canadian supermarkets and other grocery sector reported sales of \$74.6 billion in 2012. The sector has a long track record of stable growth that is due, in part, to the significant proportion of industry sales that is driven by non-discretionary spending. The Canadian supermarkets and other grocery sector has experienced positive sales growth in each year between 2002 and 2012, in aggregate implying an industry sales CAGR of 3.2%. In addition, key growth drivers for the Canadian supermarkets and other grocery sector include overall population growth and changes in GDP per capita, consumer confidence and demographic trends.



Source: Statscan Table 080-0020



Source: Statscan Table 051-0001

### Canadian Retail Real Estate Market Characteristics

Despite changing consumer dynamics, leasing market fundamentals in the Canadian retail real estate sector continue to show strength with 2012 being another solid year of demand coupled with a suitable amount of new

supply. Retail sales increased 2.5% in 2012 and are expected to grow by 2.0% in 2013.<sup>(1)</sup> According to CBRE, the national retail vacancy rate, which was 4.9% in 2012, is expected to trend even lower and end 2013 at 4.7%, a decrease of 20 basis points.<sup>(2)</sup>

With most markets in short supply of space, rents continued to move higher in 2012, at or near CPI levels.<sup>(3)</sup> Completion of new retail space reached approximately 3.4 million square feet in 2012 and will increase to an estimated 4.3 million square feet in 2013.<sup>(4)</sup> Going forward, a robust demand pipeline and a moderate supply is expected to keep retail real estate leasing fundamentals strong.

Looking ahead, it is expected that the focus for retailers and developers will be on accessing the growing urban populations. Despite the logistical challenge, retail within mixed-use development is expected to be the preferred format as it accommodates the unfulfilled demand from the growing number of downtown residential developments.<sup>(5)</sup>

See “Canadian Retail and Real Estate Market Characteristics”.

## **Assets of the REIT**

### ***General***

In connection with the Closing, the REIT will indirectly acquire a portfolio of 425 commercial properties in Canada that are currently owned by Loblaw, comprising an aggregate of 415 retail properties, one office complex and nine warehouse properties. The retail properties will be made up of (i) 267 properties with a stand-alone store with a Loblaw-Owned Banner, (ii) 143 properties anchored by a store with a Loblaw-Owned Banner that also contain one or more third-party tenants, and (iii) five properties containing only third-party tenants. The office complex consists of two office buildings and the warehouse properties include two properties that host three warehouses each. The Initial Properties comprise an aggregate of approximately 35.3 million square feet of GLA across Canada with an average age of 16 years.

The Initial Properties are well-located within their respective markets and will 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 maturities. In addition, the geographic diversification within the portfolio of Initial Properties will help to mitigate tenant concentration risks and will support the stability of the REIT’s cash flows.

### ***Description of the REIT’s Key Tenant***

Loblaw Companies Limited was incorporated on January 18, 1956, although portions of its business originated before 1900. It is a Subsidiary of GWL, and is listed on the TSX under the symbol “L”. It had a market capitalization of approximately \$14.0 billion as of the date of this prospectus and has investment grade credit ratings from each of DBRS and S&P which have been in place for over 10 years.

Loblaw generated in excess of \$31.0 billion in revenues and approximately \$2.0 billion in EBITDA in 2012. Loblaw, together with its franchisees, is one of the largest private sector employers in Canada, according to The Globe and Mail’s 2012 Top 1000 ranking, with more than 134,000 full-time and part-time employees. Loblaw estimates that it currently serves more than 14 million customers per week, representing approximately 40% of the total Canadian population. Based on reported sales of publicly traded peer companies and Canadian food retailers, Loblaw holds a leading market share. Loblaw’s customers comprise a wide cross-section of consumers located across the country.

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(1) CBRE Canada Retail MarketView Q4 2012.

(2) CBRE Canada Commercial Real Estate Market Outlook 2013.

(3) CBRE Canada Retail MarketView Q4 2012.

(4) CBRE Canada Commercial Real Estate Market Outlook 2013.

(5) CBRE Canada Commercial Real Estate Market Outlook 2013.

Loblaw has two reportable operating segments, retail and financial services. Retail consists primarily of food and also includes drugstores, gas bars, liquor stores, apparel and other general merchandise. Financial Services includes credit card services, insurance brokerage services, personal banking services provided by a major Canadian chartered bank, deposit taking services and telecommunication services.

Loblaw and its franchisees operate 1,053 stores across Canada with total space of 51.5 million square feet under 22 Loblaw-Owned Banners. Loblaw-Owned Banner stores market a strong private label program led by President’s Choice® and no name® products which were launched more than 29 and 35 years ago, respectively.

See “Assets of the REIT — Description of the REIT’s Key Tenant”.

**Overview of the Initial Properties**

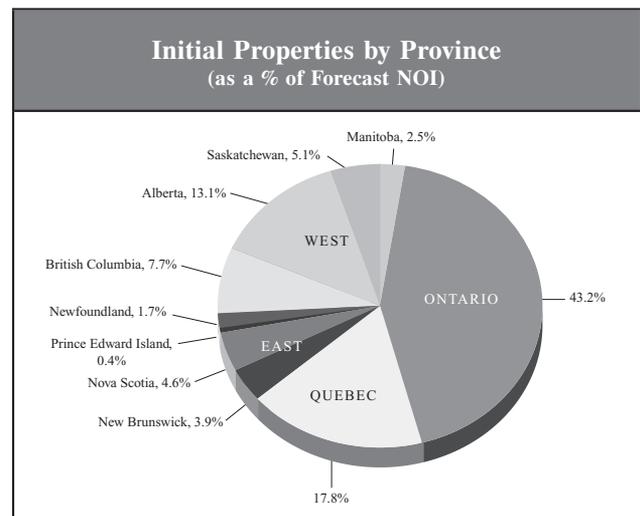
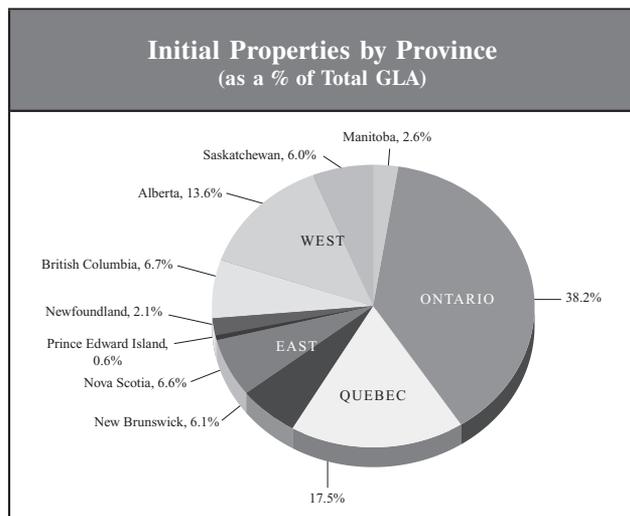
The Initial Properties consist of 425 properties containing approximately 35.3 million square feet of GLA across Canada. For a complete list of the Initial Properties, see “Appendix A — Initial Properties”. In addition, for summary descriptions of 53 of the Initial Properties selected as representative of the Initial Properties, see “Assets of the REIT — Description of Representative Initial Properties”.

**Composition of the Initial Properties**

*Geographic Breakdown*

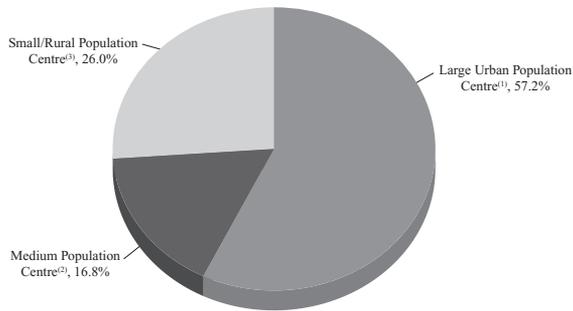
Approximately 43.2%, 17.8% and 13.1% of the NOI for the Forecast Period is anticipated to be derived from Initial Properties located in Ontario, Quebec and Alberta, respectively.

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



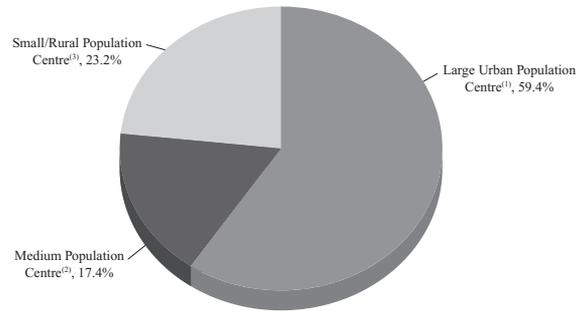
The Initial Properties are geographically diversified between large urban population centres, medium population centres and small/rural population centres across Canada, with the majority of the Initial Properties located in large urban population centres, often in close proximity to major commercial arteries with easy highway access and high visibility. The following chart provides a breakdown of the Initial Properties by large urban, medium, and small/rural population centres, measured by total GLA and forecast NOI.

**Initial Properties by Geographic Location**  
(as a % of Total GLA)



- (1) Population of 100,000 or greater
- (2) Population between 30,000 to 99,999
- (3) Population of less than 29,999

**Initial Properties by Geographic Location**  
(as a % of Forecast NOI)

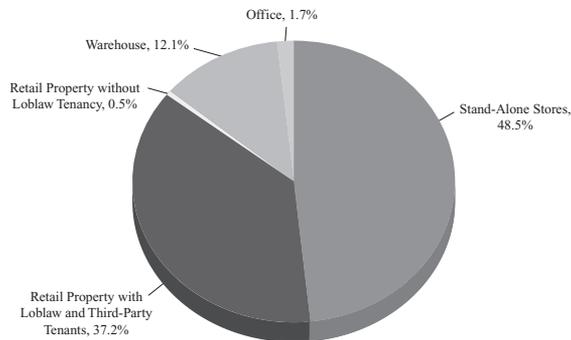


- (1) Population of 100,000 or greater
- (2) Population between 30,000 to 99,999
- (3) Population of less than 29,999

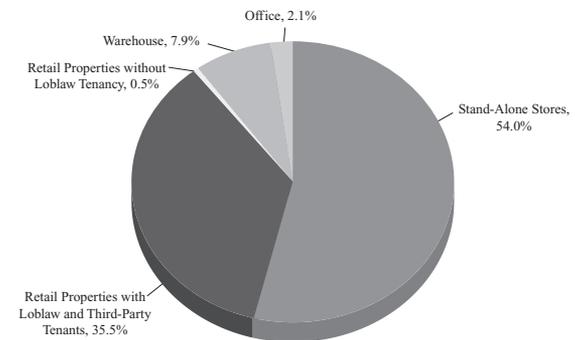
### Property Type Breakdown

The Initial Properties are diversified by property type. The total GLA of the Initial Properties is divided among properties with stand-alone stores operating under Loblaw-Owned Banners (48.5%), multi-tenant properties anchored by stores operating under Loblaw-Owned Banners and third-party tenants (37.2%), warehouses (12.1%), office buildings (1.7%) and retail properties with no Loblaw-Owned Banners (0.5%). The following charts illustrate the composition of the Initial Properties, measured by total GLA and forecast NOI.

**Initial Properties by Property Type**  
(as a % of Total GLA)



**Initial Properties by Property Type**  
(as a % of Forecast NOI)



See “Assets of the REIT — Composition of the Initial Properties”.

### Description of Material Lease Terms with Loblaw

For the purposes of this section, all references to “Loblaw” shall mean “Loblaws Inc.” in its capacity as tenant under the Loblaw Leases.

All of the Initial Properties (other than five Initial Properties where Loblaw does not lease space) will be subject to Loblaw Leases for uses consistent with the existing stores, warehouses and offices located on the Initial Properties. Loblaw Companies Limited will indemnify the REIT in respect of any defaults by Loblaw under the Loblaw Leases.

For those Initial Properties where Loblaw occupies a stand-alone property, Loblaw will lease the entire building and all associated lands at Closing, which may be used for any existing retail, warehouse or office use or any other lawful purpose subject to restrictions contained in the Loblaw Leases. For those Initial Properties

where Loblaw occupies leased premises that form part of a larger shopping centre or office complex, Loblaw will lease its individual premises at Closing. Where Loblaw occupies leased premises in a multi-tenant retail property, the premises must be used for the operation of a food supermarket or a retail store which carries on the business of a grocer, drugstore, pharmacy, gas bar, liquor store or other lawful retail use, subject to a right for Loblaw to change the use of up to 50% of the GLA of the leased premises, provided that not less than the greater of (i) 50% of the GLA of the leased premises and (ii) 30,000 square feet of the GLA of the leased premises continues to be used for the operation of a food supermarket or grocery store and subject to any other existing exclusive use restrictions in favour of other tenants. Loblaw will not be permitted to change the use of leased premises that contain less than 30,000 square feet of GLA in a multi-tenant retail property without the consent of the REIT.

The remaining term of the Loblaw Leases will range from 10 to 18 years from the first day of the first full calendar month following the Closing Date with a weighted average remaining lease term of 14 years. The leased premises will be leased to Loblaw in an “as is” condition, and the REIT will not be required to perform any repairs or construct any improvements to the leased premises prior to the Closing Date. Provided Loblaw is not in material default beyond any applicable cure period, Loblaw will have successive options to extend each Loblaw Lease for extension periods of five years each with a final extension period of 4 years and 11 months. The total remaining term (including all extension terms) of the Loblaw Leases will vary, but can be up to a maximum of 100 years. Loblaw will be required to pay annual basic rent in equal monthly installments in advance on the first day of each month without set off or deduction. Annual basic rent under the Loblaw Leases will escalate during the remaining term of each Loblaw Lease at a steady state, weighted average annual rent escalation of approximately 1.5%. It will take the REIT approximately five years to achieve this steady state level as about 20% of the Loblaw Leases escalate in each of the five years post-Closing at an effective average annual escalation rate of 1.5%. In addition to annual basic rent, Loblaw will be required to pay realty taxes attributable to the leased premises, the REIT’s costs of operating and maintaining a stand-alone property, or in a multi-tenant property, as the case may be, its proportionate share of the REIT’s costs of operating and maintaining the common areas, and all charges for utilities supplied to or consumed in the leased premises.

Loblaw will provide customary covenants with respect to compliance with applicable environmental laws from and after the Closing Date and an indemnity in favour of the REIT in respect of costs it incurs if Loblaw breaches such covenants or causes environmental contamination of the leased premises after the Closing Date that Loblaw is responsible to remediate and/or manage pursuant to the terms of the applicable Loblaw Lease. Pursuant to the Master Acquisition Agreement, Loblaw Companies Limited will also provide an indemnity in favour of the REIT in respect of certain environmental liabilities relating to the Initial Properties. See “Acquisition of the Initial Properties — Acquisition Agreements and Master Acquisition Agreement”.

Except for certain specific permitted transfers, Loblaw may not assign or mortgage the Loblaw Leases or sublet the leased premises without the REIT’s prior written consent, which consent will not be unreasonably withheld, conditioned or delayed.

The Loblaw Leases contain restrictions that, with certain exceptions, prohibit the REIT, as landlord, from leasing premises in other properties within a specified radius of the leased premises under the Loblaw Leases, or leasing other premises within a multi-tenant retail shopping centre, for certain prohibited uses such as a food supermarket or grocery store.

See “Assets of the REIT — Description of Material Lease Terms with Loblaw”.

### **Property Management Agreement**

On Closing, Arcturus will be responsible for providing property and facility management services pursuant to the Property Management Agreement in respect of 150 Initial Properties. In accordance with the Property Management Agreement, Arcturus will charge the REIT customary fees for such services. The term of the Property Management Agreement will commence on Closing and continue for 18 months, and will be automatically renewed for further one year terms thereafter. Notwithstanding the foregoing, the Property Management Agreement may be terminated by either party by providing written notice of termination not less than 180 days prior to the end of the initial term or any renewal term.

## **Acquisition of the Initial Properties**

The REIT will indirectly acquire interests in the Initial Properties from the Transferors for an aggregate purchase price of approximately \$7,010 million, excluding fair value adjustments. The purchase price will be paid by the REIT through the issuance or assignment, as the case may be, of (a) \$600 million aggregate principal amount of Class A LP Notes, (b) \$215 million aggregate principal amount of Class B LP Notes, (c) \$2.6 billion aggregate principal amount of Transferor Trust Notes, (d) 272,497,871 Class B LP Units (accompanied by an equivalent number of Special Voting Units), and (e) 92,500,000 Class C LP Units, all in accordance with the steps set forth under “Acquisition of the Initial Properties — Principal Transaction Steps”.

### ***Acquisition Agreements and Master Acquisition Agreement***

The REIT will indirectly acquire interests in the Initial Properties from the Transferors pursuant to separate Acquisition Agreements for each Initial Property for an aggregate purchase price of approximately \$7,010 million, excluding fair value adjustments. The Master Acquisition Agreement, however, will contain representations and warranties typical of those contained in real estate acquisition agreements negotiated between sophisticated purchasers and vendors acting at arm’s length, certain of which will be qualified as to knowledge and materiality and subject to reasonable exceptions, relating to Loblaw (as vendor), the Partnership and the Initial Properties (including, among other things, representations and warranties as to organization and status, power and authorization and issued capital of the Partnership, compliance with laws, title to the Initial Properties, condition of the Initial Properties, certain property related financial information, outstanding liens, status of the existing leases, Loblaw Leases and material agreements, accuracy of rent rolls, tax matters, environmental matters and litigation matters). Loblaw will also provide a representation and warranty that this prospectus contains full, true and plain disclosure of all material facts, subject to an exception for portions of this prospectus purporting to be made on authority of an expert or purporting to be an extract from a report, opinion or statement of an expert. All representations and warranties will survive for a period of 18 months from Closing; provided, however, that representations and warranties regarding existence and capacity, and power and authorization shall survive indefinitely, representations and warranties regarding tax matters shall survive for the applicable limitation periods, or in certain limited cases, three months following the expiry of the applicable limitation period, and representations and warranties regarding environmental matters and this prospectus shall survive for a period of 36 months following Closing.

Loblaw will indemnify the REIT for any breach of the representations and warranties in the Master Acquisition Agreement. The maximum liability of Loblaw under this indemnity will be limited to an amount equal to the net proceeds of the Unit Offering and no claim under such indemnity may be made until the aggregate losses exceed \$1 million and the threshold dollar amount for each claim to be included for purposes of a breach of representation claim is \$50,000.

There can be no assurance of recovery by the REIT from Loblaw for any breach of the representations and warranties to be made by it under the Master Acquisition Agreement, as there can be no assurance that Loblaw’s 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 Master Acquisition Agreement and purchasers of Debentures under this prospectus will not have any contractual rights under the Master Acquisition Agreement. Purchasers will, however, have certain statutory rights of action against the REIT, Loblaw and the Agents under applicable securities laws. See “Purchasers’ Statutory Rights”.

Pursuant to the terms of the Master Acquisition Agreement, the Initial Properties have been divided into three groups for purposes of allocating responsibility for environmental issues.

The first group of properties consists of 225 properties in respect of which certain actual or potential environmental issues were identified in individual Phase I ESA Reports and Phase II ESA Reports but for which no current remedial action was recommended in a report prepared by an independent environmental consultant. In relation to these properties Loblaw will provide an indemnity under which Loblaw will indemnify the REIT for a period of 10 years following Closing for costs incurred in relation to the identified issues in certain events, including in relation to third party claims and certain commercial transactions and situations where additional investigation undertaken by or with the consent of the REIT indicates that the environmental contamination:

(a) is migrating or may migrate off-site; (b) may migrate beneath infrastructure, including a building; (c) may result in adverse effects to human health; or (d) may invite regulatory intervention, provided in all the foregoing events the REIT would incur such costs if it was not indemnified for the issue.

The second group consists of 27 properties in respect of which certain actual or potential environmental issues were identified in individual Phase I ESA Reports and Phase II ESA Reports that Loblaw has agreed to remediate to a standard or condition that is agreed to by the REIT and Loblaw, each acting reasonably and in good faith. The remediation of those issues may involve simply demonstrating that a potential issue does not exist or that an issue will not result in a particular harm. Loblaw will also indemnify the REIT for losses for all reasonable environmental management costs that are incurred by the REIT as result of third party claims relating to the specific issues for which Loblaw has agreed to remediate.

The third group consists of 173 properties in respect of which no environmental issues were identified by individual Phase I ESA Reports. In respect of these properties, except for certain knowledge and materiality qualifications, Loblaw will represent and warrant to the REIT regarding compliance of the Initial Properties with environmental laws and not being subject to environmental regulatory orders. These representations and warranties also apply to a property in either of the first two property groups in respect of issues not subject to the indemnification or remediation obligations described above.

In addition to the provisions of the Master Acquisition Agreement, under the Loblaw Leases, Loblaws Inc. will indemnify the REIT in respect of costs it incurs due to Loblaws Inc. breaching its environmental covenants, or causing environmental contamination after the Closing Date that Loblaws Inc. is responsible to remediate and/or manage pursuant to the terms of the applicable Loblaw Lease. See “Assets of the REIT — Description of Material Lease Terms with Loblaw”.

In addition, each of the REIT and Loblaw have agreed to provide the other party with certain indemnities relating to certain tax matters in connection with the transfer and ownership of the Initial Properties and the issuance of the Transferor Notes.

See “Acquisition of the Initial Properties — Acquisition Agreements and Master Acquisition Agreement”.

### **Assessments and Valuation of the Initial Properties**

Loblaw retained the Appraiser to provide an independent estimate of the fair market value of each of the Initial Properties. Based on the Appraisals, the estimated aggregate market value of the Initial Properties as at March 31, 2013 was \$7.11 billion prior to the application of any portfolio premium and resulted in a weighted average capitalization rate of 6.16%.

To determine the full value of the Initial Properties in the context of a publicly traded portfolio, the Appraiser added a 2% to 4% portfolio premium to the aggregate value of the Initial Properties which, in the Appraiser’s professional experience, given the size and nature of the portfolio and current market condition, is warranted. The resulting full value of the Initial Properties is between \$7.25 billion and \$7.40 billion, corresponding to a weighted average capitalization rate range of between 6.04% and 5.92%.

See “Assessments and Valuation of the Initial Properties”.

### **Debt Strategy and Indebtedness**

#### ***General***

The REIT will seek to maintain a combination of short, medium and long-term debt maturities that spread maturities over 10 years<sup>(1)</sup> to minimize refinancing risk, taking into account the availability of financing and market conditions and the financial characteristics of each property. At Closing, the REIT’s Consolidated Indebtedness as a percentage of its Aggregate Adjusted Assets is expected to be approximately 38%. The

REIT's Consolidated Indebtedness plus the aggregate amount of capital ascribed to the Class C LP Units as a percentage of its Aggregate Adjusted Assets is expected to be approximately 51% on Closing.

The weighted average maturity and the weighted average annual interest rate (before giving effect to mark-to-market adjustments upon the issuance of the Transferor Notes) of all Indebtedness of the REIT at Closing are expected to be approximately 5.4 years and 3.4%, respectively, assuming the issuance of \$600 million aggregate principal amount of Debentures on Closing and the repayment of Series 1 and Series 2 Transferor Notes on Closing, each in accordance with the assumptions set forth in the Financial Forecast contained in this prospectus.

In addition, upon the request of the Transferors, the Partnership will be obligated to redeem up to \$300 million, \$300 million and \$325 million of the outstanding Class C LP Units in the years 2027, 2028 and 2029, respectively, in each case in exchange for cash, Class B LP Units or any combination thereof, at the option of the Partnership. See "The Partnership — Partnership Units". The Class C LP Units will be included in the calculation of the debt incurrence test and the debt service coverage ratio under the Indenture, as supplemented.

S&P and DBRS have each provided the REIT with a provisional issuer credit rating of "BBB". See "Credit Ratings".

### *Composition of Indebtedness*

The REIT intends to partially finance the acquisition of the Initial Properties and its ongoing operations with a combination of fixed rate unsecured term debt with staggered maturities and floating rate unsecured revolving debt. The fixed rate term debt is expected to be made up of the Transferor Notes (issued by the Partnership) and the Debentures (issued by the REIT). The Transferor Notes and the Debentures will have varying maturities. Additionally, floating rate unsecured debt may be incurred pursuant to the Credit Facility. The REIT will generally be liable for the Debentures and the Credit Facility.

#### *Transferor Notes*

On Closing, the Partnership will issue \$2.6 billion aggregate principal amount of Transferor Notes to the Transferor Trust in exchange for all of the Transferor Trust Notes. The Transferor Trust Notes will ultimately be assigned to the Transferors by the Partnership as partial consideration for the sale of the Initial Properties. All of the net proceeds, if any, from the issuance of the Debentures will be used by the Partnership to early redeem a portion of the outstanding aggregate principal amount of the Transferor Notes (including a portion of a particular series of Transferor Notes). Any such early redemptions of Transferor Notes will be made in sequential order of their respective series, such that all of the Series 1 Transferor Notes will be redeemed prior to any early redemption of any higher numbered series of Transferor Notes. The Transferor Notes will rank *pari passu* in right of payment with all of the Partnership's other senior unsecured indebtedness, including the guarantees by the Partnership of the Credit Facility and the Debentures, as well as the REIT Notes. The REIT will not guarantee the Transferor Notes.

See "Debt Strategy and Indebtedness — Composition of Indebtedness — Transferor Notes".

#### *Debentures*

See the summary of "The Offering" in this Prospectus Summary for a summary of the Debentures.

#### *Revolving Credit Facility*

On Closing, the REIT will enter into the Credit Facility which will consist of a \$500 million revolving facility available for general business purposes, including property acquisitions and development activities, and the

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(1) Assuming the issuance of \$600 million aggregate principal amount of Debentures on Closing and the repayment of Series 1 and Series 2 Transferor Notes on Closing, each in accordance with the assumptions set forth in the Financial Forecast contained in this prospectus.

refinancing of indebtedness, of the REIT and its Subsidiaries. The Credit Facility can be drawn upon in either Canadian dollars or an equivalent amount in United States dollars. If the REIT draws upon the Credit Facility in Canadian dollars, interest will be calculated either at the Canadian prime lending rate or at the BA rate plus, in each case, a spread based on the external credit rating of the REIT, expected at Closing to be 0.45% with respect to prime rate and 1.45% with respect to the BA rate. The REIT will have the right to choose between Canadian prime rate and BA rate advances based on available rates and timing requirements. If the REIT draws upon the Credit Facility in United States dollars, interest will be calculated either at the United States prime lending rate or at United States dollar LIBOR (the London Interbank Offered Rate) plus, in each case, a spread based on the external credit rating of the REIT, expected at Closing to be 0.45% with respect to the United States dollar prime rate and 1.45% with respect to LIBOR. The REIT does not intend to draw under the Credit Facility at Closing. Amounts owing under the Credit Facility will be unsecured, ranking *pari passu* with the Debentures and the Transferor Notes and have an initial term of five years from Closing. Amounts owing under the Credit Facility will be subject to customary terms and conditions for issuers of this nature, including limits on granting liens, limitation on additional indebtedness, limitation on investments, limitation on asset sales and limitation on transactions with affiliates.

See “Debt Strategy and Indebtedness — Composition of Indebtedness — Revolving Credit Facility”.

## **Arrangements with Loblaw**

### ***Services Agreement***

Pursuant to the Services Agreement, Loblaws Inc. will provide the REIT with administrative and other support services, such as property and facility management services (in respect of certain of the Initial Properties and certain properties which may be acquired by the REIT from Loblaw after Closing) and such other services as may be reasonably required from time to time. Loblaws Inc. has agreed to provide these services to the REIT on a cost-recovery basis only. Loblaws Inc. has agreed to provide the above-noted services for a fixed fee equal to \$6.4 million (which fixed fee excludes HST and all other applicable indirect or value added taxes, but includes all disbursements and expenses) during the Forecast Period. Effective July 1, 2014, however, the REIT will be required to pay Loblaws Inc. a services fee sufficient to reimburse it for the expenses incurred by it in providing the services as long as the expenses are identified in the current annual budget or are otherwise approved by the REIT.

The term of the Services Agreement will commence on Closing for one year and will be automatically renewed for further one year terms, provided that the Services Agreement or any of the services thereunder may be terminated by the REIT at any time during the term (except during the Forecast Period) upon 90 days’ prior written notice to Loblaws Inc., or in the event of a material breach or material default of Loblaws Inc.’s obligations under the Services Agreement, without payment of any termination fees. Loblaws Inc. has the right to terminate the Services Agreement with 12 months’ written notice after the expiration of the initial one year term, upon the occurrence of an event of default by the REIT that has not been cured within the applicable cure period or in the event that the parties are unable to reach an agreement with respect to the annual budget for a calendar year within 90 days following the beginning of the calendar year. Other than in these three circumstances, Loblaws Inc. will not have the right to terminate the Services Agreement.

Management expects the scope of the services to be provided by Loblaws Inc. to decrease over time as the REIT develops the capacity to perform more of the services internally. As a result, management generally expects the fees payable to Loblaws Inc. pursuant to the Services Agreement to decrease over time (subject to adjustments for inflation) and for the REIT to incur a corresponding increase in internal costs over the same period, the net effect of which is that the cost to the REIT will generally remain the same.

See “Arrangements with Loblaw — Services Agreement”.

### ***Strategic Alliance Agreement***

The Strategic Alliance Agreement will create a series of rights and obligations between the REIT and Loblaw (and certain of its Subsidiaries) intended to establish a preferential and mutually beneficial business and

operating relationship. The initial term of the agreement will be for 10 years from Closing, with an automatic renewal for a second term that will continue until the earlier of (i) 20 years from the Closing Date and (ii) the date on which Loblaw ceases to own a majority effective interest in the REIT on a fully-diluted basis. For greater certainty, in the event that Loblaw owns less than a 50% effective interest in the REIT at the end of the initial 10-year term, the Strategic Alliance Agreement will not be renewed and will terminate. The Strategic Alliance Agreement will provide the REIT with important rights (and imposes important obligations on Loblaw) that are expected to meaningfully contribute to the REIT's growth pipeline.

Subject to certain specified exceptions, including transfers completed as part of Excluded Transactions or sales of businesses, the REIT will have a right of first offer to acquire Canadian properties that Loblaw intends to sell and that the REIT would otherwise be permitted to acquire under its investment guidelines and operating restrictions. In addition, Loblaw will provide the REIT with the first right to participate in future Shopping Centre Property acquisitions in Canada, the right to negotiate for the REIT's potential participation in the future construction, development or redevelopment of ancillary space within Loblaw's Shopping Centre Properties, and the first right to provide property-related financing that grants a pre-emptive or participation right in favour of the lender or would result in leveraging the particular property by more than 75% of its value.

Nothing in the Strategic Alliance Agreement, however, will limit Loblaw's ongoing ability to acquire vacant land or property that it intends to use, develop or redevelop for use as a Loblaw Associated Property, i.e. a Loblaw-Owned Banner, or an office or warehouse used by Loblaw or suppliers to Loblaw, and, if the property has third party tenants, up to two other non-Loblaw tenants. Any such Loblaw Associated Properties, however, remain subject, in the event that Loblaw proposes to sell them at any time, to the right of first offer in favour of the REIT and, as applicable, to the REIT's right to provide financing in certain circumstances.

The Strategic Alliance Agreement also provides Loblaw with certain important rights (and imposes important obligations on the REIT) with respect to certain activities of the REIT. In particular, the Strategic Alliance Agreement requires the REIT to make a payment to Loblaw upon the substantial completion of each future commercial development that adds leasable area to any Initial Property and upon the substantial completion of future residential dwellings (for sale or lease) on any Initial Property, that is completed within 20 years after the Closing. The payment owing to Loblaw will, in respect of any retail, office, industrial or residential additional space, be calculated by reference to the agreed price per total area of such additional space, measured by square foot, established under the terms of the pricing schedule contained in the Strategic Alliance Agreement.

In addition, the REIT has agreed to provide Loblaw with a first right to lease space for Supermarket Uses. If the REIT acquires a property that does not have a Supermarket Tenant at the time the property is acquired (other than in a situation where the property previously had a Loblaw tenant and that Loblaw Lease has expired or been terminated), the REIT will not be permitted to lease, sublease or license all or any part of such property to permit a Supermarket Use without the consent of Loblaw, which Loblaw may withhold in its sole and absolute discretion. If Loblaw does consent and the REIT subsequently determines to lease the property for a Supermarket Use, it must comply with Loblaw's first right to lease the space.

Subject to certain specified exceptions, the REIT has agreed to give Loblaw a right of first offer to acquire Canadian properties that the REIT intends to sell (on similar terms to the right of first offer to which the REIT is entitled).

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

The Strategic Alliance Agreement may be terminated by either party in the event of a material breach which is not remedied within the specified cure period. No such termination will, however, impact the entitlement of Loblaw with respect to the intensification payments described above.

See "Arrangements with Loblaw — Strategic Alliance Agreement".

## Trustees and Management of the REIT

The following table sets forth information regarding the Trustees and executive officers of the REIT:

<u>Name, Province or State and Country of Residence</u>	<u>Position/Title</u>	<u>Independent</u>	<u>Committees</u>	<u>Principal Occupation</u>
Galen G. Weston . . . . . <i>Ontario, Canada</i>	Chair	No	—	Executive Chairman, Loblaw
Kerry D. Adams . . . . . <i>Ontario, Canada</i>	Trustee	Yes	Audit Committee Governance, Compensation and Nominating Committee	President, K. Adams & Associates Limited
Christie J.B. Clark . . . . . <i>Ontario, Canada</i>	Trustee	Yes	Governance, Compensation and Nominating Committee	Corporate Director
Graeme Eadie . . . . . <i>Ontario, Canada</i>	Trustee	Yes	Audit Committee	Senior Vice President, Head of Real Estate Investments for Canada Pension Plan Investment Board
Michelle Felman . . . . . <i>Connecticut, United States</i>	Trustee	Yes	Governance, Compensation and Nominating Committee	Corporate Director
Michael P. Kitt . . . . . <i>Ontario, Canada</i>	Trustee	Yes	Audit Committee Governance, Compensation and Nominating Committee	Executive Vice President, Canada for Oxford Properties Group
Daniel F. Sullivan . . . . . <i>Ontario, Canada</i>	Lead Trustee	Yes	Governance, Compensation and Nominating Committee (Chair)	Corporate Director
Paul R. Weiss . . . . . <i>Ontario, Canada</i>	Trustee	Yes	Audit Committee (Chair)	Corporate Director
John Morrison . . . . . <i>Ontario, Canada</i>	Trustee, President and Chief Executive Officer	No	—	President and Chief Executive Officer of the REIT
Bart Munn . . . . . <i>Ontario, Canada</i>	Chief Financial Officer	N/A	N/A	Chief Financial Officer of the REIT
S. Jane Marshall . . . . . <i>Ontario, Canada</i>	Chief Operating Officer	N/A	N/A	Chief Operating Officer of the REIT

See “Trustees and Management of the REIT”.

## 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 May 21, 2013. The financial 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 judgment as to the most probable set of economic conditions. The forecast assumes, among other things, that the Unit Over-Allotment Option is not exercised, the Offering in an aggregate principal amount of \$600 million is completed on Closing, the Series 1 and Series 2 Transferor Notes are repaid in full on Closing, no acquisitions are completed during the period and the level of debt and equity in the capital structure at Closing is maintained throughout the Forecast Period. **The assumptions used in the preparation of a forecast, although considered reasonable by management at the time of preparation, may not materialize as forecasted and unanticipated events and circumstances may occur subsequent to the date of the forecast. Accordingly, there is a significant risk that actual results achieved for the Forecast Period will vary from the forecasted results and that such variations may be material. See "Forward-Looking Statements" and "Financial Forecast".**

	Three month periods ending				Twelve month
	September 30, 2013	December 31, 2013	March 31, 2014	June 30, 2014	period ending June 30, 2014
	\$	\$	\$	\$	\$
Property revenue . . . . .	161,168	162,328	163,982	163,992	651,470
Property expenses . . . . .	40,745	41,973	43,826	43,869	170,413
Net property income . . . . .	120,423	120,355	120,156	120,123	481,057
General and administrative expense . . . . .	10,087	6,389	6,719	6,719	29,914
Interest and other financing charges:					
Interest . . . . .	35,096	35,110	34,372	35,269	139,847
Class B LP Unit distributions . . . . .	44,281	44,281	44,281	44,281	177,124
Net earnings and comprehensive income . . . . .	<u>30,959</u>	<u>34,575</u>	<u>34,784</u>	<u>33,854</u>	<u>134,172</u>

## Forecast Non-GAAP Reconciliation

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

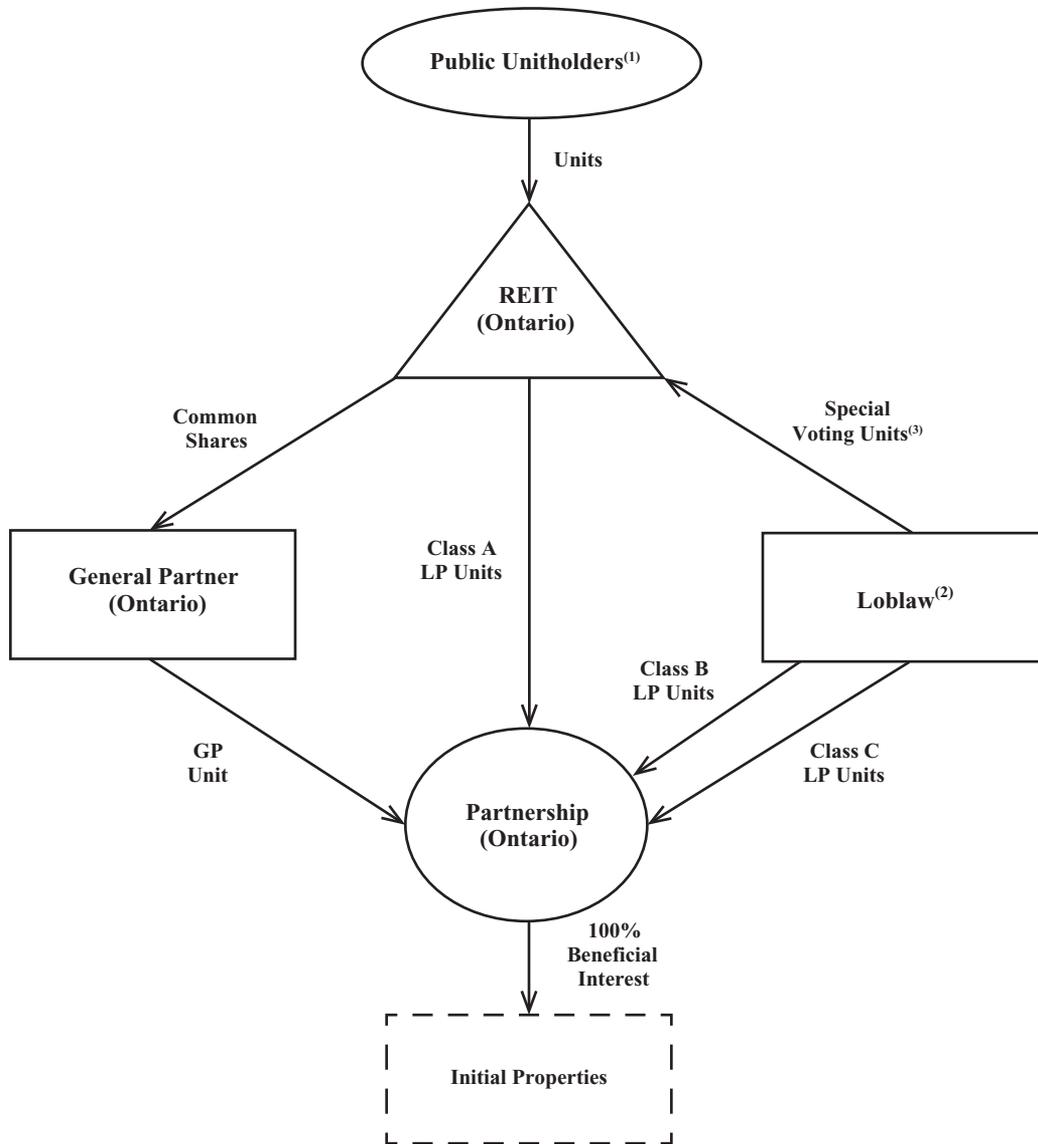
Set out below is a calculation of NOI and a reconciliation of the forecasted net earnings and comprehensive income to FFO, AFFO and AFFO per Unit (in thousands of dollars except for per share amounts). NOI, FFO, AFFO and AFFO per Unit are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. NOI, FFO, AFFO and AFFO per Unit as computed by the REIT may differ from similar computations as reported by other real estate companies and accordingly, may not be comparable to NOI, FFO, AFFO and AFFO per Unit as reported by other issuers. See "Financial Forecast".

	Three month periods ending				Twelve month
	September 30, 2013	December 31, 2013	March 31, 2014	June 30, 2014	period ending June 30, 2014
	\$	\$	\$	\$	\$
<b>Calculation of NOI</b>					
Property revenue . . . . .	161,168	162,328	163,982	163,992	651,470
Property expenses . . . . .	40,745	41,973	43,826	43,869	170,413
<b>NOI . . . . .</b>	<b><u>120,423</u></b>	<b><u>120,355</u></b>	<b><u>120,156</u></b>	<b><u>120,123</u></b>	<b><u>481,057</u></b>
<b>Reconciliation of forecasted net earnings to FFO</b>					
Net earnings and comprehensive income . . . . .	30,959	34,575	34,784	33,854	134,172
Adjustments:					
Class B LP Units finance cost . . . . .	44,281	44,281	44,281	44,281	177,124
<b>FFO . . . . .</b>	<b><u>75,240</u></b>	<b><u>78,856</u></b>	<b><u>79,065</u></b>	<b><u>78,135</u></b>	<b><u>311,296</u></b>
Adjustments:					
Initial REIT set-up costs . . . . .	3,574	—	—	—	3,574
Depreciation . . . . .	335	335	335	335	1,340
Amortization of financing discounts and costs . . . . .	688	702	705	911	3,006
Straight-line rent . . . . .	(8,098)	(8,098)	(8,098)	(8,098)	(32,392)
Leasing and tenanting cost reserve . . . . .	(694)	(694)	(694)	(694)	(2,776)
Non-cash compensation . . . . .	110	225	216	360	911
Capital expenditure reserve . . . . .	(7,323)	(7,323)	(7,323)	(7,323)	(29,292)
<b>AFFO . . . . .</b>	<b><u>63,832</u></b>	<b><u>64,003</u></b>	<b><u>64,206</u></b>	<b><u>63,626</u></b>	<b><u>255,667</u></b>
<b>AFFO per Unit<sup>(1)</sup> . . . . .</b>	<b><u>0.18</u></b>	<b><u>0.18</u></b>	<b><u>0.18</u></b>	<b><u>0.18</u></b>	<b><u>0.72</u></b>

Notes:

(1) Calculated assuming all Class B LP Units were converted into Units at the beginning of the Forecast Period.

## POST-CLOSING STRUCTURE



**Notes:**

- (1) Includes 21,500,000 Units issued to Loblaw and 20,000,000 Units issued to GWL on Closing.
- (2) Loblaw's Inc. (Ontario), Provigo Distribution Inc. (Quebec), Loblaw Properties Limited (Ontario), Loblaw Properties West Inc. (Canada) and Provigo Properties Limited (Canada), each an affiliate of Loblaw, will initially be the limited partners of the Partnership and will initially receive all of the Class B LP Units and Class C LP Units upon the sale of the Initial Properties to the Partnership on Closing.
- (3) Each Class B LP Unit will be accompanied by one Special Voting Unit which will provide the holder thereof with a right to vote on matters respecting the REIT equal to the number of Units that may be obtained upon the exchange of the Class B LP Units for which each Special Voting Unit is attached.
- (4) All ownership interests in the above Post-Closing Structure diagram are 100% unless otherwise indicated.

## THE OFFERING

<b>Offering:</b>	<p>\$400 million aggregate principal amount of 3.554% Series A Senior Unsecured Debentures due July 5, 2018.</p> <p>\$200 million aggregate principal amount of 4.903% Series B Senior Unsecured Debentures due July 5, 2023.</p>
<b>Price:</b>	\$1,000 per Debenture.
<b>Interest and Maturity:</b>	The Series A Debentures and Series B Debentures will bear interest from the date of issue at a rate of 3.554% and 4.903% per annum, respectively, payable in equal semi-annual payments on January 5 and July 5 in each year, commencing on January 5, 2014. The Series A Debentures will mature on July 5, 2018 and the Series B Debentures will mature on July 5, 2023.
<b>Redemption:</b>	The REIT may, at its option, redeem the Debentures at any time, in whole or in part, on payment of a redemption price equal to the greater of (i) the applicable Canada Yield Price and (ii) par, together in each case with accrued and unpaid interest to the date fixed for redemption. Notwithstanding the foregoing, in the event that the REIT elects to redeem the Series B Debentures in whole (but not in part) within three calendar months or less of such Debentures' maturity date, the redemption price for the Series B Debentures to be redeemed by the REIT shall be par, together with accrued and unpaid interest to the date fixed for redemption (less any taxes required by law to be deducted or withheld). See "Details of the Offering — Redemption by the REIT".
<b>Form of Debentures:</b>	The Debentures will be issued in "book-entry only" form and must be purchased or transferred through Participants in the depository service of CDS, which include securities brokers and dealers, banks and trust companies. On the Closing Date, the REIT will cause a Global Debenture in respect of each series of Debentures to be delivered to, and registered in the name of, CDS or its nominee. Except in certain limited circumstances, no purchaser of a Debenture will be entitled to a certificate or other instrument from the REIT or CDS evidencing that holder's ownership thereof, and no holder of Debentures will be shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such holder of Debentures. It is expected that each holder of Debentures will receive a customer confirmation of purchase from the registered dealer through which the Debenture is purchased in accordance with the practices and procedures of that registered dealer. See "Details of the Offering — Depository Services".
<b>Rank:</b>	The Debentures will be direct senior unsecured obligations of the REIT and will rank equally and rateably with one another and with all other unsecured and unsubordinated Indebtedness of the REIT, except to the extent prescribed by law. See "Details of the Offering — Rank".
<b>Rating:</b>	The Debentures have been provisionally rated "BBB" by each of DBRS and S&P. In addition, the REIT has been assigned a provisional issuer credit rating of "BBB" by each of DBRS and S&P. See "Credit Ratings".
<b>Guarantee:</b>	The Debentures will be guaranteed by each of the General Partner, the Partnership and any other Person that becomes a Subsidiary of the REIT (other than a Nominee Subsidiary or an inactive Subsidiary) after the Closing Date. In the case of default by the REIT, the Indenture Trustee will, subject

to the terms of the Indenture, as supplemented, be entitled to seek redress from the Guarantors for the guaranteed obligations in the same manner and upon the same terms that it may seek to enforce the obligations of the REIT. These guarantees are intended to eliminate structural subordination, which would otherwise arise as a consequence of the REIT's assets being primarily held in various Subsidiaries of the REIT. See "Details of the Offering — Guarantee".

**Covenants:**

Each of the Supplemental Indentures will contain covenants substantially to the following effect, in addition to those prescribed in the Indenture:

- (i) The REIT will maintain at all times a ratio of Consolidated EBITDA to Debt Service of not less than 1.50:1;
- (ii) The REIT will not incur, or permit any Subsidiary of the REIT to incur, any Indebtedness, other than Permitted Indebtedness, unless:
  - (A) (x) the quotient (expressed as a percentage) obtained by dividing Consolidated Indebtedness (excluding any convertible Indebtedness) by the amount of Aggregate Adjusted Assets (in the case of each such amount, less cash or cash equivalents on hand) and calculated on a *pro forma* basis would be less than or equal to 60%; and (y) the quotient (expressed as a percentage) obtained by dividing the sum of Consolidated Indebtedness (including, for certainty, any convertible Indebtedness) plus the aggregate amount of capital ascribed to the Class C LP Units by the amount of Aggregate Adjusted Assets (in the case of each such amount, less cash or cash equivalents on hand) and calculated on a *pro forma* basis would be less than or equal to 65%; and
  - (B) the ratio of Consolidated Secured Indebtedness to Aggregate Adjusted Assets (in the case of each such amount, less cash or cash equivalents on hand) and calculated on a *pro forma* basis would not be more than 40%.

Each such calculation will (i) be made on each day that the REIT or any Subsidiary of the REIT proposes to incur such Indebtedness, and (ii) include Proportionate Consolidation Adjustments; and

- (iii) The REIT will maintain at all times a ratio of Unencumbered Aggregate Adjusted Assets (excluding construction assets and other non-income producing assets) to the aggregate principal amount of the REIT's outstanding Consolidated Unsecured Indebtedness (excluding Subordinated Indebtedness) of not less than 1.50:1.00.

See "Details of the Offering — Certain Covenants".

**Purchase for Cancellation:**

The REIT may at any time and from time to time purchase Debentures in the market (which will include purchases from or through an investment dealer or a firm holding membership on a recognized stock exchange) or by tender or private contract at any price. Debentures that are so purchased will be cancelled and will not be reissued or resold.

**Change of Control:**

If a Change of Control Triggering Event occurs with respect to a series of Debentures, unless the REIT has exercised its optional right to redeem all of the Debentures of that series as described under "Details of the Offering — Redemption by the REIT", the REIT will be required to make an offer to

repurchase all or, at the option of the holder of that series of Debentures, any part (equal to \$1,000 or an integral multiple thereof) of each holder's Debentures of that series pursuant to the offer described in the next paragraph on the terms set forth in the applicable Supplemental Indenture. In such offer, the REIT will be required to offer payment in cash equal to 101% of the aggregate outstanding principal amount of Debentures of the series to be repurchased together with accrued and unpaid interest on such series of Debentures to the date of repurchase.

Within 30 days following any Change of Control Triggering Event, the REIT will be required to give written notice to holders of the applicable series of Debentures describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase the Debentures of the applicable series on the Change of Control Payment Date. The REIT must comply with the requirements of applicable securities laws and regulations in connection with the repurchase of the Debentures of the particular series as a result of a Change of Control Triggering Event.

See "Details of the Offering — Repurchase upon Change of Control Triggering Event".

**Events of Default:**

Each of the following events will constitute an event of default under the Debentures: (i) default in payment of principal when due; (ii) default in payment of any interest when due where such default continues for a period of three business days after the relevant interest payment date; (iii) a breach of or default in the performance of any covenant of the REIT under the Debentures or the Indenture in connection with that series of Debentures where such default or breach continues for a period of 30 days after the Indenture Trustee has given notice in writing to the REIT specifying the nature of such breach or default, and requiring the REIT to remedy such breach or default unless the Indenture Trustee (having regard to the subject matter of such breach or default) agrees to a longer period, and in such event within the period agreed to by the Indenture Trustee; (iv) certain events of bankruptcy, insolvency, winding-up or dissolution related to the REIT or a Material Subsidiary as set out in the Indenture; (v) the rendering of a final judgment (not subject to appeal) against the REIT or any Material Subsidiary in an aggregate amount in excess of \$25 million by a court of competent jurisdiction, which remains undischarged and unstayed for a period of 60 days after the date on which the right to appeal has expired; and (vi) default by the REIT or any Subsidiary under the terms of any Indebtedness (other than any Non-Recourse Indebtedness) where that default results in the acceleration of that Indebtedness (after expiration of any applicable grace period) unless such acceleration is waived or rescinded; provided that the aggregate of all such Indebtedness which is accelerated exceeds \$25 million. See "Details of the Offering — Events of Default".

**Unit Offering:**

The REIT has filed the Unit Prospectus dated the date hereof relating to the contemporaneous public offering of 40,000,000 Units. The Closing of this Offering is conditional upon the contemporaneous closing of the Unit Offering and the Acquisition. See "Plan of Distribution — Unit Offering".

**Use of Proceeds:**

The net proceeds of the Offering will be up to approximately \$597.0 million, after deducting the REIT's estimated expenses of the Offering and the Agent's fee. The REIT will use some or all of the proceeds of the Offering to repay certain Transferor Notes (including some or all of a particular series of

Transferor Notes) in sequential order of the outstanding Transferor Notes, starting with the Series 1 Transferor Note. See “Plan of Distribution”.

**Risk Factors:**

An investment in the Debentures is subject to a number of risks that should be carefully considered by a prospective purchaser. These risks, and other risks associated with an investment in the Debentures, include but are not limited to those related to the real estate industry, the REIT and its business, the REIT’s relationship with Loblaw 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 the Debentures.

## THE REIT

### Establishment and Overview

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. The principal, registered and head office of the REIT is located at 22 St. Clair Avenue East, Suite 800, Toronto, Ontario, M4T 2S5. The REIT has been formed primarily to own income-producing commercial properties located in Canada.

Loblaw has taken the initiative in creating the REIT in order to optimize Loblaw's real estate holdings and establish a growth-oriented public real estate entity. Loblaw is listed on the TSX under the symbol "L", had a market capitalization of approximately \$14.0 billion as of the date of this prospectus, 2012 revenues of more than \$31.0 billion and EBITDA of approximately \$2.0 billion. Loblaw has had an investment grade credit rating from each of DBRS and S&P for over 10 years. Loblaw is Canada's largest food distributor and a leading provider of drugstore, general merchandise and financial products and services. Loblaw and its franchisees currently operate 1,053 stores across Canada and, according to The Globe and Mail's 2012 Top 1000 rankings, Loblaw, together with its franchisees, is one of Canada's largest private sector employers with more than 134,000 full-time and part-time employees. For over 50 years, Loblaw has operated through corporate, franchised and affiliated stores, and it currently owns a real estate portfolio for its retail and ancillary operations spanning approximately 47 million square feet. Loblaw or its franchisees operate both conventional and discount retail stores, each of which operate under a Loblaw-Owned Banner. Loblaw's store network is supported by, among other things, owned office and warehouse facilities located across Canada.

Loblaw believes that the Initial Properties will provide the REIT with a stable base upon which to grow, including through property improvements and site intensification. External growth is expected through, among other things, future property acquisitions from Loblaw and from third parties. A primary objective of the REIT is to expand its asset base to increase the REIT's AFFO per Unit.

In connection with the Closing, the REIT will indirectly acquire the Initial Properties, being a portfolio of 425 properties totaling approximately 35.3 million square feet of GLA, comprising 415 retail properties, one office complex and nine warehouse properties. The retail properties will be made up of (i) 267 properties with a stand-alone store operating under a Loblaw-Owned Banner, (ii) 143 properties anchored by a store operating under a Loblaw-Owned Banner that also contain one or more third-party tenants, and (iii) five properties containing only third-party tenants. The office complex consists of two office buildings and the warehouse properties include two properties that host three warehouses each. All of the Initial Properties are currently indirectly owned by Loblaw, and represent approximately 75% of its owned real estate portfolio (measured by square feet). Loblaw will be the REIT's most significant tenant for the foreseeable future, representing approximately 91.2% of the REIT's annual base minimum rent as of the Closing Date and 88.3% of its GLA. On Closing, the remaining terms of the Loblaw Leases will range from 10 to 18 years, with a weighted average remaining lease term of 14 years. See "Acquisition of the Initial Properties" and "Assets of the REIT".

On Closing, it is expected that Loblaw will hold an approximate 83.1% effective interest in the REIT through ownership of 21,500,000 Units and all of the Class B LP Units of the Partnership, which are economically equivalent to and exchangeable for Units (or an approximate 81.7% effective interest in the REIT if the Unit Over-Allotment Option is exercised in full). In addition, Loblaw will hold all of the outstanding Class C LP Units of the Partnership. See "Key Investors — Retained Interest of Loblaw". Concurrently with the Unit Offering, GWL will purchase 20,000,000 Units from the REIT at the Unit Offering Price for a total subscription price of \$200 million. Loblaw has advised the REIT that its current expectation is that it will continue to own a majority effective interest in the REIT for at least the next 10 years. Neither Loblaw, GWL nor any of their respective Subsidiaries will purchase any Debentures in connection with the Offering. Loblaw is also entering into the Strategic Alliance Agreement with the REIT for an initial term of 10 years, with an automatic renewal for a second term that will continue until the earlier of (i) 20 years from the Closing Date and (ii) the date on which Loblaw ceases to own a majority effective interest in the REIT on a fully-diluted basis. For greater certainty, in the event that Loblaw owns less than a 50% effective interest in the REIT at the end of the initial 10-year term, the Strategic Alliance Agreement will not be renewed and will terminate. See "Arrangements with Loblaw — Strategic Alliance Agreement".

On Closing, the REIT will employ an experienced internal senior management team that will be supported by an internal team of professionals with experience in asset management, property management, property acquisitions and dispositions, development, leasing and finance. Loblaw Inc. will provide certain administrative and other services for the REIT, on a cost-recovery basis, pursuant to the Services Agreement (including certain property management services). See “Arrangements with Loblaw — Services Agreement”.

### **Properties Retained By Loblaw**

As the promoter of the REIT, Loblaw determined that approximately 35.3 million square feet of GLA is an optimal initial size for the REIT at Closing. In making this determination, Loblaw considered a number of factors, including (i) the overall size and future growth prospects of the REIT, (ii) the speed and feasibility of executing the sale and transfer of such a large real estate portfolio, and (iii) the operating implications of the sale to both Loblaw and REIT. Certain of the properties that will be retained by Loblaw at Closing, and not included in the Initial Properties, are properties that are suitable assets for the REIT to own but are being retained by Loblaw in order to achieve the above-mentioned optimal initial size of the REIT. In addition, certain other properties are also being retained by Loblaw at Closing as they require further study for various reasons, including environmental and building condition review or the presence of legal and other business issues that require additional time to resolve. The Initial Properties comprise a significant majority of Loblaw’s currently-owned real estate portfolio and represent an attractive and diverse cross section of such portfolio. Loblaw has advised the REIT that its current intention, subject to market conditions, is to offer to sell to the REIT the significant majority of its remaining approximately 12 million square feet of existing owned commercial property over the next 10 years.

### **Business Strategy and Objectives of the REIT**

The primary strategy of the REIT is to create Unitholder value over the long-term by generating sustainable cash flow and capital appreciation. To achieve this objective, management will proactively manage the portfolio with the intent of driving development through intensification and by increasing the productivity of operations to increase cash flow from the Initial Properties and future acquisitions. Management intends to be focused and disciplined in acquiring properties, with a primary focus on supermarket-anchored shopping centres, stand-alone supermarkets with or without intensification opportunities and other well-located retail properties that management believes present the best opportunity to generate stable, growing cash flow and capital appreciation. The REIT will maintain a strong balance sheet and practice prudent financial management to minimize financial risk for Unitholders and achieve an optimal cost of capital.

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

### **Strengths and Investment Highlights**

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

- **Attractive Yield.** The REIT intends to pay stable, predictable and growing monthly cash distributions, initially expected to provide Unitholders with an annual yield of approximately 6.50% based on an AFFO payout ratio of approximately 90%.
- **Large and Diversified National Commercial Property Portfolio.** The Initial Properties will consist of approximately 35.3 million square feet of GLA across Canada, including retail, warehouse and office properties. The majority of the GLA (86.2%) is located in primarily retail properties. The Initial Properties are geographically diversified with 38.2% of the GLA located in Ontario, 28.9% in western Canada, 17.5% in Quebec and 15.4% in the Atlantic provinces. Additionally, the Initial Properties are diversified between large urban population centres, medium population centres and small/rural population centres, representing 57.2%, 16.8% and 26.0% of the REIT’s total GLA, respectively. 23.3% of the Initial Properties (measured by GLA) are located in the metropolitan locations of Toronto,

Montreal, Vancouver and Calgary. Loblaw has been accumulating this real estate portfolio for over 30 years, and management believes that it would be extremely difficult to replicate the portfolio, given the current real estate market dynamics in Canada. The magnitude of the portfolio of Initial Properties will enable the REIT to benefit from economies of scale and represents an attractive platform for growth.

- ***Strong Investment Grade Major Tenant with Highly Valuable Brands in a Stable Industry.*** The REIT's largest tenant, Loblaw, is a market leader in a strong and stable industry segment. Loblaw will represent 91.2% of the REIT's annual base minimum rent on Closing. Loblaw carries a long-term, investment grade, corporate debt credit rating of "BBB" from each of DBRS and S&P. The Canadian supermarkets and other grocery sector is characterized by non-discretionary consumer spending and a history of stable growth. With more than 22 banners across the country, Loblaw serves more than 14 million customers each week. Each Loblaw-Owned Banner generally experiences strong banner recognition in Canada. See "Assets of the REIT — Description of the REIT's Key Tenant".
- ***Outstanding Leasing Profile.*** The Initial Properties are expected to have an occupancy level of 97.9% at Closing. Loblaw will occupy approximately 88.3% of the REIT's total GLA on Closing. The REIT's lease portfolio maturity profile will be well-distributed, with remaining lease terms generally ranging from 10 to 18 years from the Closing Date. The weighted average remaining lease term for the REIT's entire portfolio and the weighted average remaining lease term for all Loblaw-occupied space, in each case from the Closing Date, is expected to be approximately 13 years and 14 years, respectively.
- ***Strong Balance Sheet and Investment Grade Ratings.*** On Closing, the REIT will have a Consolidated Indebtedness (plus the aggregate amount of capital ascribed to the Class C LP Units) to Aggregate Adjusted Assets ratio of approximately 51% and a service coverage ratio of 3.3 times (before giving effect to the mark-to-market adjustment on the Transferor Notes). At Closing, all of the REIT's debt will be unsecured, including the Credit Facility, and the regular payments thereon will consist of interest only, which will provide the REIT with a stable, economical and flexible capital structure. The Debentures have been assigned a provisional rating of "BBB" by each of DBRS and S&P. In addition, the REIT will be assigned a provisional issuer credit rating of "BBB" by each of DBRS and S&P. See "Credit Ratings".
- ***Strong Alignment of Interests with Loblaw.*** The interests of the REIT and Loblaw will be integrally aligned as the REIT will enable Loblaw to optimize its real estate holdings and increase the speed of development of new retail sites. Loblaw's interests will be further aligned with the interests of the other Unitholders through its approximate 83.1% effective interest in the REIT through ownership of 21,500,000 Units and all of the Class B LP Units (or an approximate 81.7% effective interest in the REIT if the Unit Over-Allotment Option is exercised in full). In addition, Loblaw will hold all of the outstanding Class C LP Units of the Partnership. Loblaw's majority shareholder, GWL, will be making a \$200 million equity investment in the REIT on Closing by subscribing for 20,000,000 Units at the Unit Offering Price, thereby providing GWL with a 5.6% interest in the REIT on a fully-diluted basis (or an approximate 5.6% interest in the REIT if the Unit Over-Allotment Option is exercised in full). In addition, each of Loblaw and GWL have agreed to a contractual hold period of 18 months following Closing pursuant to the Equity Underwriting Agreement, and Loblaw has advised the REIT that its current expectation is that it will continue to own a majority effective interest in the REIT for at least the next 10 years. This demonstrates a strong commitment by both Loblaw and GWL to maintain their respective meaningful interests in the REIT. See "Key Investors" and "Plan of Distribution — Unit Offering".

In addition, on Closing, the REIT and Loblaw, Loblaws Inc. and Loblaw Properties Limited will enter into the Strategic Alliance Agreement that will have an initial term of 10 years and will facilitate a preferential and mutually beneficial business and operating relationship between the parties. For example, the REIT will have, subject to certain exceptions, the right of first offer to purchase any property, including stores or shopping centres developed by Loblaw, that Loblaw or its Subsidiaries seeks to sell in the future. Management expects that its relationship with Loblaw will meaningfully contribute to the REIT's strong and sustainable acquisition growth pipeline. See "Arrangements with Loblaw — Strategic Alliance Agreement" and "Risk Factors".

- ***Internal Executive Management, Strong Board Leadership, and Continuity of Operational Resources.*** The REIT will be managed and operated by an internal senior management team comprising the REIT's President

and Chief Executive Officer, Chief Financial Officer and Chief Operating Officer. The REIT's President and Chief Executive Officer, John Morrison, has over 30 years of experience in the commercial real estate industry, including four years as the former Chief Executive Officer of one Canada's largest retail focused real estate investment trusts. Similarly, the REIT's Chief Financial Officer, Bart Munn, has over 30 years of experience in the commercial and residential real estate industry, including 15 years as a Chief Financial Officer, most recently at another of Canada's largest retail focused real estate investment trusts. Together they bring a strong understanding of, and vast operating experience in, the Canadian real estate and public markets. The REIT's Chief Operating Officer, Jane Marshall, has been a real estate executive with Loblaw for over 20 years, has extensive knowledge of Loblaw's properties and a strong business relationship with Loblaw. As well, the REIT's Board, a majority of whom are independent, is comprised of Trustees with extensive experience in corporate governance, capital markets and real estate. See "Trustees and Management of the REIT" and "Interests of Management and Others in Material Transactions".

The senior management team will be supported by an internal team of professionals with experience in asset management, property management, property acquisitions and dispositions, development, leasing and finance. Pursuant to the Services Agreement, Loblaw will provide the REIT with various services (including certain property management services) on a cost-recovery basis. See "Arrangements with Loblaw — Services Agreement".

## GROWTH STRATEGIES OF THE REIT

### External Growth

The objective of the REIT's external growth initiatives will be to expand the REIT's portfolio in order to increase cash flow. External growth will be facilitated by a number of factors, including those listed below. The REIT intends to pursue a disciplined external growth strategy, primarily targeting acquisitions of supermarket-anchored shopping centres, stand-alone supermarkets with or without intensification opportunities and other well-located retail properties in Canada.

- **Right of First Offer to Acquire Additional Properties from Loblaw.** At the time of Closing, Loblaw will continue to own commercial properties comprising an aggregate of approximately 12 million square feet. Loblaw has advised the REIT that, subject to market conditions, its current intention is to offer to sell the significant majority of these properties to the REIT within 10 years after Closing. Management is also aware that Loblaw intends to continue to develop new properties and acquire properties that may also be suitable for the REIT's portfolio, for which the REIT would have a right of first offer, subject to certain exceptions. See "Arrangements with Loblaw — Strategic Alliance Agreement" and "Risk Factors".
- **Disciplined Acquisition Program.** In addition to commercial properties likely to be acquired from Loblaw, the REIT intends to complete acquisitions from third party vendors. The REIT intends to focus its acquisition efforts primarily on commercial properties with characteristics and amenities that are in high demand by potential tenants. The REIT will evaluate potential acquisition opportunities based on a number of factors, including price, expected financial performance, physical features, existing leases, functionality of design, geographic market, location, opportunity for future value enhancement and compliance with the terms of the Strategic Alliance Agreement. See "Arrangements with Loblaw — Strategic Alliance Agreement" and "Risk Factors".
- **Target Attractive New Development Opportunities.** The REIT intends to selectively target new development opportunities that have the potential to generate new leasing revenue and increase the underlying value of the REIT's portfolio. Management of the REIT has experience in creating value through development activities, and the REIT will pursue attractive opportunities either with Loblaw, with third-party partners or on its own. New development opportunities will be assessed based on a number of factors, including expected financial return, ability to lease new space, functionality of design, geographic market, location, physical amenities, opportunity for future value and compliance with the terms of the Strategic Alliance Agreement. See "Arrangements with Loblaw — Strategic Alliance Agreement" and "Risk Factors".

## Internal Growth

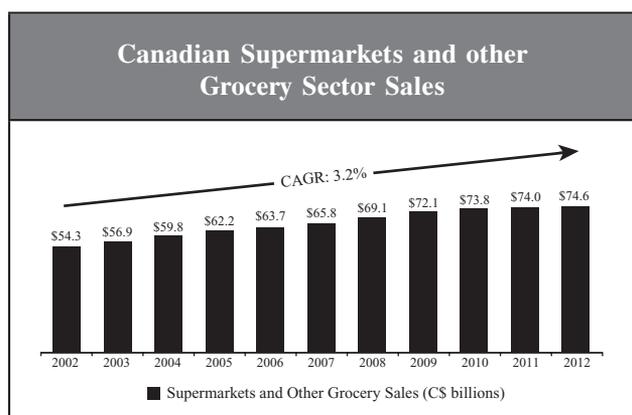
Management believes that there are opportunities to increase the cash flow and value of the Initial Properties through initiatives designed to enhance operations. The REIT will seek to improve the performance, value and long-term cash flow of its portfolio, initially consisting of the Initial Properties, through a number of activities, including the following:

- **Capitalizing on Intensification Opportunities.** Management has redevelopment expertise that will enable the REIT to undertake future property expansion and redevelopment opportunities, where appropriate. Moreover, certain of the Initial Properties contain vacant land or other intensification opportunities which management anticipates will support expansions totaling at least 3.5 million square feet of at-grade GLA. Under the terms of the Strategic Alliance Agreement, both the REIT and Loblaw will benefit from any construction, development or redevelopment that results in intensified use of any applicable property, including the Initial Properties. See “Arrangements with Loblaw — Strategic Alliance Agreement” and “Risk Factors”.
- **Realizing on the Contractual Escalations Embedded in the Leases.** On Closing, the Loblaw Leases will have remaining terms ranging from 10 to 18 years with a weighted average remaining lease term of 14 years and a steady state, weighted average annual rent escalation of approximately 1.5%. It will take the REIT approximately 5 years to achieve this steady state level as about 20% of the Loblaw Leases escalate in each of the five years following Closing at an effective average annual escalation rate of 1.5%. These rent escalations should enable the REIT to generate strong, stable internal growth.

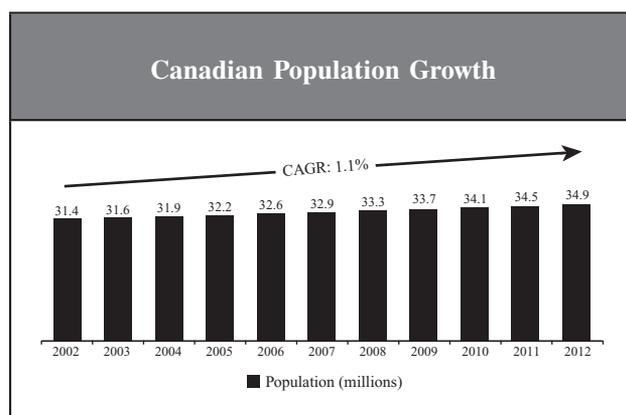
## CANADIAN RETAIL AND REAL ESTATE MARKET CHARACTERISTICS

### Canadian Supermarket Retail Market Characteristics

According to Statistics Canada, the Canadian supermarkets and other grocery sector reported sales of \$74.6 billion in 2012. The sector has a long track record of stable growth that is due, in part, to the significant proportion of industry sales that is driven by non-discretionary spending. The Canadian supermarkets and other grocery sector has experienced positive sales growth in each year between 2002 and 2012, in aggregate implying an industry sales CAGR of 3.2%. In addition, key growth drivers for the Canadian supermarkets and other grocery sector include overall population growth and changes in GDP per capita, consumer confidence and demographic trends.



Source: Statscan Table 080-0020



Source: Statscan Table 051-0001

The Canadian supermarkets and other grocery sector is competitive, with industry participants typically competing based on a combination of price, product quality, merchandising and presentation, convenience and customer service. This market is served by discount retail formats, conventional retail formats and other retail formats. In recent years, conventional and discount retail formats, which represent the majority of Loblaw's square footage and the square footage that the REIT will own, have responded to increased industry competition by focusing on providing stronger fresh offerings, implementing improved product presentation and assortment including new and innovative control brands, and providing enhanced levels of customer service.

### *Canadian Retail Real Estate Market Characteristics*

Despite changing consumer dynamics, leasing market fundamentals in the Canadian retail real estate sector continue to show strength with 2012 being another solid year of demand coupled with a suitable amount of new supply. Retail sales increased 2.5% in 2012 and are expected to grow by 2.0% in 2013.<sup>(1)</sup> According to CBRE, the national retail vacancy rate, which was 4.9% in 2012, is expected to trend even lower and end 2013 at 4.7%, a decrease of 20 basis points.<sup>(2)</sup>

With most markets in short supply of space, rents continued to move higher in 2012, at or near CPI levels.<sup>(3)</sup> Completion of new retail space reached approximately 3.4 million square feet in 2012 and will increase to an estimated 4.3 million square feet in 2013.<sup>(4)</sup> Going forward, a robust demand pipeline and a moderate supply is expected to keep retail real estate leasing fundamentals strong.

Investor demand remains strong for retail properties, reflected by a record number of retail properties sold in 2012 (1,215), with a total aggregate transaction value of \$4.9 billion, just below 2011's record total of \$5.7 billion. According to CBRE, private investors were the dominant buyer group, accounting for 58% of retail trades, followed by real estate investment trusts and real estate operating companies (27%) and institutional investors (9%).<sup>(5)</sup>

Looking ahead, it is expected that the focus for retailers and developers will be on accessing the growing urban populations. Despite the logistical challenge, retail within mixed-use development is expected to be the preferred format as it accommodates the unfulfilled demand from the growing number of downtown residential developments.<sup>(6)</sup>

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(1) CBRE Canada Retail MarketView Q4 2012.

(2) CBRE Canada Commercial Real Estate Market Outlook 2013.

(3) CBRE Canada Retail MarketView Q4 2012.

(4) CBRE Canada Commercial Real Estate Market Outlook 2013.

(5) CBRE Canada Retail MarketView Q4 2012.

(6) CBRE Canada Commercial Real Estate Market Outlook 2013.

## ASSETS OF THE REIT

### General

In connection with the Closing, the REIT will indirectly acquire a portfolio of 425 commercial properties in Canada that are currently owned by Loblaw, comprising an aggregate of 415 retail properties, one office complex and nine warehouse properties. The retail properties will be made up of (i) 267 properties with a stand-alone store with a Loblaw-Owned Banner, (ii) 143 properties anchored by a store with a Loblaw-Owned Banner that also contain one or more third-party tenants, and (iii) five properties containing only third-party tenants. The office complex consists of two office buildings and the warehouse properties include two properties that host three warehouses each. The Initial Properties comprise an aggregate of approximately 35.3 million square feet of GLA across Canada with an average age of 16 years.

The net book value of the Initial Properties, as recorded by Loblaw in accordance with GAAP, was approximately \$3.5 billion as at December 31, 2012.

The Initial Properties are well-located within their respective markets and will 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 maturities. In addition, the geographic diversification within the portfolio of Initial Properties will help to mitigate tenant concentration risks and will support the stability of the REIT's cash flows.

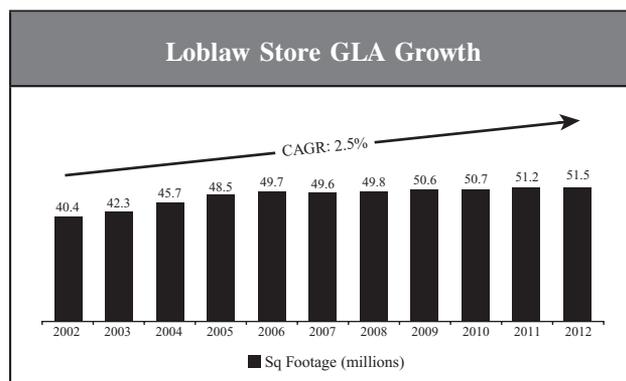
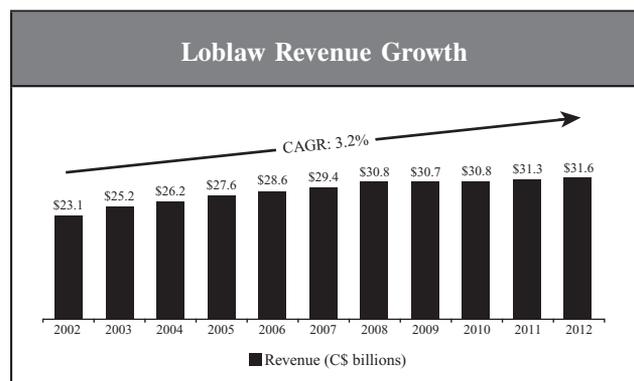
### Description of the REIT's Key Tenant

Loblaw Companies Limited was incorporated on January 18, 1956, although portions of its business originated before 1900. It is a Subsidiary of GWL, and is listed on the TSX under the symbol "L". It had a market capitalization of approximately \$14.0 billion as of the date of this prospectus and has investment grade credit ratings from each of DBRS and S&P which have been in place for over 10 years.

Loblaw generated in excess of \$31.0 billion in revenues and approximately \$2.0 billion in EBITDA in 2012. Loblaw, together with its franchisees, is one of the largest private sector employers in Canada, according to The Globe and Mail's 2012 Top 1000 ranking, with more than 134,000 full-time and part-time employees. Loblaw estimates that it currently serves more than 14 million customers per week, representing approximately 40% of the total Canadian population. Based on reported sales of publicly traded peer companies and Canadian food retailers, Loblaw holds a leading market share. Loblaw's customers comprise a wide cross-section of consumers located across the country.

Loblaw has two reportable operating segments, retail and financial services. Retail consists primarily of food and also includes drugstores, gas bars, liquor stores, apparel and other general merchandise. Financial Services includes credit card services, insurance brokerage services, personal banking services provided by a major Canadian chartered bank, deposit taking services and telecommunication services.

Loblaw and its franchisees operate 1,053 stores across Canada with total space of 51.5 million square feet under 22 Loblaw-Owned Banners. Loblaw-Owned Banner stores market a strong private label program led by President's Choice® and no name® products which were launched more than 29 and 35 years ago, respectively.



Further information about Loblaw is available through Loblaw’s publicly available continuous disclosure filings made with Canadian securities regulators.

As at June 25, 2013, Loblaw’s corporate credit ratings for various classes of its securities were as follows:

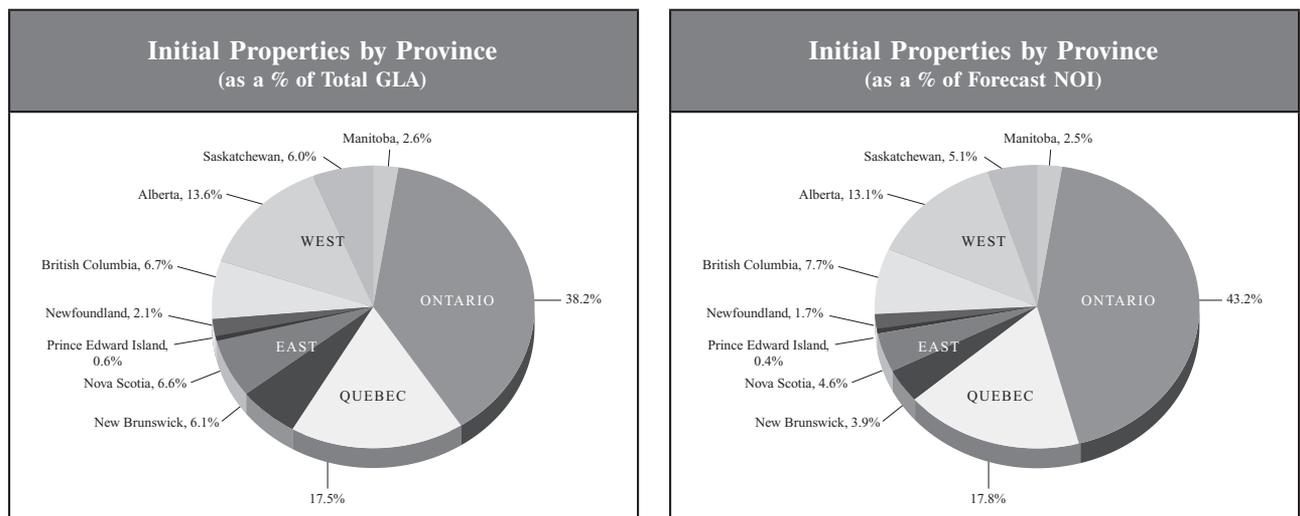
	DBRS		S&P	
	Rating	Trend	Rating	Outlook
Issuer Credit Rating . . . . .	BBB	Stable	BBB	Stable
Medium Term Notes . . . . .	BBB	Stable	BBB	Stable
Preferred Shares . . . . .	Pfd-3	Stable	P-3 (high)	Stable
Other Notes and Debentures . . . . .	BBB	Stable	BBB	Stable

**Composition of the Initial Properties**

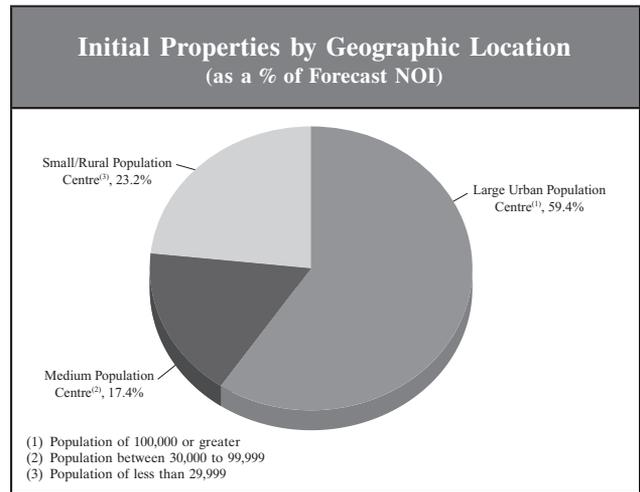
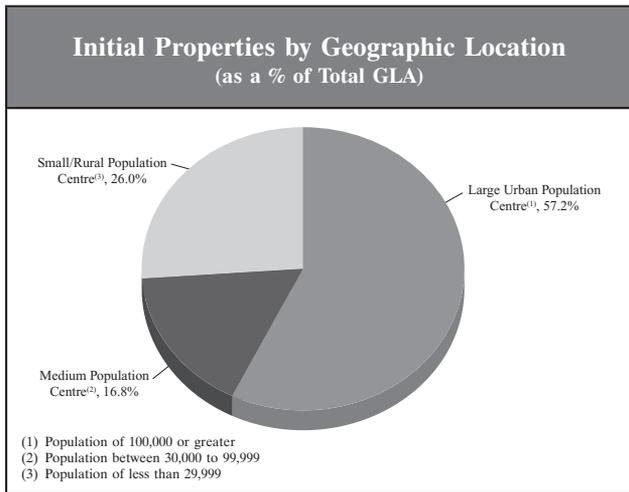
*Geographic Breakdown*

The Initial Properties consist of 425 properties containing approximately 35.3 million square feet of GLA across Canada. See “Appendix A — Initial Properties”. Approximately 43.2%, 17.8% and 13.1% of the forecast NOI for the Forecast Period is anticipated to be derived from Initial Properties located in Ontario, Quebec and Alberta, respectively.

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

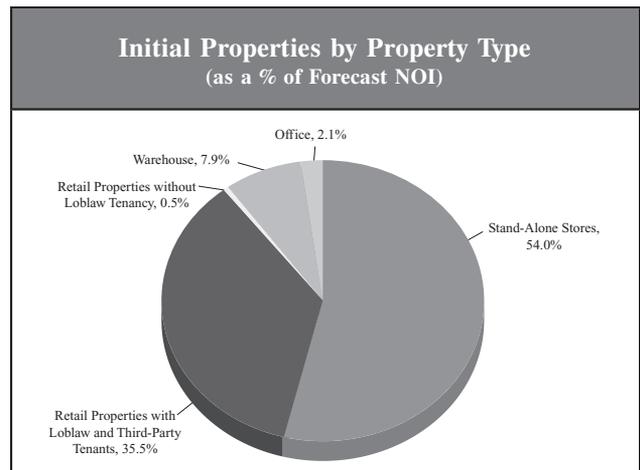
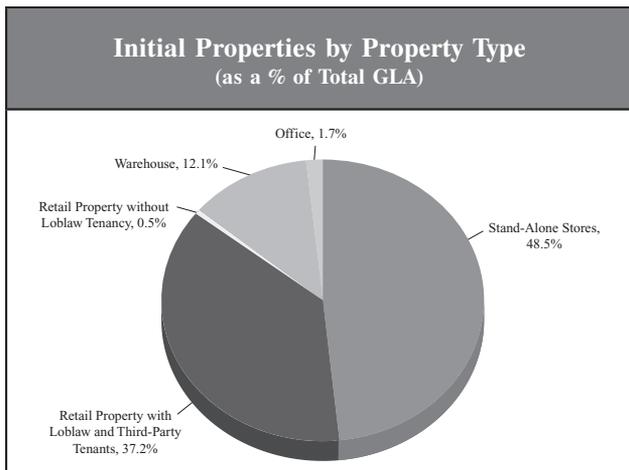


The Initial Properties are geographically diversified between large urban population centres, medium population centres and small/rural population centres across Canada, with the majority of the Initial Properties located in large urban population centres, often in close proximity to major commercial arteries with easy highway access and high visibility. The following chart provides a breakdown of the Initial Properties by large urban, medium, and small/rural population centres, measured by total GLA and forecast NOI.



### Property Type Breakdown

The Initial Properties are diversified by property type. The total GLA of the Initial Properties is divided among properties with stand-alone stores operating under Loblaw-Owned Banners (48.5%), multi-tenant properties anchored by stores operating under Loblaw-Owned Banners and third-party tenants (37.2%), warehouses (12.1%), office buildings (1.7%) and retail properties with no Loblaw-Owned Banners (0.5%). The following charts illustrate the composition of the Initial Properties, measured by total GLA and forecast NOI.



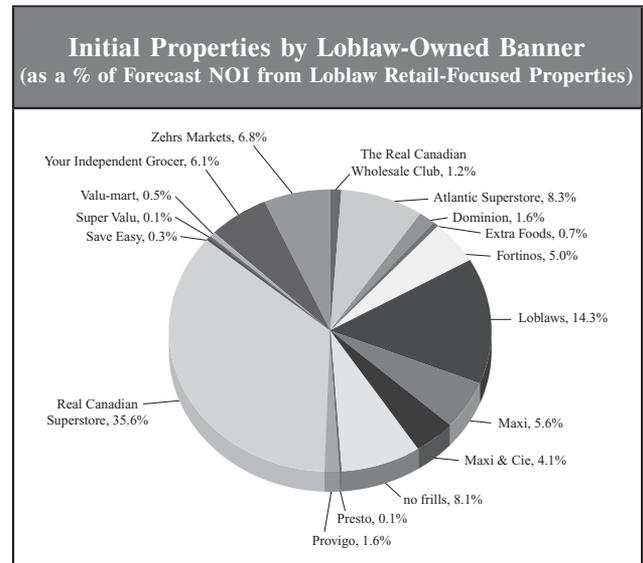
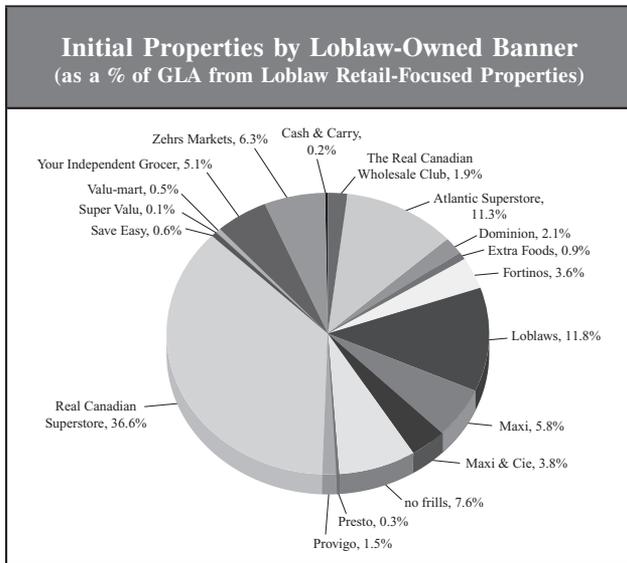
### Loblaw Retail-Focused Leased GLA

Loblaw is the REIT's largest tenant representing on Closing 88.3% of the REIT's GLA and 91.2% of its annual base minimum rent. The 31.1 million square feet of GLA to be leased by the REIT to Loblaw is diversified, with approximately 85.0%, 13.0% and 2.0% of such GLA attributable to retail, warehouse and office space, respectively. Loblaw successfully operates a multi-banner strategy across Canada. Each region of Canada has two Loblaw store formats, namely discount and conventional. In some regions of Canada, there are multiple Loblaw-Owned Banners that operate under each of these store formats. Each Loblaw-Owned Banner has a rich history and generally experiences positive consumer acceptance in Canada.

*Loblaw-Owned Banners*

For over 50 years, Loblaw has operated through corporate, franchised and affiliated stores, and it currently owns a real estate portfolio of its retail and ancillary operations spanning approximately 47 million square feet. Loblaw-Owned Banners consist of (i) corporate-owned or licensed (in the case of Dominion) store banners including: Atlantic Superstore, Dominion, Extra Foods, Loblaws, Maxi, Maxi & Cie, Provigo, Real Canadian Superstore, T&T Supermarket, Zehrs Markets; (ii) wholesale outlets operating as Cash & Carry, Presto, and The Real Canadian Wholesale Club; and (iii) franchised and affiliated store banners operating as Save Easy, Fortinos, Extra Foods, no frills, Super Valu, Valu-mart, Provigo and Your Independent Grocer.

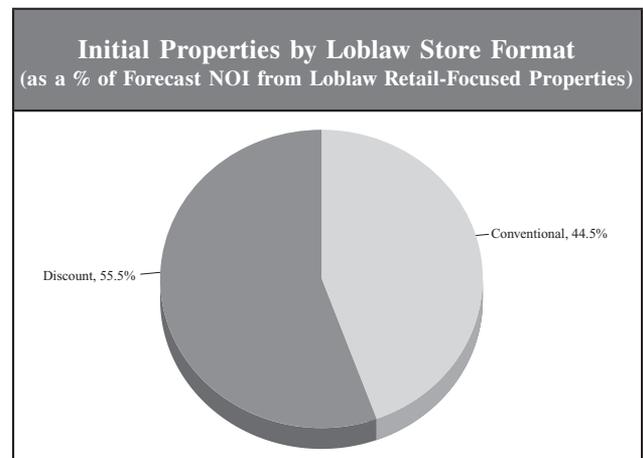
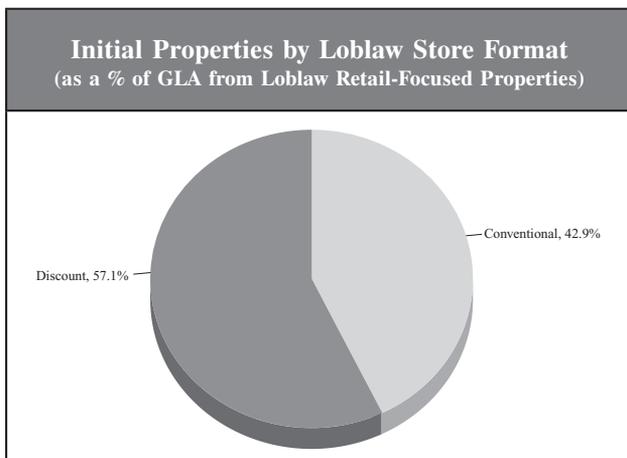
The following graph provides a breakdown of the Loblaw retail-focused lease space by the various Loblaw-Owned Banners on Closing, measured by total GLA and Forecast NOI.



*Retail Store Format*

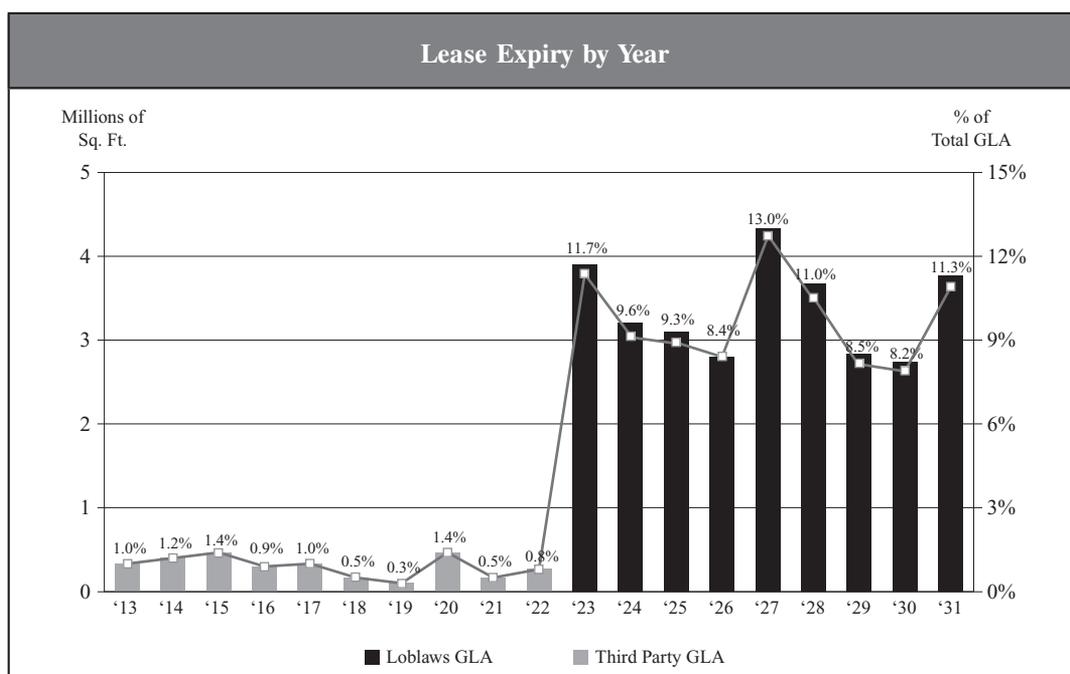
Each of the Loblaw-Owned Banners referred to in the charts above can be further divided into conventional and discount retail store formats.

The following graph provides a breakdown of the Loblaw retail-focused leased space by retail store format, measured by GLA and Forecast NOI.



## Occupancy and Leasing

The following graph sets out the percentage of GLA of the Initial Properties subject to expiration of leases in each year. The remaining terms of the Loblaw Leases range from 10 to 18 years from the Closing Date. The weighted average remaining lease term for the REIT's entire portfolio and the weighted average remaining lease term for all Loblaw-occupied space, in each case from the Closing Date, is expected to be approximately 13 years and 14 years, respectively.



## Top 10 Non-Loblaw Tenants

The following table provides a breakdown of the top 10 non-Loblaw tenants of the REIT, measured by annual base minimum rent.

<b>Top 10 Non-Loblaw Tenants</b>					
Third-Party Tenant	Total GLA (000s Sq. Ft.)	% of Total GLA	% of Total Base Minimum Rent of Initial Properties	No. of Locations Within Initial Properties	Avg. Remaining Lease Term (yrs)
Staples	153	0.43%	0.37%	8	7.3
SAQ	72	0.20%	0.31%	14	5.0
Dollarama	124	0.35%	0.28%	13	5.5
GoodLife Fitness	121	0.34%	0.27%	7	6.0
LCBO	61	0.17%	0.26%	6	12.3
Winners	125	0.36%	0.23%	5	6.9
TD Canada Trust	47	0.13%	0.21%	12	4.3
NSLC	153	0.43%	0.18%	18	3.2
Zellers	182	0.51%	0.18%	2	7.0
JYSK	67	0.19%	0.15%	3	10.4
<b>TOTAL</b>	<b>1,105</b>	<b>3.11%</b>	<b>2.44%</b>	<b>88</b>	<b>6.8</b>

## **Description of Representative Initial Properties**

The following is a summary description of 53 of the Initial Properties, which were selected to represent all of the Initial Properties in a balanced manner, with equal representation from each of the Loblaw-bannered anchor tenants by region. Specifically, each of the Initial Properties (other than five properties discussed below) has a Loblaw-Owned Banner anchor tenant, such as Real Canadian Superstore, Atlantic Superstore, no frills, Loblaws or Zehrs Markets. The percentage of these Loblaw-Owned Banner anchor tenants within the overall portfolio of Initial Properties determined the approximate percentage that these Loblaw-Owned Banner Initial Properties represent of the properties described below. For example, Atlantic Superstore-bannered stores anchor approximately 10% of the Initial Properties. Therefore, approximately 10% of the Initial Properties summarized in this section are properties anchored by an Atlantic Superstore.

As well, the properties described in this section comprise a mixed selection of (i) properties with a stand-alone Loblaw-Owned Banner, (ii) properties with a stand-alone Loblaw-Owned Banner and one additional third party tenant, and (iii) properties with a stand-alone Loblaw-Owned Banner and more than one additional third-party tenant. The Initial Properties described in this section also generally reflect properties with higher NOI, such that the properties described below are expected to represent 26.7% of the REIT's total NOI as at the Closing Date. For greater certainty, the top 10 Initial Properties as ranked by NOI are included in the descriptions below.

The Initial Properties also contain five shopping centres that are not anchored by a Loblaw-Owned Banner. Of these five Initial Properties, one such property (1300 Main Street, Stittsville, Ontario) is described below as a representative example.

### ***WESTERN CANADA***

#### ***3185, 3189 and 3191 Grandview Highway, Vancouver, British Columbia***

3185, 3189 and 3191 Grandview Highway is a free-standing Real Canadian Superstore and gas bar in the City of Vancouver. The property is in a desirable location, adjacent to Rupert Sky Train station, with good visibility from Grandview Highway, a major commuter route, and with full signal access from Rupert Street. Grandview Highway (45,000 vehicle trips daily) and Rupert Street (10,000 vehicle trips daily) are high volume vehicle routes for the area. The property also benefits from its exposure, with approximately 856 feet of frontage along the north side of Grandview Highway. This property is situated on a total site area of 12.8 acres, with land occupied by buildings of 12.5 acres, contains 136,570 square feet of GLA, has surface parking for 674 vehicles and has an associated office facility and gas bar. As of May 1, 2013, the property was 100% leased to Real Canadian Superstore. The building was built in 1990. A major renovation resetting the fresh food hall was completed in 2010. A resetting of the general merchandise portion of the store was completed in the first quarter of 2012.

#### ***2755–190<sup>th</sup> Street, 2456–188 Street and 18917–24<sup>th</sup> Avenue, Surrey, British Columbia***

2755–190th Street, 2456–188 Street and 18917–24th Avenue is a modern, state of the art warehouse building centre that is currently home to a Loblaw warehouse and distribution centre operated by a third party to serve the Loblaw network of stores in British Columbia. The property is located in the emerging industrial district/logistics hub in Surrey. The building is LEED Silver certified and is a temperature-controlled facility which includes a freezer and has cross-dock operation (91 loading dock doors) and truck fuelling stations. This property is situated on a total site area of 74.5 acres and contains 407,000 square feet of GLA. The property has a frontage of approximately 2,572 feet along 190th Street. The property contains vehicle parking for 276 cars and 242 trailers. As of May 1, 2013, the property was 100% leased to Loblaw. The property was built in 2009 and the roof is currently being renovated by Loblaw under warranty. The property benefits from its close proximity to an arterial road network, with little traffic congestion, and is close to the Canada-U.S. border crossing as well as to Surrey City Development Corporation's Campbell Heights Business Park. This property also has the potential for warehouse intensification.

*4651 No. 3 Road, Richmond, British Columbia*

4651 No. 3 Road is a shopping centre that contains 14 units and is currently anchored by a Real Canadian Superstore and gas bar. The property benefits from its close proximity to the Canada Line SkyTrain Route and is close to the Aberdeen and Lansdowne SkyTrain stations, as well as Lansdowne Mall, Aberdeen Centre, Vancouver International Airport and the Richmond Olympic Oval. The property benefits from full signal access and its exposure, with approximately 362 feet of frontage along the south side of No. 3 Road. This property is situated on 7.8 acres of land, contains 171,344 square feet of GLA and has parking for 590 vehicles including covered parking under an elevated store. As of May 1, 2013, the property was 99.3% leased to 14 tenants, including Real Canadian Superstore (145,370 square feet of GLA), Providence Medical Clinic (7,998 square feet of GLA), Manulife Financial (7,428 square feet of GLA) and FedEx (2,299 square feet of GLA). The building was built in 2000 and Real Canadian Superstore is currently under a full store major renovation with completion anticipated in late 2013. This property also has the potential for long-term redevelopment for mixed use (residential/retail).

*3000 and 3064 Lougheed Highway, Coquitlam, British Columbia*

3000 and 3064 Lougheed Highway is a shopping centre that contains three free-standing buildings (22 units) and is currently anchored by a Real Canadian Superstore and gas bar. The property benefits from its close proximity to Lougheed Highway and its exposure with approximately 1,218 feet of frontage along the north side of Lougheed Highway. The property is close to the future Coquitlam Central Sky Train station and is across from Coquitlam Centre. This property is situated on 17.6 acres of land, contains 279,374 square feet of GLA and has integrated parking for 1,148 vehicles (including covered parking under an elevated store). As of May 1, 2013, the property was 98.2% leased to 21 tenants, including Real Canadian Superstore (140,725 square feet of GLA), The Brick (41,177 square feet of GLA), Winners (36,491 square feet of GLA) and Fitness World (21,410 square feet of GLA). A resetting of the general merchandise portion of the store was completed in the third quarter of 2012.

*1301 Lougheed Highway, Coquitlam, British Columbia*

1301 Lougheed Highway is a shopping centre that contains four free-standing buildings and is currently anchored by a Real Canadian Superstore and gas bar. The property benefits from its close proximity to Highway 1 interchange and its exposure, with approximately 1,017 feet of frontage along the north side of Lougheed Highway. This property is located within one of Coquitlam's major large format retail shopping districts, with shadow anchors Canadian Tire, Toys "R" Us, Silver City Theatres and IKEA locations nearby. The property is situated on 15.2 acres of land, with land occupied by buildings of 14.4 acres, contains 182,219 square feet of GLA and has surface and covered parking for 970 vehicles. As of May 1, 2013, the property was 100% leased to four tenants, including Real Canadian Superstore (154,841 square feet of GLA), Staples (23,454 square feet of GLA) and A&W (2,923 square feet of GLA). The buildings were built in 1989 and are scheduled for a major renovation in 2014. This property is also available for intensification.

*439 North Road, Coquitlam, British Columbia*

439 North Road is a shopping centre that contains 24 units and is currently anchored by an Extra Foods supermarket. This neighbourhood shopping centre (the Cariboo Centre) is centrally located within one of Coquitlam's major retail shopping districts. The property benefits from its proximity to three major arterial roads (Lougheed Highway, North Road and Austin Road), and its close proximity to the Lougheed Highway SkyTrain station and the Lougheed Mall and its exposure with approximately 701 feet of frontage along the east side of North Road. This property is situated on 6.9 acres of land, contains 86,023 square feet of GLA and has surface parking for 370 vehicles. As of May 1, 2013, the property was 98.9% leased to 24 tenants, including Extra Foods (35,633 square feet of GLA), Petcetera (9,854 square feet of GLA), Royal Bank of Canada (7,504 square feet of GLA) and North Road Medical Clinic (5,337 square feet of GLA). The Extra Foods store opened in 2002. This property also has the potential for major mixed use (residential/retail) redevelopment.

*#100, 8802–100<sup>th</sup> Street, Fort Saskatchewan, Alberta*

#100, 8802–100<sup>th</sup> Street is a shopping centre that contains three free-standing buildings (three units), and is currently anchored by a no frills supermarket, gas bar and a Real Canadian Liquor Store. The property is a grocery-anchored neighbourhood shopping centre located in a growing suburb of Edmonton. The property is a main retail destination in Fort Saskatchewan and benefits from good visibility from Highway 15 (which experiences high daily traffic volumes) and its exposure, with approximately 874 feet of frontage along the south-east side of Highway 15. This property is situated on a total site area of 11.8 acres of land, with land occupied by buildings of 8.4 acres, contains 63,020 square feet of GLA and has surface parking for 438 vehicles. As of May 1, 2013, the property was 100% leased to three tenants, comprised of no frills (44,665 square feet of GLA), Dollarama (10,250 square feet of GLA) and Source for Sports (8,105 square feet of GLA). The buildings were built in 2004 and the store was most recently renovated in 2008 when it was converted to a no frills store. The shopping centre is shadow-anchored by Canadian Tire and Walmart. This property also has the potential for intensification on vacant lands.

*17303 Stony Plain Road, Edmonton, Alberta*

17303 Stony Plain Road is a shopping centre that contains six free-standing buildings and is currently anchored by a Real Canadian Superstore, a gas bar and a Real Canadian Liquor Store. The property is situated in one of Edmonton's major retail districts. The property benefits from good ingress/egress, its exposure to three major arterial roads (170 Street, Stony Plain Road and 100 Avenue) and its exposure with approximately 1,235 feet of frontage along the east side of Stony Plain Road West. The property is close to West Edmonton Mall, and is shadow-anchored by Home Depot, Best Buy, Urban Barn and various banks. This property is situated on 17.3 acres of land, with land occupied by buildings of 16.1 acres, contains 171,708 square feet of GLA and has surface parking for 1,017 vehicles. As of May 1, 2013, the property was 100% leased to four tenants, including Real Canadian Superstore (154,319 square feet of GLA), Red Robin (7,294 square feet of GLA), Alberta Treasury (6,451 square feet of GLA) and Burger King (3,644 square feet of GLA). The buildings were built in 1986 and a resetting of the general merchandise portion of Real Canadian Superstore was completed in 2012. This property also has the potential for intensification on the north side of the food store.

*14740–111<sup>th</sup> Avenue, Edmonton, Alberta*

14740–111<sup>th</sup> Avenue is a The Real Canadian Wholesale Club supermarket-anchored property containing three units. The property is a corner lot with good exposure to 111<sup>th</sup> Avenue and 149 Street, in one of Edmonton's major industrial sectors. The property benefits from recently-installed signage and its exposure with approximately 922 feet of frontage along the north side of 111<sup>th</sup> Avenue. The property is situated on a total site area of 10.0 acres of land, with land occupied by buildings of 8.2 acres, contains 68,585 square feet of GLA and has surface parking for 241 vehicles. As of May 1, 2013, the property was 100% leased to three tenants, comprised of a The Real Canadian Wholesale Club (48,365 square feet of GLA) and two additional retail units (20,220 square feet of GLA), which are currently leased to Kastner Auctions and Weston Bakeries. The building was built in 1994 and the property also has the potential for intensification.

*7020–4<sup>th</sup> Street NW, Calgary, Alberta*

7020–4<sup>th</sup> Street NW is a Real Canadian Superstore, gas bar and Real Canadian Liquor Store-anchored property that contains three free-standing buildings located in the heart of the Huntington Hills residential community in Calgary. The property benefits from its close proximity to Deerfoot Trail, its access from two main streets in the community, Centre Street and 4<sup>th</sup> Street, and its exposure with approximately 1,381 feet of frontage along the east side of 4<sup>th</sup> Street. The property is situated on 14.1 acres of land, contains 149,874 square feet of GLA and has surface parking for 873 vehicles. As of May 1, 2013, the property was 100% leased to three tenants, comprised of a Real Canadian Superstore (147,680 square feet of GLA) including a gas bar, and two additional retail units (2,194 square feet of GLA) which are currently leased to Dream Cuts and Starbucks. The buildings were most recently renovated and opened in the current format in 2008. A resetting of the general merchandise portion of Real Canadian Superstore was completed in the second quarter of 2013.

*3575–20<sup>th</sup> Avenue NE, Calgary, Alberta*

3575–20<sup>th</sup> Avenue NE is a Real Canadian Superstore, gas bar and Real Canadian Liquor Store-anchored property that contains four free-standing buildings located next to Sunridge Mall in the prominent retail district of northeast Calgary. The property benefits from its close proximity to Highway 1 and the Rundle C-Train station and its exposure to 36<sup>th</sup> Street NE and 20<sup>th</sup> Avenue NE with approximately 797 feet of frontage along the south side of 20<sup>th</sup> Avenue NE. The property is situated on a total site area of 17.3 acres of land, contains 169,654 square feet of GLA and has surface parking for 951 vehicles. As of May 1, 2013, the property was 100% leased to two tenants comprised of a Real Canadian Superstore (161,455 square feet of GLA) and one additional retail unit (8,199 square feet of GLA) which is currently leased to Red Robin. The buildings were built in 1990 and were most recently renovated in 2012 with a resetting of the fresh food halls. A major total store renovation was completed in the fourth quarter of 2011. This property also has the potential for intensification.

*55 Freeport Boulevard NE, Calgary, Alberta*

55 Freeport Boulevard NE is a modern, state of the art multi-temperature warehouse and distribution centre located directly north of the Calgary airport in the city's primary industrial park. The facility is operated by Loblaw and was designed to serve the Loblaw network of stores in Alberta. This property is situated on a total site area of 41.9 acres of land, contains 499,837 square feet of GLA and has 119 loading dock doors. The property has a frontage of approximately 1,355 feet along Freeport Boulevard NE. The property contains vehicle parking for 297 cars and 210 trailers. The property was originally built in 2003 and was significantly expanded in 2009. The property benefits from its close proximity to Deerfoot Trail (Highway 2) and the upgraded Stoney Trail connection to Highway 1. This property also has the potential for warehouse expansion.

*2132 and 2136 McPhillips Street, Winnipeg, Manitoba*

2132 and 2136 McPhillips Street is a grocery-anchored shopping centre that contains three free-standing buildings and is currently anchored by a Real Canadian Superstore and gas bar. It is located along one of Winnipeg's main retail corridors. The property benefits from its close proximity to Garden City Shopping Centre, and its exposure, with approximately 507 feet of frontage along the west side of McPhillips Street. The property also has full signal access from Stardust Avenue and McPhillips Street. This property is situated on a total site area of 13.1 acres of land, with land occupied by buildings of 12.7 acres, contains 169,066 square feet of GLA and has surface parking for 824 vehicles. As of May 1, 2013, the property was 100% leased to 11 tenants, including Real Canadian Superstore (141,765 square feet of GLA), GoodLife Fitness (11,028 square feet of GLA), Pet Valu (3,000 square feet of GLA) and Cambrian Credit Union (4,000 square feet of GLA). The building was built in 1986. A resetting of the general merchandise portion of Real Canadian Superstore was completed in 2012. The property is shadow-anchored by a Future Shop, Canadian Tire and Home Depot. This property also has the potential for intensification with small pad opportunities.

*2055 Prince of Wales Drive, Regina, Saskatchewan*

2055 Prince of Wales Drive is a free-standing Real Canadian Superstore and gas bar. The property is ideally located in one of the most favourable areas of greater Regina, at the corner of Victoria Avenue (Trans Canada Highway) and Prince of Wales Drive. It has good exposure with approximately 883 feet of frontage along the east side of Prince of Wales Drive. The property benefits from its proximity to the Trans Canada Highway and is within the primary retail area of the fast-growing community of Regina. The property is situated on a total site area of 18.3 acres of land, with land occupied by buildings of 12.7 acres, containing 142,021 square feet of GLA and has surface parking for 696 vehicles. As of May 1, 2013, the property was 100% leased to Real Canadian Superstore (142,021 square feet of GLA) and the gas bar. The building was most recently renovated with a major full store renovation in 2011. A resetting of the general merchandise portion of Real Canadian Superstore was completed in 2012. This property also has the potential for intensification with five acres for future development.

### *2101 Fleming Road, Regina, Saskatchewan*

2101 Fleming Road is a modern, state of the art multi-temperature warehouse and distribution centre situated in the emerging global transportation hub located just west of Regina. The facility is operated by Loblaw and was designed to primarily serve the Loblaw network of stores in Manitoba and Saskatchewan. The building is strategically located adjacent to a newly constructed Canadian Pacific Railway intermodal facility, with convenient access to Highway 1 through an upgraded road network. This property is situated on a total site area of 83.7 acres, contains 1,029,675 square feet of GLA, and has 204 loading dock doors. The property has a frontage of approximately 1,451 feet along Fleming Road. The property contains vehicle parking for 586 cars and 655 trailers. Phase one of this building was constructed in 2011 with subsequent expansions occurring in 2012. Additional site works and access improvements are planned for 2013. This property also has the potential for additional warehouse expansion.

### *2901 and 2921–8<sup>th</sup> Street East, Saskatoon, Saskatchewan*

2901 and 2921–8<sup>th</sup> Street East is a strip mall plaza anchored by a Real Canadian Superstore and a gas bar located along one of Saskatoon's major retail arteries. The property benefits from its exposure with 773 feet of frontage along 8<sup>th</sup> Street East. This property is situated on a total site area of 8.0 acres of land, contains 149,875 square feet of GLA and has covered parking for 326 vehicles under Real Canadian Superstore as well as surface parking for 361 vehicles. As of May 1, 2013, the property was 100% leased to five tenants, including Real Canadian Superstore (141,752 square feet of GLA), Primacy Medical Clinic (1,924 square feet of GLA), Computer Trending (1,299 square feet of GLA) and a pizza restaurant (1,400 square feet of GLA). A resetting of the general merchandise portion of Real Canadian Superstore was completed in 2012.

## **ONTARIO**

### *650 Dupont Street, Toronto, Ontario*

650 Dupont Street is a free-standing Loblaws supermarket centrally located in the Ossington area of Toronto. The property benefits from its close proximity to public transit available on both Dupont Street and Christie Street, as well as vehicular access accommodated by full signal access off of Dupont Street. The property enjoys good exposure with approximately 750 feet of frontage along the north side of Dupont Street. The property is within a high population area with high average household incomes. The property is situated on 4.3 acres of land, contains 52,025 square feet of GLA and has surface parking for 289 vehicles. The property also includes a portion of land leased from a third party. As of May 1, 2013, the property was 100% leased to Loblaws. The building was built in 1996 and was most recently renovated in 2008, with a new roof installed in early 2013. While the property is currently comprised of a single Loblaws store, it also has the potential for intensification by way of mixed-use (residential/retail) development at the east end of the property.

### *222 Lansdowne Avenue, Toronto, Ontario*

222 Lansdowne Avenue is a shopping centre that contains four units and is currently anchored by a no frills supermarket. The property is located within a neighbourhood in transition in the western area of Toronto and benefits from its location at the south west corner of Lansdowne Avenue and Dundas Street West. It has good exposure with approximately 828 feet of frontage along Lansdowne Avenue. The property benefits from easy access to public transit available on both Lansdowne Avenue and Dundas Street West. The property is within a high population area with high average household incomes. This property is situated on 6.9 acres of land (of which 1.8 acres are leased), contains 61,664 square feet of GLA and has surface parking for 416 vehicles. The property also includes a portion of land leased from a third party for parking. As of May 1, 2013, the property was 100% leased to four tenants, including no frills (57,059 square feet of GLA), a dentist's office (1,680 square feet of GLA) and Albany Pizza (1,115 square feet of GLA). The building was built in 2003.

### *1300 Main Street, Stittsville, Ontario*

1300 Main Street is a mixed use (office and retail) shopping centre comprised of 21 units (15 retail units and six office units) and is currently anchored by a Shoppers Drug Mart and a Dollarama. The property is located in a growing bedroom community of Ottawa and benefits from its close proximity to the greater Ottawa market. It

has good exposure, with approximately 436 feet of frontage along the west side of Main Street (Ottawa Road 5). The Town of Stittsville has a population of approximately 27,000 (such population having increased by approximately 30% from 2006 to 2011) with high average household incomes. The property is in close proximity to, and has easy signal access from, Highway 417. The property is situated on 4.4 acres of land, contains 59,755 square feet of GLA and has surface parking for 276 vehicles. As of May 1, 2013, the property was 85.4% leased to 14 tenants, including Shoppers Drug Mart (18,536 square feet of GLA), Dollarama (9,915 square feet of GLA), Moksha Yoga (3,647 square feet of GLA) and Napoli's Cafe (3,068 square feet of GLA).

*245 Dixon Road, Rexdale, Ontario*

245 Dixon Road is a no frills supermarket and Loblaw Pharmacy-anchored property which is located in the north-west area of Toronto known as Etobicoke. The property is centrally located in a well-established neighbourhood, with a dense population in close proximity (approximately 18,000 people located within one kilometre, 71% of whom live in apartment buildings), with high average household incomes. The property benefits from its close proximity to and full signal access from Dixon Road and its excellent exposure, with approximately 285 feet of frontage along the north side of Dixon Road. The property also benefits from proximity to public transit bus stops available on both Islington Road and Dixon Road as well as close proximity to Highway 401. The property is located on a major commuter route into the city of Toronto, is situated on 7.1 acres of land, contains 65,794 square feet of GLA and has surface parking for 390 vehicles. As of May 1, 2013, the property was 93.9% leased to nine tenants. The property was repositioned in 2012 with the construction of a no frills supermarket and Loblaw Pharmacy (representing 44,670 square feet of GLA, inclusive of Loblaw Pharmacy) as well as additional units (representing an additional 21,124 square feet of GLA). The majority of the additional units (17,100 square feet of GLA) are currently leased to a number of medical practitioners and medical and health support businesses for the purpose of a unique Regional Health Centre which provides support/relief to the nearby Humber River Regional Hospital (which is currently under construction).

This property also has high intensification potential, with opportunities for major mixed-use (residential/retail) development.

*1893 Scugog Street, Port Perry, Ontario*

1893 Scugog Street is a Your Independent Grocer-anchored property that contains two free-standing buildings strategically located within the downtown commercial strip of Port Perry. The town sits on the shore of Lake Scugog, just north of Whitby and just off of Highway 12, the gateway to the Kawarthas. The property benefits from its close proximity to downtown Port Perry with full signal access from Scugog Street, its exposure with approximately 570 feet of frontage along the north side of Scugog Street (King's Highway 7A) and unique accessibility by virtue of an adjacent dock on Lake Scugog. The town of Port Perry has a population of approximately 6,000 (and the summer season population generally increases by approximately 10%) with high average household incomes. The property is situated on a total site area of 8.7 acres of land, with land occupied by buildings of 8.0 acres, contains 56,115 square feet of GLA and has surface parking for 383 vehicles. As of May 1, 2013, the property was 100% leased to two tenants, comprised of a Your Independent Grocer supermarket (representing 50,725 square feet of GLA) and a land lease to Timwen Partnership. The buildings were built in 1980 and were most recently renovated in 2009.

*1792 Liverpool Road, Pickering, Ontario*

1792 Liverpool Road is a shopping centre that is currently anchored by a Loblaws supermarket. The property is strategically located at the centre of the town of Pickering and benefits from its location in an affluent trade area predominantly comprised of young families. It has good exposure, with approximately 451 feet of frontage along Kingston Road, a major east-west arterial road, and approximately 150 feet of frontage along Liverpool Road. The property is located just west of the Pickering Town Centre and a GO Station is located just south of the property. The property also benefits from full signal access from Liverpool Road and easy access to Highway 401. The property is within a high population area with high average household incomes. This property is situated on a total site area of 11.8 acres of land, with land occupied by buildings of 11.2 acres, contains 152,952 square feet of GLA and has surface parking for 639 vehicles. As of May 1, 2013, the property

was 98.2% leased to 12 tenants, including Loblaws (115,529 square feet of GLA), GoodLife Fitness (18,877 square feet of GLA), Si Vous Play Sports (6,705 square feet of GLA) and a dental office (2,080 square feet of GLA). The buildings were built in 1990 and were most recently renovated in 2010.

*190 Richmond Road, Ottawa, Ontario*

190 Richmond Road is a Real Canadian Superstore-anchored property that contains two free-standing buildings located in the Westboro area, a well-established neighbourhood of Ottawa. The property benefits from its close proximity and easy access to downtown Ottawa, and its exposure, with approximately 741 feet of frontage along the south side of Richmond Road. The property has full signal access from Richmond Road. The property is within a high population area with high average household incomes. This property is situated on a total site area of 9.8 acres, with land occupied by buildings of 7.7 acres, contains 95,063 square feet of GLA and has surface parking for 444 vehicles. The property also includes a portion of land leased from a third party for parking and access. As of May 1, 2013, the property was 100% leased to two tenants, comprised of a Real Canadian Superstore (representing 84,880 square feet of GLA) as well as one additional retail unit (representing an additional 10,183 square feet of GLA) which is currently leased to LCBO. The buildings were built in 2003 and were most recently renovated in 2009. A major renovation for rebranding is planned for 2014. This property also has the potential for intensification by residential development of vacant land on the southern portion of the site.

*289–293 Coldwater Road West, Orillia, Ontario*

289–293 Coldwater Road West is a shopping centre that contains two free-standing buildings, currently anchored by a Zehrs Markets supermarket. The property benefits from its access from Highway 11, located just 500 metres south of Coldwater Road (one of the primary access routes into Orillia). The property contains multiple access points including one signal access, and has good exposure, with approximately 586 feet of frontage along the south side of Coldwater Road. The overall population of the area increases seasonally with cottagers and skiers. This property is situated on 9.5 acres of land, contains 95,720 square feet of GLA and has surface parking for 455 vehicles. As of May 1, 2013, the property was 91.9% leased to three tenants, comprised of Zehrs Markets (74,558 square feet of GLA), LCBO (10,521 square feet of GLA) and BMO (2,880 square feet of GLA). The buildings were built in 1999 and the Zehrs Markets supermarket was most recently renovated in 2012, which consisted of a major rebranding and banner reset.

*875 Highland Road West, Kitchener, Ontario*

875 Highland Road West is a shopping centre that contains four free-standing buildings (22 units) currently anchored by one of Canada's largest Real Canadian Superstores. The property is located in a prime retail location at the south-west corner of Fischer Hallman Road and Highland Road West. The property has good visibility and access, enhanced by an on-site Kitchener public transit hub and full signal access from both Fischer Hallman Road and Highland Road West. The property benefits from its close proximity to a large high school and a mature residential area. Highway 8 is 1.7 kilometres to the south, providing easy access to a Highway 401 interchange. In addition, the property benefits from its exposure, with approximately 479 feet of frontage along the south side of Highland Road West. This property is located in the central area of Kitchener where there are high average household incomes. The property is situated on a total site area of 22.8 acres of land, with land occupied by buildings of 22.8 acres, contains 233,091 square feet of GLA and has surface parking for 1,060 vehicles. As of May 1, 2013, the property was 99.3% leased to 22 tenants, including Real Canadian Superstore (153,618 square feet of GLA), JYSK (24,650 square feet of GLA), Your Dollar Store With More (6,447 square feet of GLA) and Rogers Video (6,063 square feet of GLA). The buildings were built in 1990. A resetting of the general merchandise portion of Real Canadian Superstore was completed in 2012.

*750 Ottawa Street South, Kitchener, Ontario*

750 Ottawa Street South is a free-standing Zehrs Markets supermarket located in Kitchener, Ontario. The property is located at the northwest corner of Strasburg Road and Ottawa Street South, and benefits from its close proximity to Highway 7/8. The property also benefits from a full signal access from Ottawa Street South, the availability of Kitchener transit buses at Strasburg Road and its exposure, with approximately 644 feet of

frontage along the north side of Ottawa Street South. The property is also located within a prime retail location for south Kitchener, which includes a new Target, Home Outfitters and Rona. The property is within a high population area with high average household incomes. The property is situated on 9.9 acres of land, contains 115,000 square feet of GLA and has surface parking for 614 vehicles. As of May 1, 2013, the property was 100% leased to Zehrs Markets. The building was built in 2002. A resetting of the general merchandise portion of the store was completed in 2012.

*1040–1100 Princess Street, Kingston, Ontario*

1040–1100 Princess Street is a shopping centre that contains six buildings (27 units) anchored by a Loblaws supermarket. The property is a prime corner location, centrally located within the City of Kingston. The property fronts onto three major arterial roadways (Princess Street, Bath Road, and Sir John A. McDonald Boulevard). The property benefits from its close proximity to downtown Kingston and Queen's University, is enhanced by an on-site Kingston public transit hub and has full signal access from Princess Street and Bath Road. The property also enjoys easy access to Highway 401 and benefits from its exposure, with approximately 1,102 feet of frontage along the north east side of Princess Street. The property is situated on a total site area of 23.9 acres of land, with land occupied by buildings of 18.6 acres, contains 163,052 square feet of GLA and has surface parking for 1,204 vehicles. As of May 1, 2013, the property was 98.7% leased to 25 tenants, including Loblaws (81,332 square feet of GLA), Pharma Plus/Maple Family Health Team (19,584 square feet of GLA), Canadian Imperial Bank of Commerce (8,000 square feet of GLA) and Panda Garden Buffet (7,535 square feet of GLA). The property was purchased in 2004 and was most recently renovated in 2009, with a Loblaws supermarket major rebranding renovation scheduled for the second quarter of 2013. This property also has the potential for intensification by way of mixed-use (office and retail) development.

*131 Howland Drive, Huntsville, Ontario*

131 Howland Drive is a free-standing building comprised of a Your Independent Grocer supermarket with an on-site gas bar. The property is located in a prime regional location centrally located within cottage country. The town of Huntsville has a population of approximately 7,500 with a catchment area population of 30,000 and an annual summer seasonal population increase of approximately 40%. The property has good visibility and access to Highway 11 and benefits from full signal access from Highway 60 and its exposure with approximately 579 feet of frontage along the west side of Howland Drive. The property is situated on a total site area of 8.9 acres of land, with land occupied by buildings of 8.1 acres, contains 69,013 square feet of GLA and has surface parking for 468 vehicles. As of May 1, 2013, the property was 100% leased to Your Independent Grocer. The property represents a shadow-anchor to Walmart. The building was built in 2004 and was most recently renovated in 2009.

*435–447 Main Street East, Hamilton, Ontario*

435–447 Main Street East is a shopping centre that contains two buildings (11 units comprised of 7 retail and 4 office) and is currently anchored by a no frills supermarket and a Pharma Plus pharmacy. The property benefits from its close proximity to downtown Hamilton and its exposure, with approximately 388 feet of frontage along the north side of Main Street East. This property is located in the heart of Hamilton and is situated on a total site area of 3.6 acres of land, contains 57,668 square feet of GLA and has surface parking for 175 vehicles. As of May 1, 2013, the property was 96.5% leased to eight tenants, including no frills (20,283 square feet of GLA), Catholic Family Services (17,944 square feet of GLA), Pharma Plus (5,200 square feet of GLA) and National Bank (4,236 square feet of GLA). The buildings were built in 1990 and the no frills was most recently renovated in 2002. This property also has the potential for intensification.

*380 The East Mall, Etobicoke, Ontario*

380 The East Mall is a free-standing Loblaws supermarket centrally located in the heart of the Etobicoke area of Toronto. The property benefits from its close proximity to the convergence of three highways, including Highway 427, Highway 401 and the Queen Elizabeth Way/Gardiner Expressway. The property has good exposure, with approximately 900 feet of frontage along the west side of The East Mall and highway visibility from Highway 427. The property also benefits from full signal access from The East Mall, public transit bus stops

available on both Burnhamthorpe Road and The East Mall and its location just north of Cloverdale Mall. The property is located within a high population area with high average household incomes. The property is situated on a total site area of 10.1 acres of land, with land occupied by buildings of 8.8 acres, contains 81,914 square feet of GLA and has surface parking for 597 vehicles. As of May 1, 2013, the property was 100% leased to Loblaws. The building was built in 1999. A renovation of the fresh foods portion of the store (produce/bakery) was completed in the second quarter of 2013. While the property is currently comprised of a single Loblaws store, it also has the potential for intensification.

*31–9<sup>th</sup> Street East, Cornwall, Ontario*

31–9<sup>th</sup> Street East is a shopping centre that contains two buildings (11 units) currently anchored by a Your Independent Grocer supermarket and Staples Business Depot. The property is centrally located on 9<sup>th</sup> Street East within Cornwall, a major east/west corridor. The property benefits from its close proximity to the commercial heart of Cornwall and its exposure, with approximately 523 feet frontage along the north side of 9<sup>th</sup> Street East. The property is situated close to the Canada-U.S. border and benefits from full signal access from 9<sup>th</sup> Street East and easy access to Highway 401, Pitt Street and Sydney Street. The property is situated on 9.6 acres of land, contains 111,075 square feet of GLA and has surface parking for 569 vehicles. As of May 1, 2013, the property was 93.6% leased to eight tenants, including Your Independent Grocer (54,167 square feet of GLA), Staples Business Depot (24,483 square feet of GLA), Jean-Coutu (11,000 square feet of GLA) and TD Canada Trust (4,834 square feet of GLA). The buildings were built in 1992.

*1105 Fountain Street, Cambridge, Ontario*

1105 Fountain Street is a multi-temperature (including freezer) warehouse building that serves as a Loblaws warehouse and distribution centre located in a prime industrial location in Cambridge, serving Western and Northern Ontario. The property is centered in the tri-city area of Kitchener/Waterloo and Cambridge, and is approximately 80 kilometres from downtown Toronto and approximately 250 kilometres from Detroit. The property benefits from full signal access and its close proximity and easy access to Highway 401 and Highway 8. The property has a site frontage of approximately 3,189 feet along Fountain Street. The property is situated on a total site area of 90.8 acres of land and contains 911,670 square feet of GLA with development land that may be used for future expansions. The property has parking for 691 vehicles and 594 trailers. As of May 1, 2013, the property was 100% leased to Loblaws. The building was built in 2001 and was most recently renovated in 2011 with a 61,000 square foot expansion. This property also has the potential for intensification by way of additional warehouse and distribution buildings.

*1 President's Choice Circle and 55 Hereford Street, Brampton, Ontario*

1 President's Choice Circle and 55 Hereford Street represent a prime office location within an industrial office node immediately north of Highway 407 in Brampton. 1 President's Choice Circle is a four storey office building that is the store support centre for Loblaw Companies Limited and contains such amenities as the President's Choice test kitchens, a fully-equipped cafeteria, an auditorium and a GoodLife Fitness gym facility that is exclusive to Loblaw employees. 1 President's Choice Circle was built in 2005 and won a number of architectural awards. 1 President's Choice Circle is renovated periodically to accommodate the ever-changing requirements of the Loblaw store support centre.

55 Hereford Street is a neighbouring office building that will house office infrastructure support for Loblaw. It is currently under construction and will be substantially completed in June 2013 to be occupied by Loblaw personnel and others thereafter.

These properties are situated on a total site area of 42.8 acres, with land occupied by buildings of 34.1 acres, contains 484,000 square feet of GLA (1 President's Choice Circle) and 125,000 square feet of GLA (55 Hereford), and has surface parking for 3,172 vehicles and underground parking for 110 vehicles. The property benefits from its close proximity to Highway 407, with easy access to Highway 401. The property benefits from full signal access from Mississauga Road, its location approximately 35 kilometres from downtown Toronto and its convenient proximity to Pearson International Airport. The property also has extensive project

landscaping. The property has potential for extensive intensification by adding additional office space and structured parking.

*500 Holland Street West, Bradford, Ontario*

500 Holland Street West is a free-standing Zehrs Markets supermarket building strategically located in suburban Bradford with close proximity to Highway 400. Bradford is a growth community, located between Newmarket and Barrie, with a population increase of 15% from 2006 to 2011 to a current population of approximately 28,000. The property is well positioned within a new commercial area surrounded by new and future residential growth. The property benefits from a full signal access from Holland Street and its exposure, with approximately 546 feet of frontage along the north side of Holland Street West. The property is situated on a total site area of 14.9 acres of land, with land occupied by buildings of 11.2 acres and has surface parking for 777 vehicles. As of May 1, 2013, the property was 100% leased to Zehrs Markets (50,075 square feet of GLA). The property represents a shadow anchor to the adjacent Home Depot. The building was built in 2012. The property has the potential for intensification.

*15900 Bayview Avenue, Aurora, Ontario*

15900 Bayview Avenue is a free-standing building located within the growing community of Aurora, just north of Toronto, and contains a Real Canadian Superstore. The property benefits from its close proximity to Bayview Road and St. John's Side Road, and good exposure, with approximately 852 feet of frontage along the west side of Bayview Avenue. The property is within a high population area with high average household incomes. The property is situated on 11.5 acres of land, contains 106,665 square feet of GLA and has surface parking for 582 vehicles. As of May 1, 2013, the property was 100% leased to Real Canadian Superstore. The property is adjacent to an LCBO and a Beer Store. The building was built in 2004. A resetting of the general merchandise portion of the store was completed in 2012. While the property is currently comprised of a single Real Canadian Superstore, it also has the potential for intensification.

*2025 Guelph Line, Burlington, Ontario*

2025 Guelph Line is a prime retail shopping centre anchored by a Fortinos. The property is located at a major intersection in the heart of Burlington and benefits from its access from both Guelph Line and Upper Middle Road, with multiple access points including a signal entrance from both streets, and an additional all-turns access from Upland Drive. The property also benefits from its exposure, with approximately 800 feet of frontage along Guelph Line. The property is within a high population area with high average household incomes. The property is situated on a total site area of 17.0 acres of land, with land occupied by buildings of 15.1 acres, contains 178,908 square feet of GLA and has surface parking for 945 vehicles. As of May 1, 2013, the property was 100% leased. Tenants include, Fortinos and Joe Fresh (94,851 square feet of GLA), Big Lots (30,497 square feet of GLA), LCBO (12,861 square feet of GLA), Dollarama (9,551 square feet of GLA) and Kumon (1,015 square feet of GLA). The Fortinos and Joe Fresh stores were renovated in 2009.

***QUEBEC***

*8305 and 8405, avenue Papineau, Montreal, Quebec*

8305 and 8405, avenue Papineau is a Maxi & Cie supermarket-anchored property that contains two free-standing complementary stores, a Maxi & Cie and a SAQ, in the Villeray-St-Michel borough of the city of Montreal. The property benefits from its close proximity to Autoroute 40 (Trans Canada Highway) and avenue Papineau, making the property easily accessible by car. The property is surrounded by residential sectors on both sides of Autoroute 40 (Trans Canada Highway) and has close proximity to the boundaries of Montreal-Nord and Saint-Leonard boroughs. A nearby Canadian Tire contributes to create a larger retail destination for the trade area. The property has approximately 885 feet of frontage along the south side of avenue Papineau, including access to Autoroute 40 (Trans Canada Highway). The property is situated on 12.0 acres of land, contains 95,486 square feet of GLA and has surface parking for 480 vehicles (which includes a small portion of land leased from a third party for parking). As of May 1, 2013, the property was 100% leased to two tenants, Maxi & Cie (87,812 square feet of GLA) and SAQ (7,674 square feet of GLA). Maxi & Cie was built in 1997 and the

SAQ building was built in 2003. A resetting of the general merchandise portion of the store was completed in 2010. The Maxi & Cie building has the structural capacity to become a multi-storey building, with the possible integration of additional floors to the main building.

*6750–6800, rue Jean-Talon E., Montreal, Quebec*

6750–6800, rue Jean-Talon E. is a commercial building in the Saint-Leonard borough in the East end of the island of Montreal. The property is comprised of two units, a Maxi supermarket and a Bureau en Gros (Staples), occupying 64.5% and 35.5% of the building, respectively. The site is surrounded by wholesale stores, furniture stores and restaurants which, together, create an attractive retail node with a wide range of clientele. The property benefits from its location within a major commercial sector in Montreal's East end, its close proximity to major highways and its exposure with approximately 368 feet of frontage along rue Jean-Talon E. The property has good visibility and access right from Autoroute 40 (Trans Canada Highway) at boulevard Langelier and faces a prime arterial road in Montreal (rue Jean-Talon E.). The property is situated on a total site area of 12.4 acres of land, with land occupied by buildings of 11.0 acres, contains 71,356 square feet of GLA and has surface parking for 574 vehicles. As of May 1, 2013, the property was 100% leased to two tenants, Maxi (46,369 square feet of GLA) and Bureau en Gros (Staples) (24,987 square feet of GLA). The property was built in 2002 and was most recently renovated in 2012. This property also has excess land with the potential for intensification.

*50, avenue du Mont-Royal O, Montreal, Quebec*

50, avenue du Mont-Royal O is a free-standing Provigo supermarket located in the Plateau-Mont-Royal borough, a popular and centrally-located area on the island of Montreal. The population density and diversity of its cultural life attracts a significant number of visitors to the area's bars, restaurants and grocery stores. In addition, the store has historical significance as it was once the home to the Montreal Canadiens and the Montreal Maroons hockey teams. The property benefits from its close proximity to important commercial arteries such as boulevard St-Laurent, rue St-Urbain and avenue Du Parc, and easy access to the property by multiple means of transportation. The property has good exposure, with approximately 236 feet of frontage along the southeast side of avenue du Mont-Royal O. The property is situated on 1.0 acres of land, contains 36,234 square feet of GLA and has underground parking for 53 vehicles. As of May 1, 2013, the property was 100% leased to Provigo. The Provigo store opened in 2002, was most recently renovated in with a major renovation in 2009 and is currently undergoing structural repairs.

*1350, rue Sherbrooke, Magog, Quebec*

1350, rue Sherbrooke is a free-standing Loblaws supermarket located on Route 112 (also known as rue Sherbrooke) in Magog. The property is approximately 100 kilometres from the island of Montreal and a short distance from the Canada-U.S. border. The property is accessible from Interstate 91, Autoroute 10 and Autoroute 55, and benefits from its exposure, with approximately 569 feet of frontage along rue Sherbrooke. The property is situated on a total site are of 9.4 acres of land, with land occupied by buildings of 8.4 acres, contains 71,918 square feet of GLA and has surface parking for 435 vehicles. As of May 1, 2013, the property was 100% leased to Loblaws. The building was built in 2004 and a planned major renovation and rebranding of the Loblaws supermarket is scheduled for the third quarter of 2013. While the property is currently comprised of a single Loblaws store, it also has the potential for intensification.

*2300 and 2600, avenue Francis Hughes, Laval, Quebec*

The Francis Hughes warehouse and distribution centre occupies 41.2 acres of land located in the Chomedey area of Laval; and comprises three buildings. The total site contains parking for 435 vehicles and 252 trailers. The property is exposed to, and is accessible by several major arteries and is strategically located in the industrial park centre in the heart of Laval at the corner of Autoroute 440 and the boulevard Industriel. This industrial park centre is one of the largest municipal industrial parks in Quebec. Loblaw occupies 558,118 square feet of GLA in the largest of the three buildings, with a small portion of this building (15,814 square feet of GLA) leased to Transcontinental Printing. The second building contains 136,531 square feet of GLA and is leased to Portes Standard Inc. The third building contains 82,464 square feet of GLA and is partially occupied by a

Loblaw equipment recycling facility on a short term basis. The property benefits from its exposure, with approximately 1,136 feet of frontage along the West side of avenue Francis Hughes. As of May 1, 2013, the warehouse and distribution centre was 92.9% occupied.

*16900, autoroute Trans-Canada, Kirkland, Quebec*

16900, autoroute Trans-Canada is a free-standing Loblaws supermarket located in Kirkland. The property benefits from its close proximity to Autoroute 40 (Trans Canada Highway) and is positioned along a main retail area in the town of Kirkland on the West Island of Montreal. The property has good exposure from the highway and has approximately 2,180 feet of frontage along the south side of Autoroute 40 (Trans-Canada). The property has good accessibility, surrounded by major roads such as boulevard Saint-Charles. This property is situated on a total site area of 16.1 acres, with land occupied by buildings of 8.4 acres, contains 82,680 square feet of GLA and has surface parking for 552 vehicles. As of May 1, 2013, the property was 100% leased to Loblaw. The building was built in 2000, was renovated in 2006, and was most recently renovated in 2009. The property is currently undergoing major renovations to turn the Loblaws into a flagship conventional store in the third quarter of 2013. The property also has the potential for intensification.

*114, boulevard Saint Jean-Baptiste, Chateauguay, Quebec*

114, boulevard Saint Jean-Baptiste is a free-standing Maxi supermarket located in Chateauguay. The property is centrally-located at a prime intersection between two major commercial arterial roads, boulevard Anjou and boulevard Saint Jean-Baptiste, maximizing accessibility and visibility. The property benefits from its exposure, with approximately 370 feet of frontage along the east side of boulevard Saint Jean-Baptiste. The property is situated on 4.4 acres of land, contains 54,218 square feet of GLA and has surface parking for 305 vehicles. As of May 1, 2013, the property was 100% leased to Maxi. The building was built in 1984 and was most recently renovated in 2010.

*375, chemin Aylmer, Gatineau, Quebec*

375, chemin d'Aylmer is a commercial strip of three units, one of which is the Loblaws supermarket and one pad is leased to Toys "R" Us Express. The property is located on chemin d'Aylmer, an east-west arterial road in the city of Gatineau, starting near Les Galeries D'Aylmer, the largest shopping mall in western Gatineau, and ending at boulevard Alexandre-Tache heading towards downtown Gatineau and Ottawa. The property is surrounded by vast amounts of green space, including excess land for future development opportunities just north of the commercial strip. The property benefits from its prime location within the national capital region (Ottawa/Gatineau) and its exposure, with approximately 236 feet of frontage along the north side of chemin d'Aylmer. The property is situated on a total site area of 15.3 acres of land (a small portion of land is leased for parking from a third party), with land occupied by buildings of 9.3 acres, contains 82,000 square feet of GLA and has surface parking for 469 vehicles. As of May 1, 2013, the property was 100% leased to four tenants, consisting of Loblaw (63,314 square feet of GLA), Dollarama (9,399 square feet of GLA), Hokkaido Sushi (4,260 square feet of GLA) and the pad leased to Toys "R" Us Express (5,027 square feet of GLA). The property was built in 1991 and was most recently renovated in 2009. A major renovation and rebranding is currently planned for the second quarter of 2014. This property also has the potential for intensification.

*3000-3100, rue Wellington, Montreal, Quebec*

3000-3100, rue Wellington is a free-standing Maxi supermarket with a gas bar (3100 rue Wellington). The site is located in the Verdun borough of the city of Montreal. The property is situated along the St. Lawrence River in the south of the island of Montreal. The property faces a major commercial and mixed-use artery that stretches from Verdun to the east to the Old Port of Montreal to the west. The property, in addition to having good visibility from highways, is accessible by major roads such as rue Wellington, Autoroute 15 and Autoroute 20 leading south to Nun's Island. The property is also easily accessible by bus and metro, with the LaSalle metro station located within walking distance from the site. There is a Canadian Tire store with a gas station located across the street from the property. Verdun is a residential neighborhood experiencing population growth since 2001, with a generally strong real estate economy. The property is situated on 3.9 acres of land, contains 35,279 square feet of GLA and has surface parking for 155 vehicles. As of May 1, 2013, the

property was 100% leased to Maxi. The property benefits from its exposure with approximately 408 feet of frontage along the south side of rue Wellington. A small portion of land along rue Wellington will be transferred to the City of Montreal.

#### *ATLANTIC CANADA*

##### *3601, 3609, 3627 and 3711 Joseph Howe Drive, Halifax, Nova Scotia*

3601, 3609, 3627 and 3711 Joseph Howe Drive is a community commercial shopping center (retail and office components), that is anchored by an Atlantic Superstore and gas bar, which also contains a liquor store that is on Joseph Howe Drive at the isthmus connecting Peninsula Halifax (downtown Halifax) with the mainland. The property also includes a separate stand-alone building known municipally as 3711 Joseph Howe Drive which contains five office units anchored by the Atlantic regional office for Loblaw. The property is located in a unique geographic region which creates a commanding retail presence, as virtually all commuters living in the west end of Halifax must travel in close proximity to the property when travelling to and from downtown Halifax. The property has four entrances, one of which is located at a full signal intersection. The property benefits from its close proximity to adjacent residential and office development and there are several high density projects currently under construction or in planning stages within 500 metres of the property. The property also has good exposure, with approximately 1,324 feet of frontage along the east side of Joseph Howe Drive. The property is situated on a total site area of 17.9 acres of land, with land occupied by buildings of 13.6 acres, contains 182,736 square feet of GLA and has surface parking for 789 vehicles. As of May 1, 2013, the property was 100% leased to seven tenants (including Atlantic Superstore and Loblaw). The 3601 portion of the property is comprised of an Atlantic Superstore (representing 129,309 square feet of GLA) and includes five additional retail units, including one unit currently leased to Nova Scotia Liquor Commission (13,007 square feet GLA). The 3711 portion of the property is comprised of five office units currently leased to the Atlantic regional office of Loblaw Companies Limited (26,924 square feet of GLA), ACCEL Physiotherapy (4,063 square feet of GLA), APM Construction (3,892 square feet of GLA), H & R Block (3,304 square feet of GLA), and Joseph Howe Drive Family Dentistry Inc. (2,237 square feet of GLA). The 3601 building was built in 2000 and most recently renovated in 2004. The 3711 buildings were significantly renovated (from its supporting structure) in 2008. A resetting of the general merchandise portion of the Atlantic Superstore was completed in 2012. A major renovation and rebranding is scheduled for the first quarter of 2014.

##### *650 Portland Street, Dartmouth, Nova Scotia*

650 Portland Street is a shopping centre that contains four free-standing buildings anchored by an Atlantic Superstore and gas bar (the gas bar is located at 648 Portland Street). The property represents a prime location on Portland Street near the Circumferential Highway, which makes the shopping centre a convenient destination for customers throughout Dartmouth, Cole Harbour, and Eastern Passage. The property benefits from its strategic location in the heart of a large residential neighbourhood and offers three entrances from Eisner Boulevard. Eisner Boulevard connects with a full signal to Portland Street which is the main east-west oriented street in the area. Metro Transit provides bus service directly to the site, and the property is less than one kilometre from the Penhorn Mall and Portland Hills bus terminals. Retailers at the shopping centre benefit from recent nearby residential developments such as Portland Hills and Russell Lake. The property has good exposure, with approximately 1,771 feet of frontage along the east side of Eisner Boulevard. The property is situated on 22.4 acres of land, contains 263,457 square feet of GLA and has surface parking for 1,295 vehicles. As of May 1, 2013, the property was 98.7% leased to 18 tenants, including Atlantic Superstore (135,723 square feet of GLA), Nubody's/Kara's (26,328 square feet of GLA), Woodlawn (Halifax Regional Municipality), Library (23,713 square feet of GLA) and Winners (22,204 square feet of GLA). The buildings were built in 1993. A resetting of the general merchandise portion of the Atlantic Superstore was completed in 2012.

##### *211 Duke Street and 3855 Highway No. 3, Chester, Nova Scotia*

211 Duke Street and 3855 Highway No. 3 is a Save Easy supermarket-anchored property that contains two units located in Chester, Nova Scotia, a bustling commercial center that effectively services the Chester Municipal District and the Lunenburg County. The property is strategically located at one of the main entrances

to the Village of Chester at the corner of Highway No. 3 (Lighthouse Route) and Duke Street. The property has good highway visibility and access. The property benefits from two entrances from Highway No. 3 and Duke Street, and from its exposure with approximately 461 feet of frontage along the west side of Duke Street. Chester is a popular vacation and seasonal home destination and is located approximately one hour from Halifax. The property is situated on 1.8 acres of land, contains 19,874 square feet of GLA and has surface parking for 95 vehicles. As of May 1, 2013, the property was 100% leased to two tenants consisting of Save Easy (representing 13,874 square feet of GLA) and NSLC (representing 6,000 square feet of GLA). The Save Easy building was built in 1999 and was most recently expanded by 4,000 square feet and renovated in 2006. The NSLC building was built in 2012.

*115 Campbell Road and 77 and 81 Marr Road, Rothesay, New Brunswick*

115 Campbell Road and 77 and 81 Marr Road is a community shopping centre that contains two free-standing buildings (including 4 ancillary units), anchored by an Atlantic Superstore. The property is conveniently located on Campbell Drive and benefits from its close proximity to, and high visibility from, Highway 1 (MacKay Highway). The property also benefits from its exposure, with approximately 1,120 feet of frontage along the west side of Campbell Road and an additional approximately 467 feet of frontage along the west side of Campbell Road northerly along the curve. Rothesay is a suburban bedroom community outside the city of St. John and is one of the more affluent communities in New Brunswick. This property is situated on a total site area of 28.1 acres, with land occupied by buildings of 19.8 acres, contains 154,949 square feet of GLA and has surface parking for 985 vehicles. As of May 1, 2013, the property was 100% leased to five tenants, including Atlantic Superstore (106,656 square feet of GLA), Staples Business Depot (15,253 square feet of GLA), Empire Theatres (13,000 square feet of GLA) and New Brunswick Liquor Corporation (12,019 square feet of GLA). The buildings were built in 2003. A resetting of the general merchandise portion of the store was completed in 2012. This property also has the potential for intensification on vacant lands within the overall site.

*775 Frenette Avenue, Moncton, New Brunswick*

775 Frenette Avenue is a freezer warehouse and distribution center located in Caledonia Industrial Estates in Moncton that is currently 100% leased to Loblaw. The facility specializes in warehousing frozen food items awaiting shipment throughout the region and the property is ideally suited for this purpose, being centrally-located within the Maritimes. The property benefits from its close proximity to the Trans Canada Highway and has approximately 902 feet of frontage along the south side of Frenette Avenue. This property is situated on a total site area of 14.9 acres, contains 124,655 square feet of GLA and has 21 loading dock doors with surface parking for 117 vehicles and 53 stalls for trailers. The property was built in 2010.

*471 Smythe Street, Fredericton, New Brunswick*

471 Smythe Street is an Atlantic Superstore-anchored neighbourhood center located in the heart of Fredericton's "South Side" at the intersection of Beaverbrook Street (an east-west corridor) and Smythe Street (a north-south corridor). The property benefits from its access with two entrances from Wagoner's Land and Smythe Street and from public transit bus service to the property. The property is well situated in an established residential community and has a significant employment component in the fields of government and institutions. The Fredericton economy is stable and Fredericton residents have relatively high employment and household incomes. The property also benefits from approximately 507 feet of frontage along the east side of Smythe Street. The property is situated on a total site area of 9.7 acres of land, contains 94,074 square feet of GLA and has surface parking for 447 vehicles. As of May 1, 2013, the property was 100% leased to two tenants consisting of Atlantic Superstore (89,640 square feet of GLA) and Oromocto Plumbing (4,434 square feet of GLA). The buildings were built in 1996 and were most recently renovated with a major renovation in 2010.

*461–465 University Avenue, Charlottetown, Prince Edward Island*

461–465 University Avenue is a free-standing Atlantic Superstore supermarket located in Charlottetown. University Avenue is a major commercial retail street in Charlottetown, and the property is one of the most centrally-located retail developments relative to the population of Charlottetown. The property benefits from its easy access with four entrances on three different streets (University, Belvedere and Queen) and its exposure with approximately 761 feet of frontage along the east side of University Avenue. This property is situated on a total site area of 7.9 acres, with land occupied by buildings of 6.2 acres, contains 83,113 square feet of GLA and has surface parking for 382 vehicles. As of May 1, 2013, the property was 100% leased to Atlantic Superstore. The building was built in 2000 and was most recently renovated in 2011 which consisted of a major renovation and rebranding of the store. A medical clinic was added inside the store in the first quarter of 2013. While the property is currently comprised of a single Atlantic Superstore supermarket, it also has the potential for intensification.

*55 Stavanger Drive, St. John's, Newfoundland*

55 Stavanger Drive is a Dominion supermarket-anchored property that includes a Newfoundland and Labrador Liquor Commission outlet. The property is located in the Cabot Power Center, the largest power center in Newfoundland, and one of the largest in Atlantic Canada. The property is located on Stavanger Drive, which is the main entrance to the Cabot Power Center, and is ideally situated at the terminus of the four lane highway known as the Outer Ring Road (Route 1), which provides easy access to the property for the population of greater St. John's. There are two entrances to the property off of Stavanger Drive, one of which is full signal. The property benefits from its exposure, with approximately 606 feet of frontage along the north side of Stavanger Drive. This property is situated on a total site area of 12.1 acres, contains 102,818 square feet of GLA and has surface parking for 761 vehicles. As of May 1, 2013, the property was 100% leased to two tenants consisting of Dominion (92,818 square feet of GLA) and Newfoundland and Labrador Liquor Commission (10,000 square feet of GLA). The buildings were built in 1998. A resetting of the general merchandise portion of the store was completed in 2012. A major renovation is planned for 2014.

**Description of Material Lease Terms with Loblaw**

For the purposes of this section only, all references to “Loblaw” shall mean “Loblaws Inc.” in its capacity as tenant under the Loblaw Leases.

All of the Initial Properties (other than five Initial Properties where Loblaw does not lease space) will be subject to leases (collectively, the “Loblaw Leases” or individually, a “Loblaw Lease”) with Loblaws Inc., a subsidiary corporation of Loblaw Companies Limited, for uses consistent with the existing retail stores, warehouses and offices located on the Initial Properties. Loblaw Companies Limited will indemnify the REIT in respect of any defaults by Loblaw under the Loblaw Leases.

The following is a summary of the material terms of the Loblaw Leases. The terms of individual Loblaw Leases may vary slightly from property to property depending on the nature and location of the premises being leased and whether the leased premises are a stand-alone property or form part of a multi-tenant property, but the differences are not considered material.

***Leased Premises***

For those Initial Properties where Loblaw occupies a stand-alone property, Loblaw will lease the entire building and all associated lands at Closing. For those Initial Properties where Loblaw occupies leased premises that form part of a larger shopping centre or office complex, Loblaw will lease its individual premises at Closing. The REIT will be responsible for obtaining any required severances under applicable planning legislation to permit leases of stand-alone pad premises in a multi-tenant property, if required. All leasehold improvements situated at the leased premises remain the property of Loblaw until the expiration or earlier termination of the Loblaw Leases. Loblaw is not required to remove any leasehold improvements at the expiration or earlier termination of the term, other than organic waste tanks and fuel equipment and tanks.

## ***Use***

For those Initial Properties where Loblaw occupies a stand-alone property, the leased premises may be used for any existing retail, warehouse or office use or any other lawful purpose permitted under applicable zoning by-laws, existing insurance policies and use restrictions, provided that Loblaw must provide notice to the REIT of any proposed change in use and may not use the leased premises for heavy manufacturing or any other use that may materially adversely affect the useful life of the leased premises or cause environmental contamination that cannot be managed in a commercially reasonable manner.

For those Initial Properties where Loblaw occupies leased premises in a multi-tenant retail property the premises must be used for the operation of a food supermarket or a retail store which carries on the business directly or indirectly of a drugstore, pharmacy, gas bar, liquor store or other lawful retail use. Loblaw will be permitted, without the REIT's consent, to change the use of up to 50% of the GLA of the leased premises, provided that not less than the greater of (i) 50% of the GLA of the leased premises and (ii) 30,000 square feet of the GLA of the leased premises continues to be used for the operation of a food supermarket or grocery store and further provided that the new use is permitted under applicable zoning by-laws, existing insurance policies and existing exclusive use restrictions in favour of other tenants. Loblaw will not be permitted to change the use of leased premises that contain less than 30,000 square feet of GLA in a multi-tenant retail property without the consent of the REIT. Leased premises in a multi-tenant office property must be used for office purposes.

The Loblaw Leases also contain restrictions that, with certain exceptions, will prohibit the REIT, as landlord, from (i) leasing premises in other properties within a specified radius of the leased premises under the Loblaw Leases, or (ii) leasing other premises within a multi-tenant retail shopping centre, in each case for certain prohibited uses such as a food supermarket or grocery store. See "Restrictive Covenants".

## ***Term***

The remaining term of the Loblaw Leases will range from 10 to 18 years from the first day of the first full calendar month following the Closing Date with a weighted average remaining lease term of 14 years. The year of expiry of each Loblaw Lease is set forth in Appendix A. The leased premises will be leased to Loblaw in an "as is" condition, and the REIT will not be required to perform any repairs or construct any improvements to the leased premises prior to the Closing Date. Where an Initial Property is under construction on the Closing Date, the applicable Transferor or Loblaw will be required to complete such work at its own expense following Closing.

## ***Options to Extend***

Provided Loblaw is not in material default beyond any applicable cure period, Loblaw will have successive options to extend each Loblaw Lease for extension periods of five years each with a final extension period of 4 years and 11 months. The total remaining term (including all extensions terms) of the Loblaw Leases will vary, but can be up to a maximum of 100 years. The annual basic rent payable during each extension term under the Loblaw Leases will be the lesser of (i) 110% of the annual basic rent payable during the final year of the remaining term or preceding extension term, as the case may be, and (ii) a fair market rent for the leased premises having regard to their age, size, use and location as agreed between the REIT and Loblaw and failing agreement as determined pursuant to arbitration procedures set forth in the Loblaw Leases, provided that in no event will the annual basic rent payable during an extension term be less than the annual basic rent payable during the final year of the remaining term or the preceding extension term, as the case may be.

## ***Annual Basic Rent***

Loblaw will be required to pay annual basic rent in equal monthly installments in advance on the first day of each month without set off or deduction. Annual basic rent under the Loblaw Leases will escalate during the remaining term of each Loblaw Lease at a steady state, weighted average annual rent escalation of approximately 1.5%. It will take the REIT approximately five years to achieve this steady state level as about 20% of the Loblaw Leases escalate in each of the five years following Closing at an effective average annual escalation rate of 1.5%.

### *Additional Rent/Net Lease*

In a lease of a stand-alone property, in addition to annual basic rent, Loblaw will be required to pay (i) realty taxes attributable to the leased premises (excluding excess lands not utilized by Loblaw), (ii) the REIT's costs of operating and maintaining the property (but excluding the costs of repairs and replacements to the building structure, all utility services up to the point of connection with the leased premises and any high voltage transformers servicing the leased premises that are owned by the REIT, unless the repairs or replacements are required as a result of the actions or default of Loblaw and certain other standard exclusions and deductions), and (iii) all charges for utilities supplied to or consumed in the leased premises.

In a lease of premises in a multi-tenant property, in addition to annual basic rent, Loblaw will be required to pay (i) realty taxes attributable to the leased premises and its proportionate share of realty taxes attributable to common areas (excluding excess lands not utilized by Loblaw or other tenants), (ii) Loblaw's proportionate share of the REIT's costs of operating and maintaining the common areas (but excluding the costs of repairs and replacements to the building structure, all utility services up to the point of connection with the leased premises and any high voltage transformers servicing the leased premises that are owned by the REIT, unless the repairs or replacements are required as a result of the actions or default of Loblaw and certain other standard exclusions and deductions), and (iii) all charges for utilities supplied to or consumed in the leased premises.

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

### *Repair and Maintenance Responsibilities*

For stand-alone properties, the REIT will maintain, repair and replace the structural components of the building, excluding the roof membrane and all windows in the leased premises, and all utility services up to the point of connection with the building and any high voltage transformers servicing the leased premises which are owned by the REIT, at its sole expense (unless such repairs are required as a result of the actions or default of Loblaw). The REIT will also replace (but not maintain or repair) the roof membrane and the entirety of the parking and driveway areas and will charge the costs (where costs are to be amortized) of such replacements back to Loblaw amortized based on a useful life of 20 years and 10 years, respectively, together with interest on the unamortized balance of such costs, as part of operating costs. Loblaw will be responsible for all other maintenance, repairs and replacements required to leased premises in a stand-alone property, including the roof membrane, windows and the parking and driveway areas.

For multi-tenant properties, the REIT will be required to operate and maintain the properties as would a prudent owner and will maintain, repair and replace the structural components of the building, the building systems (excluding systems installed in and exclusively serving Loblaw's leased premises), the roof membrane of the building (except where the roof of the leased premises is physically separate from the remainder of the multi-tenant property as described below), parking and driveway areas, all utility services up to the point of connection with the leased premises and any high voltage transformers servicing the leased premises which are owned by the REIT. The costs of repairs and replacements to the building structure, all utility services up to the point of connection with the leased premises and any high voltage transformers servicing the leased premises which are owned by the REIT will be for the REIT's account unless the repairs or replacements are required as a result of the actions or default of Loblaw. The costs of repairs and replacements to the roof membrane and exterior parking and driveway areas will be included in operating costs and charged back to Loblaw and other occupants of the property. In the event the costs of repairs and replacements to the roof membrane and exterior parking and driveway areas are not fully charged back by the REIT in the lease year in which they are incurred, they will be amortized based on a useful life of 20 years and 10 years, respectively, and charged back to Loblaw and other occupants of the property, together with interest on the unamortized balance of such costs. Loblaw will otherwise be responsible at its sole expense for all maintenance, repairs and replacements to leased premises in a multi-tenant property. If the roof of the leased premises is physically separate from the remainder of the multi-tenant property, Loblaw will maintain and repair the roof membrane at its sole expense and the REIT will replace the roof membrane and the cost of such replacement will be amortized based on a useful life of 20 years and charged back to Loblaw, together with interest on the unamortized balance of such costs. The REIT will also maintain, repair and replace the building systems serving the common areas, the costs of which will be

included in operating costs and charged back to Loblaw and other occupants of the property based on the estimated useful life of such building system components.

In either case, the REIT will not be required to replace any major capital item or, in a multi-tenant property, any building system within the last 2 years of the remaining term or any extension term, unless Loblaw has exercised its next extension option, if any.

### ***Right to Cease Operation***

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

If (i) Loblaw gives notice to the Landlord that it has decided to permanently cease all business operations from any leased premises; or (ii) no business operations have been conducted for a period of 180 consecutive days from the supermarket premises forming part of the leased premises in a multi-tenant property, or for a period of 24 consecutive months from the leased premises in a standalone property, the REIT will have the option to give notice terminating a Loblaw Lease (a "Termination Notice") within 90 days thereafter. If within 30 days after receipt of a Termination Notice Loblaw delivers a further notice stating that it will recommence its business operations within the applicable leased premises and does so within 120 days thereafter, the Termination Notice will be void and the Loblaw Lease for such premises will remain in force. Loblaw is permitted to temporarily cease its business operations from any leased premises for the purposes of performing major repairs or renovations or store rebranding, provided such temporary cessation does not exceed 120 consecutive days.

If the REIT terminates a Loblaw Lease for a stand-alone property, the REIT will be prohibited from using or leasing such Initial Property to a third party for the purposes of a food supermarket or grocery store from the date of termination of such Loblaw Lease until the earlier of (i) the date on which Loblaw operates or commences to operate a food supermarket or grocery store from premises within a specified radius of the leased premises and (ii) the date which would have been the expiry date of the applicable Loblaw Lease had it not been terminated.

Neither the REIT nor Loblaw otherwise has rights to terminate the Loblaw Leases except as a result of damage or destruction and except for the right of the REIT to terminate the Loblaw Lease following an event of default by Loblaw.

### ***Parking and Site Control***

Under the Loblaw Leases for multi-tenant properties, Loblaw will agree that the parking ratio shown on the site plan attached to each Loblaw Lease is acceptable. For multi-tenant properties, the entire parking and driveway areas will be designated as 'no build' areas, however the site plan may show designated development areas where the REIT may build additions or expansions to the shopping centre. If the REIT intends to build in a designated development area it will first provide a revised site plan to Loblaw showing, among other things, driveways, parking ratios, heights of proposed buildings and the location of any proposed drive-thrus. Loblaw shall have the right to approve the proposed site plan, acting reasonably. In the event that the REIT builds in a designated development area it will maintain a parking ratio appropriate for the proposed use of the addition or expansion, acceptable to Loblaw, and in any event not lower than the minimum parking ratio required by law.

### ***Alterations***

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

### ***Environmental Covenants***

Loblaw will provide customary covenants with respect to compliance with applicable environmental laws from and after the Closing Date and an indemnity in favour of the REIT in respect of costs it incurs if Loblaw breaches such covenants or causes environmental contamination of the leased premises after the Closing Date that Loblaw is responsible to remediate and/or manage pursuant to the terms of the applicable Loblaw Lease. Pursuant to the Master Acquisition Agreement, Loblaw Companies Limited will also provide an indemnity in favour of the REIT in respect of certain environmental liabilities relating to the Initial Properties. See “Acquisition Agreements and Master Acquisition Agreement”.

At certain Initial Properties, third party agents of Loblaw operate gas bars, propane sales depots and/or truck refueling stations at warehouses (each, a “Fuel Facility”). Any above or below ground storage tanks and related fueling equipment at such locations which are used by Loblaw or its agents prior to or after the Closing Date will be deemed to be the property of Loblaw and will be decommissioned and removed by Loblaw in accordance with applicable environmental laws on the earlier of Loblaw ceasing to operate the Fuel Facility or the expiry or earlier termination of the applicable Loblaw Lease. If Loblaw has caused environmental contamination at any leased premises that must be removed, remediated or otherwise managed to comply with environmental laws, then upon the expiry or earlier termination of the Loblaw Lease for such premises, Loblaw will be required to obtain a Phase I environmental site assessment report and, if required, a Phase II environmental site assessment report and either remove or remediate any contamination caused by Loblaw from and after the Closing Date or manage the contamination *in situ* at Loblaw’s sole cost and expense.

### ***Assignment and Subletting***

Except for certain specific permitted transfers, Loblaw may not assign or mortgage the Loblaw Leases or sublet or share possession of the leased premises without the REIT’s prior written consent, which will not be unreasonably withheld, conditioned or delayed. Loblaw may, without consent but on prior notice to the REIT:

- (a) assign the Loblaw Lease or sublet the whole or part of the leased premises to an affiliated entity that is controlled by or under common control with Loblaw;
- (b) sublet the whole of the leased premises to a franchisee or other food supermarket operator dealing with Loblaw through a written franchise or supply/buying agreement;
- (c) mortgage Loblaw’s interest in the leased premises to secure a *bona fide* financing;
- (d) assign the Loblaw Lease to the purchaser of all or substantially all of Loblaw’s assets and operations in the province in which the leased premises are located; or
- (e) sublease or grant a right to occupy the whole or any part of the leased premises comprising a stand-alone property, or in the case of leased premises in a multi-tenant retail property, sublease or grant a right to occupy up to 50% of the GLA of the leased premises, provided that not less than the lesser of 30,000 square feet of GLA or the GLA of the leased premises continues to be used for the operation of a food supermarket.

Loblaw will not be released from its obligations under a Loblaw Lease in connection with a transfer of such Loblaw Lease except in the case of an assignment of such Loblaw Lease to a purchaser in (d) above that has a reasonably similar or better financial covenant as that of Loblaw at the date of purchase. Loblaw Companies Limited will not be released from its obligations under the applicable indemnity agreements in respect of the Loblaw Leases in connection with a transfer of a Loblaw Lease. In either case, Loblaw and Loblaw Companies Limited will not be liable for any amendment, renewal or extension of a Loblaw Lease or any expansion of the leased premises made after the date such Loblaw Lease is transferred other than in respect of an extension or expansion pursuant to the exercise by the transferee of an existing contractual right in such Loblaw Lease.

As of the Closing Date, portions of the leased premises at certain Initial Properties will be occupied by Loblaw’s subtenants, franchisees, licensees and concessionaires.

### ***Damage and Destruction***

If all or part of the leased premises is damaged or destroyed the REIT must, at its expense to the extent of available insurance proceeds, repair the damage and reconstruct the premises and Loblaw will restore its leasehold improvements and trade fixtures. Rent will not abate in respect of any damage or destruction to an Initial Property that renders all or part of the leased premises unfit for use or inaccessible and Loblaw must maintain business interruption insurance for an indemnity period of not less than 12 months, in the case of retail premises, or 24 months, in the case of warehouse or office premises.

Either the REIT or Loblaw will have the right to terminate a Loblaw Lease of premises in a multi-tenant property if, in the reasonable opinion of the REIT's architect, the leased premises or the multi-tenant property is damaged or destroyed to such an extent that the building has to be totally demolished.

Either the REIT or Loblaw will have the right to terminate a Loblaw Lease of premises in a multi-tenant or a stand-alone property if the damage occurs to the leased premises in the last three years of the term of the Loblaw Lease and would cost more than 50% of the replacement cost of the leased premises to repair and Loblaw is not at that time prepared to exercise its next extension option, if any.

### ***Restrictive Covenants***

Each of the Loblaw Leases will include a radius restriction pursuant to which the REIT will agree that the REIT and any person controlled directly or indirectly by the REIT will not lease to third parties other premises on lands located within a specified radius of the leased premises (the "Radius Lands") for use as a food supermarket or grocery store ("Supermarket Business"). This restriction will not apply to properties acquired by the REIT, or a person controlled directly or indirectly by the REIT, (i) from Loblaw Companies Limited or any person controlled directly or indirectly by Loblaw Companies Limited, or (ii) that at the time of such acquisition are subject to an existing lease to a Supermarket Business. The restriction shall also not apply to any amendment or extension of an existing lease to a Supermarket Business within the Radius Lands.

In addition, in Loblaw Leases for leased premises in a multi-tenant retail shopping centre, the REIT will agree, subject to certain limited exceptions, including existing uses by other tenants as of the Closing Date, not to lease or allow the occupation of premises in the shopping centre for use as a Supermarket Business or an amusement arcade, bingo hall, bowling alley, billiard parlour, convenience/variety store, drugstore or pharmacy, cinema, bar, tavern, nightclub, massage parlour or retail store selling pornographic, adults only or erotic material.

### ***Landlord and Tenant Expansion/Development Restrictions***

Certain Initial Properties include lands designated for use by Loblaw as outdoor sales areas or areas for expansion of Loblaw's leased premises, lands designated as development areas where the REIT may build additions or expansions to the shopping centre and 'no build' areas (which protect the visibility, access and parking for Loblaw's premises), all of which will be described in the Loblaw Leases and identified on site plans attached to the applicable Loblaw Leases. See "Growth Strategies of the REIT" and "Arrangements with Loblaw — Strategic Alliance Agreement".

Where an Initial Property includes land designated for future expansion of Loblaw's leased premises, the applicable Loblaw Lease will include provisions whereby Loblaw can request the construction of an expansion to its premises based on plans and specifications prepared by Loblaw and approved by the REIT. Such expansion will be constructed, at Loblaw's option, either by the REIT, in which case the construction costs will be factored into the annual basic rent payable by Loblaw for the expansion premises, or by Loblaw at its direct cost, in which case no annual basic rent will be payable by Loblaw for the expansion premises.

If a stand-alone property includes lands designated for development by the REIT and the REIT develops such lands, the REIT will enter into a further amendment to the applicable Loblaw Lease to amend the description of the leased premises and to adopt terms similar to those contained in other Loblaw Leases relating to multi-tenant properties.

### ***Events of Default***

Events of default under the Loblaw Leases will include:

- (a) Loblaw's failure to pay rent which is not remedied within 10 days after notice from the REIT;
- (b) any other Loblaw default that is not remedied within 30 days after notice from the REIT (unless the default cannot be remedied within 30 days in which case Loblaw will not be in default if it commences to remedy the default within such 30 day period and thereafter diligently continues to remedy the same);
- (c) Loblaw or Loblaw Companies Limited filing a proposal or voluntary assignment for the benefit of creditors or being declared bankrupt;
- (d) a petition is filed against Loblaw or Loblaw Companies Limited to declare it bankrupt which is not cancelled or annulled within 60 days;
- (e) a trustee or receiver is appointed with respect to Loblaw or Loblaw Companies Limited and such appointment is not cancelled or annulled within 60 days;
- (f) the Loblaw Lease is seized or taken in execution by any creditor of Loblaw and not released within 45 days;
- (g) Loblaw makes a sale in bulk of substantially all its goods out of the ordinary course of business (except in connection with an assignment or subletting permitted under the Loblaw Leases);
- (h) Loblaw assigns, sublets or mortgages a Loblaw Lease or leased premises other than in accordance with the Loblaw Lease;
- (i) the indemnity agreement is terminated for any reason or in the event the obligations of Loblaw Companies Limited, as indemnifier, are reduced, modified or otherwise limited (except by way of agreement with the REIT); or
- (j) any insurance policy is cancelled as a result of Loblaw's use or occupancy of the leased premises and such use or occupancy is not discontinued within 48 hours after notice from the REIT.

Upon the occurrence of an event of default under a Loblaw Lease, the REIT will be permitted to exercise all rights and remedies under the Loblaw Lease and at law including a right to remedy Loblaw's default, to terminate the Loblaw Lease, to re-enter and relet the leased premises as agent of Loblaw and to recover arrears of rent and damages, including any deficiency between the rent that the REIT would have received from Loblaw for the balance of the term of the Loblaw Lease and the net amounts actually received by the REIT for reletting the leased premises.

### **Description of Third-Party Leases**

Each of the leases with third-party tenants to be assumed by the REIT on Closing were negotiated between arm's-length parties. Although the specific terms of each third-party lease differ, these leases generally are triple net leases and reflect customary terms for leases of commercial premises. For a list of the top 10 third-party tenants of the REIT at Closing, please see "Assets of the REIT — Composition of the Initial Properties — Top 10 Non-Loblaw Tenants". In addition, for further details of the Initial Properties that are subject to one or more third-party leases, please see "Appendix A — Initial Properties — Properties with One or More Additional Third-Party Tenants".

### **Property Management Agreement**

On Closing, Arcturus will be responsible for providing property and facility management services pursuant to the Property Management Agreement in respect of 150 Initial Properties. In accordance with the Property Management Agreement, Arcturus will charge the REIT customary fees for such services. The term of the Property Management Agreement will commence on Closing and continue for 18 months, and will be automatically renewed for further one year terms thereafter. Notwithstanding the foregoing, the Property Management Agreement may be terminated by either party by providing written notice of termination not less than 180 days prior to the end of the initial term or any renewal term.

## ACQUISITION OF THE INITIAL PROPERTIES

The REIT will indirectly acquire interests in the Initial Properties from the Transferors for an aggregate purchase price of approximately \$7,010 million, excluding fair value adjustments, substantially in the manner summarized below:

### **Principal Transaction Steps**

#### *Establishment of the Transferor Trust and Issuance of the Transferor Trust Notes*

1. The Transferors will collectively subscribe for \$2.6 billion of units of the Transferor Trust in exchange for the issuance by the Transferors of \$2.6 billion aggregate principal amount of Transferor Trust Notes to the Transferor Trust.

#### *Acquisition of the Transferor Trust Notes by the Partnership and Issuance of the Transferor Notes*

2. The Partnership will acquire all of the issued and outstanding Transferor Trust Notes from the Transferor Trust in exchange for the issuance of \$2.6 billion aggregate principal amount of Transferor Notes to the Transferor Trust.

#### *Acquisition by the Partnership of the Initial Properties*

3. The Limited Partnership Agreement will be amended in a manner to reflect the terms described under “The Partnership”.
4. The Transferors will transfer their beneficial ownership interests in the Initial Properties to the Partnership in exchange for the issuance or assignment, as the case may be, of (a) \$600 million aggregate principal amount of Class A LP Notes, (b) \$215 million aggregate principal amount of Class B LP Notes, (c) \$2.6 billion aggregate principal amount of Transferor Trust Notes, (d) 272,497,871 Class B LP Units (accompanied by an equivalent number of Special Voting Units), and (e) 92,500,000 Class C LP Units. For greater certainty, the Transferor Trust Notes will be cancelled upon receipt thereof by the Transferors.

#### *Offering of Units and Debentures by the REIT*

5. The REIT will issue 40,000,000 Units pursuant to the Unit Offering, and 20,000,000 Units to GWL concurrently with the Unit Offering, for aggregate gross proceeds of approximately \$600 million.
6. The REIT will issue \$400 million aggregate principal amount of Series A Debentures and \$200 million aggregate principal amount of Series B Debentures pursuant to the Offering for aggregate gross proceeds of approximately \$600 million.

#### *Acquisition by the REIT of all outstanding Class B LP Notes*

7. The REIT will acquire all of the outstanding Class B LP Notes issued by the Partnership in step 4(b) in exchange for 21,500,000 Units.

#### *Subscription by the REIT for Class A LP Units*

8. The REIT will use all of the proceeds of the Unit Offering and the 20,000,000 Units issued to GWL from step 5 together with all of the Class B LP Notes from step 7 to subscribe for Class A LP Units of the Partnership. The Partnership will then cancel all of the issued and outstanding Class B LP Notes.

#### *Repayment of all outstanding Class A LP Notes*

9. The Partnership will use certain of the subscription proceeds paid to it by the REIT in step 8 to redeem and cancel all of the outstanding Class A LP Notes issued to the Transferors in step 4(a).

### ***Loan by the REIT to the Partnership***

10. The REIT will loan the proceeds of the Offering in step 6 to the Partnership in exchange for REIT Notes in an aggregate principal amount of approximately \$600 million.

### ***Repayment of Certain Transferor Notes by the Partnership***

11. The Partnership will use some or all of the funds loaned to it by the REIT in step 10 to repay approximately \$600 million aggregate principal amount of Transferor Notes that the Partnership issued to the Transferor Trust in step 2.

The completion of the Offering and the Unit Offering are expected to occur concurrently. The purchase and sale transactions described above will be completed pursuant to the Acquisition Agreements and the Master Acquisition Agreement, and will be conditional upon, among other things, the receipt of all necessary consents and waivers from all third parties relating to the transactions contemplated herein, including the satisfaction of certain other customary closing conditions. For greater certainty, the closing of the Offering is not a condition precedent to the closing of the Unit Offering or the Acquisition. In the event that the Offering does not close concurrently with the Unit Offering, steps 6, 10 and 11 above will not occur on the Closing Date and may never occur, which would result in the \$2.6 billion aggregate principal amount of Transferor Notes to remain outstanding following Closing. For an illustration of the structure of the REIT upon completion of the Offering and the Unit Offering, and the above transactions, see “Post-Closing Structure”. See also “Debt Strategy and Indebtedness — Composition of Indebtedness” and “Details of the Offering”.

### **Registered Title and Nominee Arrangements**

Following Closing, the Partnership will own all of the outstanding shares of certain nominee companies holding registered title to the Initial Properties, except for the Initial Properties located in British Columbia (subject to certain exceptions), Saskatchewan, Manitoba, Quebec and Prince Edward Island. Registered title to the Initial Properties located in British Columbia (subject to certain exceptions), Saskatchewan and Manitoba will remain with the applicable Transferors following Closing and will be held in trust for the Partnership. Upon Closing, the nominee companies that will hold registered title to the Initial Properties located in Quebec will each be owned 90.1% by the applicable Transferor and 9.9% by the Partnership. Moreover, upon Closing, the nominee companies that will hold registered title to the Initial Properties located in Prince Edward Island will each be owned 95% by the applicable Transferor and 5% by the Partnership.

### **Acquisition Agreements and Master Acquisition Agreement**

The REIT will indirectly acquire interests in the Initial Properties from the Transferors pursuant to separate Acquisition Agreements for each Initial Property for an aggregate purchase price of approximately \$7,010 million, excluding fair value adjustments. The Master Acquisition Agreement, however, will contain representations and warranties typical of those contained in real estate acquisition agreements negotiated between sophisticated purchasers and vendors acting at arm’s length, certain of which will be qualified as to knowledge and materiality and subject to reasonable exceptions, relating to the Transferors (as vendors), the Partnership and the Initial Properties (including, among other things, representations and warranties as to organization and status, power and authorization and issued capital of the Partnership, compliance with laws, title to the Initial Properties, condition of the Initial Properties, certain property related financial information, outstanding liens, status of the existing leases, Loblaw Leases and material agreements, accuracy of rent rolls, tax matters, environmental matters and litigation matters). Loblaw will also provide a representation and warranty that this prospectus contains full, true and plain disclosure of all material facts, subject to an exception for portions of this prospectus purporting to be made on authority of an expert or purporting to be an extract from a report, opinion or statement of an expert. All representations and warranties will survive for a period of 18 months from Closing; provided, however, that representations and warranties regarding existence and capacity, and power and authorization shall survive indefinitely, representations and warranties regarding tax matters shall survive for the applicable limitation periods, or in certain limited cases, three months following the expiry of the applicable limitation period, and representations and warranties regarding environmental matters and this prospectus shall survive for a period of 36 months following Closing.

Loblaws will indemnify the REIT for any breach of the representations and warranties in the Master Acquisition Agreement. The maximum liability of Loblaws under such indemnity will be limited to an amount equal to the net proceeds of the Unit Offering and no claim under this indemnity may be made until the aggregate losses exceed \$1 million and the threshold dollar amount for each claim to be included for purposes of a breach of representation claim is \$50,000.

There can be no assurance of recovery by the REIT from Loblaws for any breach of the representations and warranties to be made by it under the Master Acquisition Agreement, as there can be no assurance that Loblaws's 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 Master Acquisition Agreement and purchasers of Debentures under this prospectus will not have any contractual rights under the Master Acquisition Agreement. Purchasers will, however, have certain statutory rights of action against the REIT, Loblaws and the Agents under applicable securities laws. See "Purchasers' Statutory Rights".

Pursuant to the terms of the Master Acquisition Agreement, the Initial Properties have been divided into three groups for purposes of allocating responsibility for environmental issues.

The first group of properties consists of 225 properties in respect of which certain actual or potential environmental issues were identified in individual Phase I ESA Reports and Phase II ESA Reports but for which no current remedial action was recommended in a report prepared by an independent environmental consultant. In relation to these properties Loblaws will provide an indemnity under which Loblaws will indemnify the REIT for a period of 10 years following Closing for costs incurred in relation to the identified issues in certain events, including in relation to third party claims and certain commercial transactions and situations where additional investigation undertaken by or with the consent of the REIT indicates that the environmental contamination: (a) is migrating or may migrate off-site; (b) may migrate beneath infrastructure, including a building; (c) may result in adverse effects to human health; or (d) may invite regulatory intervention, provided in all the foregoing events the REIT would incur such costs if it was not indemnified for the issue.

The second group consists of 27 properties in respect of which certain actual or potential environmental issues were identified in individual Phase I ESA Reports and Phase II ESA Reports that Loblaws has agreed to remediate to a standard or condition that is agreed to by the REIT and Loblaws, each acting reasonably and in good faith. The remediation of those issues may involve simply demonstrating that a potential issue does not exist or that an issue will not result in a particular harm. Loblaws will also indemnify the REIT for losses for all reasonable environmental management costs that are incurred by the REIT as result of third party claims relating to the specific issues for which Loblaws has agreed to remediate.

The third group consists of 173 properties in respect of which no environmental issues were identified by individual Phase I ESA Reports. In respect of these properties, except for certain knowledge and materiality qualifications, Loblaws will represent and warrant to the REIT regarding compliance of the Initial Properties with environmental laws and not being subject to environmental regulatory orders. These representations and warranties also apply to a property in either of the first two property groups in respect of issues not subject to the indemnification or remediation obligations described above.

In addition to the provisions of the Master Acquisition Agreement, under the Loblaws Leases, Loblaws Inc. will indemnify the REIT in respect of costs it incurs due to Loblaws Inc. breaching its environmental covenants, or causing environmental contamination after the Closing Date that Loblaws Inc. is responsible to remediate and/or manage pursuant to the terms of the applicable Loblaws Lease. See "Assets of the REIT — Description of Material Lease Terms with Loblaws".

In addition, each of the REIT and Loblaws have agreed to provide the other party with certain indemnities relating to certain tax matters in connection with the transfer and ownership of the Initial Properties and the issuance of the Transferor Notes.

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

## ASSESSMENTS AND VALUATION OF THE INITIAL PROPERTIES

### Building Condition Assessments

Building condition assessment reports (“BCA Reports”) were prepared for each of the Initial Properties by independent engineering firms for the purpose of assessing and documenting the existing condition of each building and major building operating components and systems. The assessments of the Initial Properties also identified and quantified any major defects in construction, materials or systems which might significantly affect the value of any of the Initial Properties or the continued operation thereof. The BCA Reports were completed in April and May 2013. In addition to required regular maintenance on the various components of the buildings, each of the BCA Reports assessed both work required to be completed immediately (i.e., within 90 days of the assessment) and work recommended to be completed during the subsequent 10 years in order to maintain the building in an appropriate condition.

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

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

Forecast Capital Expenditures (\$ millions)						
	Year 1	Years 2-3	Years 4-6	Years 7-10	Total	10 Year Average
Direct Tenant Work	\$ 10.5	\$ 21.1	\$ 40.9	\$ 43.3	\$ 115.8	\$ 11.6
<b>Capital Expenses Allocated to the REIT</b>						
Recoverable Expense	\$ 14.4	\$ 56.0	\$ 91.4	\$ 101.7	\$ 263.5	\$ 26.4
Non-recoverable Expense	\$ 4.8	\$ 15.0	\$ 5.0	\$ 4.7	\$ 29.5	\$ 2.9
Forecast Capital Expenditure	\$ 19.2	\$ 71.0	\$ 96.4	\$ 106.4	\$ 293.0	\$ 29.3
Percent of Capital Expenditures Paid Directly by Tenants/ Recoverable from Tenants	83.9%	83.8%	96.4%	96.9%	92.8%	92.8%

Notwithstanding the forecast capital expenditures presented in the table above, and in accordance with the terms of the Master Acquisition Agreement, Loblaw will also agree to complete up to \$25.0 million of repairs on certain of the Initial Properties on or before December 31, 2013.

### Environmental Site Assessments

Each of the Initial Properties is the subject of a Phase I environmental site assessment report (collectively, “Phase I ESA Reports”) prepared by independent environmental consultants dated April and May 2013. The purpose of the Phase I environmental site assessments was to assess whether evidence of potential or actual environmental contamination exists at the Initial Properties. The Phase I environmental site assessments were prepared in general accordance with industry practice for such assessments. Intrusive sampling and analysis were not part of the Phase I environmental site assessments. The independent environmental consultants who prepared the Phase I ESA Reports, together with Loblaw and a third independent environmental consultant, then considered and analyzed the findings and categorized the identified risks based on criteria developed by Loblaw and the independent environmental consultants who prepared the Phase I ESA Reports. The third independent environmental consultant further evaluated the factual circumstances at the Initial Properties using a second set of risk criteria designed to assess the potential implications to the REIT of the Phase I ESA Reports’ findings. The resulting analysis focused on the likelihood of (i) an adverse effect related to environmental contamination at the Initial Properties or (ii) whether circumstances exist at the Initial Properties

that would result in civil damages greater than a nuisance level. More specifically, the analysis focused on the following factors: known or suspected environmental conditions on-site or off-site (i) likely to invite regulatory intervention; (ii) likely to create potential adverse effects to the health of occupants; and (iii) likely to cause off-site contamination of property. Environmental site assessments involving intrusive soil and/or groundwater sampling and analysis (“Phase II ESA Reports”) were carried out at 29 of the Initial Properties based on the recommendations of an independent environmental consultant.

Based on the Phase I ESA Reports, Phase II ESA Reports and other information about the Initial Properties, an independent environmental consultant prepared an environmental report assessing all of the Initial Properties. This report identified no historic or current environmental issues that would significantly negatively affect the use of the Initial Properties for their current purposes or that would, individually or in aggregate, result in a material liability to the REIT. Notwithstanding these conclusions, and in accordance with the terms of the Master Acquisition Agreement, Loblaw has agreed to remediate the issues for which this environmental report recommends current action be taken. Loblaw will remediate each such issue until it meets a standard or condition that is agreed to by the REIT and Loblaw. The remediation of those issues may involve simply demonstrating that a potential issue does not exist or that an issue will not result in a particular harm. In addition, Loblaw will indemnify the REIT for certain environmental issues. See “Acquisition Agreements and Master Acquisition Agreement”.

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

### **Independent Valuations**

Loblaw 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 were prepared in conformity with the Canadian Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Institute of Canada. The Appraisal Institute of Canada has adopted a definition of market value, which is “the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus”. According to the Appraisal Institute of Canada, implicit in the definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated; (ii) both parties are well informed or well-advised, and acting in what they consider their best interests; (iii) a reasonable time is allowed for exposure in the open market; and (iv) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Based on the Appraisals, the estimated aggregate market value of the Initial Properties as at March 31, 2013 was \$7.11 billion prior to application of any portfolio premium and resulted in a weighted average capitalization rate of 6.16%.

To determine the full value of the Initial Properties in the context of a publicly traded portfolio, the Appraiser added a 2% to 4% portfolio premium to the aggregate value of the Initial Properties which, in the Appraiser’s professional experience, given the size and nature of the portfolio and current market condition, is warranted. The resulting full value of the Initial Properties is between \$7.25 billion and \$7.40 billion, corresponding to a weighted average capitalization rate range between 6.04% and 5.92%.

The Appraisals also identified excess land value of approximately \$216 million. This excess land value relates to the potential to further develop, intensify and/or redevelop certain of the Initial Properties. The REIT will compensate Loblaw, over time, if, as and when the REIT pursues further development, intensification and/or redevelopment on the Initial Properties (see “Strategic Alliance Agreement — Intensification

Payments”). Accordingly, the excess land value is not included in the Appraisal figures presented in the two preceding paragraphs.

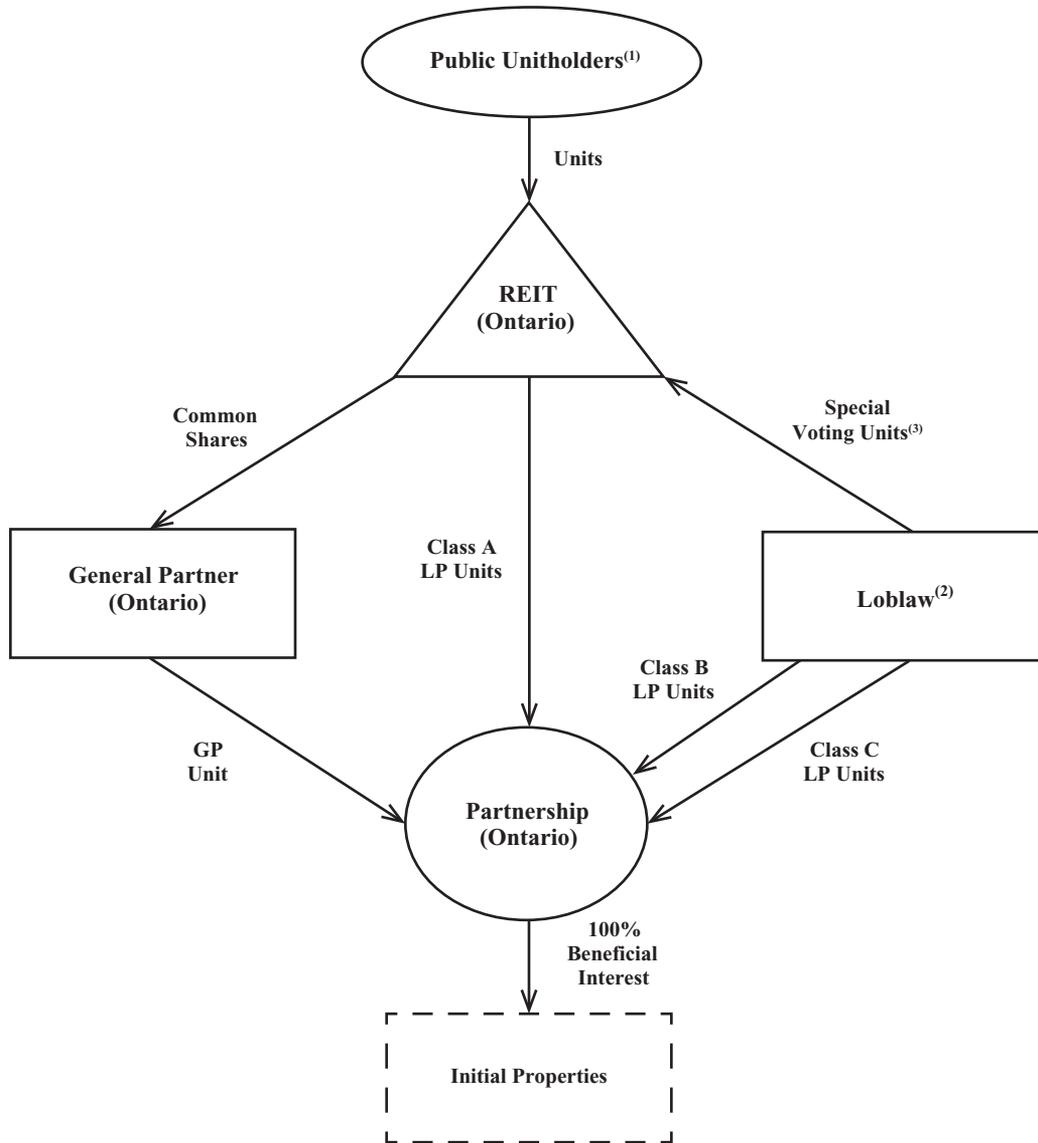
The estimated market value of the Initial Properties was determined by the Appraiser using an income valuation approach (which utilized both the direct capitalization and discounted cash flow methods). These valuation methods are methods traditionally used by investors when acquiring properties of this nature. The Appraiser gave consideration to a forecast of income for each property based on contractual lease terms, market rental rates, growth levels, vacancy rates, tenant roll-overs and operating expenses. The Appraiser visited each of the Initial Properties to assess the location and general physical characteristics and estimated the highest and best use for each property. Valuation parameters were used, having due regard to the income characteristics, current market conditions and prevailing economic and industry information. In appraising the Initial Properties, the Appraiser assumed, among other things, that title to the Initial Properties was good and marketable and did not take into account issues such as, but not limited to, engineering, environmental, zoning, planning or related issues. The Appraiser noted in the Appraisals that they had not reviewed capital expenditure budgets or the BCA Reports for the properties, and that any outstanding expenditures of a capital nature will affect value conclusions.

In determining the approximate market value of the Initial Properties, the Appraiser relied on operating and financial data provided by Loblaw and a third party manager, including rent rolls. For each Initial Property, the Appraiser discussed with management of Loblaw the property’s history, current tenant status and future prospects, reviewed historical operating results and reviewed management revenue and expense estimates 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, such as the Appraisals. 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 NOI 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. See “Risk Factors — Risk Factors Related to the Real Estate Industry and the Business of the REIT”.**

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

## POST-CLOSING STRUCTURE



Notes:

- (1) Includes 21,500,000 Units issued to Loblaw and 20,000,000 Units issued to GWL on Closing.
- (2) Loblaw's Inc. (Ontario), Provigo Distribution Inc. (Quebec), Loblaw Properties Limited (Ontario), Loblaw Properties West Inc. (Canada) and Provigo Properties Limited (Canada), each an affiliate of Loblaw, will initially be the limited partners of the Partnership and will initially receive all of the Class B LP Units and Class C LP Units upon the sale of the Initial Properties to the Partnership on Closing.
- (3) Each Class B LP Unit will be accompanied by one Special Voting Unit which will provide the holder thereof with a right to vote on matters respecting the REIT equal to the number of Units that may be obtained upon the exchange of the Class B LP Units for which each Special Voting Unit is attached.
- (4) All ownership interests in the above Post-Closing Structure diagram are 100% unless otherwise indicated.

## KEY INVESTORS

### **Retained Interest of Loblaw**

On Closing, it is expected that Loblaw will hold an approximate 83.1% effective interest in the REIT on a fully-diluted basis through ownership of 21,500,000 Units and all of the issued and outstanding Class B LP Units (or an approximate 81.7% effective interest in the REIT on a fully-diluted basis if the Unit Over-Allotment Option is exercised in full). In addition, Loblaw will hold all of the outstanding Class C LP Units of the Partnership. Neither Loblaw, GWL nor any of their respective Subsidiaries will purchase any Debentures in connection with the Offering.

Each Class B LP Unit will be exchangeable at the option of the holder for one Unit of the REIT (subject to certain anti-dilution adjustments), will be accompanied by one Special Voting Unit of the REIT (which provides for the same voting rights in the REIT as a Unit), and will receive distributions of cash from the Partnership equal to the distributions made by the REIT on a Unit.

The transfer of Class B LP Units will be subject to a number of restrictions. The Class C LP Units provide Loblaw with an equity interest in the Partnership that will entitle Loblaw to monthly distributions in priority to distributions to holders of Class A LP Units, Class B LP Units and the GP Unit, subject to certain exceptions. The annual distribution rate on the Class C LP Units will be 5%, distributed on a monthly basis.

Loblaw has advised the REIT that its current expectation is that it will continue to own a majority effective interest in the REIT for at least the next 10 years.

### ***Right to Nominate Trustees of the REIT***

The Declaration of Trust provides Loblaw, in the event that Loblaw's effective interest in the REIT (on a fully-diluted basis) falls below 50%, with the exclusive right to nominate a number of Trustees, proportionate to Loblaw's effective interest in the REIT (on a fully-diluted basis), rounded down to the nearest whole number, for election by Voting Unitholders; provided that, so long as Loblaw owns at least a 10% effective interest in the REIT (on a fully-diluted basis), Loblaw shall have the right to nominate not less than one Trustee. See "Declaration of Trust and Description of REIT Units — Nomination of Trustees".

Provided that Loblaw owns at least a 10% effective interest in the REIT (on a fully-diluted basis), any amendment to the Declaration of Trust that affects the right of Loblaw to nominate certain Trustees will require the prior written approval of Loblaw.

### ***Exchange Rights***

On Closing, the REIT, the Partnership, Loblaw and any of its Subsidiaries that hold Class B LP Units will enter into the Exchange Agreement, pursuant to which the REIT will agree with the Partnership and the holders of the Class B LP Units to, among other things, issue Units upon the exchange of Class B LP Units in accordance with their terms or upon the election of a holder of Class B LP Units to receive distributions on Class B LP Units in the form of Units on a basis equivalent to the rights of Unitholders participating in the DRIP. Upon an exchange, the corresponding number of Special Voting Units will be cancelled. Collectively, the rights granted by the REIT that require the REIT to issue Units are referred to as the "exchange right".

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

- (a) the exchange would not cause the REIT to cease to qualify as, or cause a significant risk to the REIT's status as, a "mutual fund trust" or "real estate investment trust" under the Tax Act or cause or create a significant risk that would cause the REIT to be subject to tax under paragraph 122(1)(b) of the Tax Act;
- (b) the REIT is legally entitled to issue the Units in connection with the exercise of the exchange right; and

- (c) the person receiving the Units upon the exercise of the exchange right complies with all applicable securities laws and stock exchange requirements at the time of the exchange.

The Exchange Agreement will also provide for the right of the REIT to require the holders of all but not less than all of the Class B LP Units to exchange their Class B LP Units for Units if:

- (a) the total number of Units for which all outstanding Class B LP Units are exchangeable is less than 1% of the number of Class B LP Units issued on Closing; or
- (b) there occurs or is about to occur any amalgamation, merger, arrangement, take-over bid, material transfer or sale of Units or rights or other securities of the REIT or interests therein or thereto, or sale of all or substantially all of the assets of the REIT, or similar transaction involving the REIT or a Subsidiary of the REIT or any proposal to do any of the foregoing (other than in connection with a transaction involving one or more of such entities pursuant to which all of the assets of such entity or entities are transferred to the REIT or another wholly-owned direct or indirect Subsidiary of the REIT) and the Board of Trustees determines that it is not reasonably practicable to substantially replicate the terms and conditions of the Class B LP Units in connection with such transaction and that the exchange of all but not less than all of the outstanding Class B LP Units is necessary to enable the completion of such transaction in accordance with its terms, provided, however, that in the case of a take-over bid, not less than 66 $\frac{2}{3}$  percent of the Units (calculated on a fully-diluted, converted and exchanged basis) have been validly deposited and tendered under such take-over bid and not withdrawn at the expiry of such take-over bid.

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

### ***Pre-Emptive Rights***

In the event that the REIT or the Partnership decides to issue equity securities of the REIT or the Partnership or securities convertible into or exchangeable for equity securities of the REIT or the Partnership or an option or other right to acquire any such securities other than to an Affiliate thereof (“Issued Securities”), the Exchange Agreement will provide Loblaw, for so long as it owns at least a 10% effective interest in the REIT (on a fully-diluted basis), with pre-emptive rights to purchase Units, Class B LP Units or Issued Securities, to maintain Loblaw’s effective *pro rata* ownership interest (on a fully-diluted basis). The pre-emptive right will not apply to the issuance of Issued Securities in certain circumstances, including the following: (i) to participants in the DRIP or a similar plan of the Partnership, including any “bonus” distribution, (ii) in respect of the exercise of options, warrants, rights or other securities issued under the REIT’s or the Partnership’s security-based compensation arrangements, if any, (iii) the issuance of Units in lieu of cash distributions, (iv) the issuance is full or partial consideration for the purchase of real property by the REIT from Loblaw, (v) the exercise by a holder of a conversion, exchange or other similar privilege pursuant to the terms of a security in respect of which Loblaw did not exercise, failed to exercise, or waived, its pre-emptive right or in respect of which the pre-emptive right did not apply, (vi) pursuant to a unitholder rights plan of the REIT, if any, (vii) to the REIT, the Partnership or any Subsidiary of the REIT or the Partnership or an Affiliate of any of them, and (viii) any issuance of Units pursuant to the Unit Over-Allotment Option.

### ***Registration Rights***

The Exchange Agreement will provide Loblaw (on behalf of itself and its Subsidiaries that hold Class B LP Units) with the right (the “Piggy-Back Registration Right”) to require the REIT to include Units held by such securityholders, including Units issuable upon exchange of Class B LP Units, in any future offering undertaken by the REIT by way of prospectus that it may file with applicable Canadian securities regulatory authorities (a “Piggy-Back Distribution”). The REIT will be required to use reasonable commercial efforts to cause to be included in the Piggy-Back Distribution all of the Units that Loblaw requests 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 Exchange Agreement will provide Loblaw (on behalf of itself and its Subsidiaries that hold Class B LP Units) with the right (the “Demand Registration Right”) to require the REIT to use reasonable commercial efforts to file one or more prospectuses with applicable Canadian securities regulatory authorities, qualifying Units held by such securityholders, including Units issuable upon the exchange of Class B LP Units, for distribution (a “Demand Distribution”). Loblaw (on behalf of itself and its Subsidiaries that hold Class B LP Units) will be entitled to request not more than two Demand Distributions per calendar year, and each Demand Distribution must be comprised of 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 from 18 months following Closing, provided that Loblaw owns at least a 10% effective interest in the REIT (on a fully-diluted basis) at the time of exercise. The Piggy-Back Registration Right and the Demand Registration Right will be subject to 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 Loblaw, and the fees of Loblaw’s external legal counsel, will be borne by Loblaw. The expenses in respect of a Demand Distribution, subject to certain exceptions, will be borne by the REIT and Loblaw on a proportionate basis according to the number of Units distributed by each. Pursuant to the Exchange Agreement, the REIT will indemnify Loblaw for any misrepresentation in a prospectus under which Loblaw’s Units are distributed (other than in respect of any information provided by Loblaw, in respect of Loblaw, for inclusion in the prospectus) and Loblaw will indemnify the REIT for any information provided by Loblaw, in respect of Loblaw, for inclusion in the prospectus.

#### ***Tag/Drag Rights***

The Exchange Agreement will provide that if Loblaw owns at least a 10% effective interest in the REIT (on a fully-diluted basis), and Loblaw so requests, the REIT will cause a purchaser (other than the REIT or an Affiliate of the REIT) of Class B LP Units (or any permitted assignee) to purchase a *pro rata* portion of the Class B LP Units owned by Loblaw, on substantially the same terms and subject to the same conditions as are applicable to the purchase by the purchaser of Class B LP Units held by the REIT. If Loblaw owns less than a 10% effective interest in the REIT (on a fully-diluted basis), the REIT will be entitled, in connection with the direct or indirect sale of all of its Class B LP Units, to require Loblaw or any permitted assignee to sell their Class B LP Units on the same terms and conditions as are applicable to the REIT’s direct or indirect sale of all other interests in the Partnership, and upon the REIT making such request and completing such sale, Loblaw will have no further interest in the Partnership.

#### ***Assignment***

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

## Investment by George Weston Limited

On Closing, GWL will purchase 20,000,000 Units at the Unit Offering Price for a total subscription price of \$200 million, representing approximately a 5.6% effective interest in the REIT on a fully-diluted basis (or an approximate 5.6% effective interest in the REIT on a fully-diluted basis if the Unit Over-Allotment Option is exercised in full). The REIT will receive proceeds of \$200 million from this purchase of Units by GWL as the Equity Underwriters will not receive any underwriting or other fee in respect of the Units purchased by GWL.

GWL is a Canadian public company founded in 1882 and, through its operating subsidiaries, constitutes one of North America's largest food processing and distribution groups. GWL has two reportable operating segments: Weston Foods and Loblaw. The Weston Foods operating segment is primarily engaged in the baking industry within North America.

## DEBT STRATEGY AND INDEBTEDNESS

### General

The REIT will seek to maintain a combination of short, medium and long-term debt maturities that spread maturities over 10 years<sup>(1)</sup> to minimize refinancing risk, taking into account the availability of financing and market conditions and the financial characteristics of each property. At Closing, the REIT's Consolidated Indebtedness as a percentage of its Aggregate Adjusted Assets is expected to be approximately 38%. The Consolidated Indebtedness plus the aggregate amount of capital ascribed to the Class C LP Units as a percentage of its Aggregate Adjusted Assets is expected to be approximately 51% on Closing.

The weighted average maturity and the weighted average annual interest rate (before giving effect to mark-to-market adjustments upon the issuance of Transferor Notes) of all Indebtedness of the REIT at Closing are expected to be approximately 5.4 years and 3.4%, respectively, assuming the issuance of \$600 million aggregate principal amount of Debentures on Closing and the repayment of Series 1 and Series 2 Transferor Notes on Closing, each in accordance with the assumptions set forth in the Financial Forecast contained in this prospectus. Interest rates and debt maturities will be reviewed regularly by the Trustees in order to ensure that appropriate debt management strategies are implemented. The REIT may, from time to time, enter into instruments to hedge the amount of interest to be paid by the REIT on future debt and to reduce its exposure to refinancing risks, provided that such hedging will not affect the REIT's status as a "real estate investment trust" for purposes of the SIFT Rules.

In addition, upon the request of the Transferors, the Partnership will be obligated to redeem up to \$300 million, \$300 million and \$325 million of the outstanding Class C LP Units in the years 2027, 2028 and 2029, respectively, in each case in exchange for cash, Class B LP Units or any combination thereof, at the option of the Partnership. See "The Partnership — Partnership Units". The Class C LP Units will be included in the calculation of the debt incurrence test and the debt service coverage ratio under the Indenture, as supplemented.

S&P and DBRS have each provided the REIT with a provisional issuer credit rating of "BBB". See "Credit Ratings".

### Composition of Indebtedness

The REIT intends to partially finance the acquisition of the Initial Properties and its ongoing operations with a combination of fixed rate unsecured term debt with staggered maturities and floating rate unsecured revolving debt. The fixed rate term debt is expected to be made up of the Transferor Notes (issued by the Partnership) and the Debentures (issued by the REIT). The Transferor Notes and the Debentures will have

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(1) Assuming the issuance of \$600 million aggregate principal amount of Debentures on Closing and the repayment of Series 1 and Series 2 Transferor Notes on Closing, each in accordance with the assumptions set forth in the Financial Forecast contained in this prospectus

varying maturities. Additionally, floating rate unsecured debt may be incurred pursuant to the Credit Facility. The REIT will generally be liable for the Debentures and the Credit Facility.

### *Transferor Notes*

On Closing, the Partnership will collectively issue \$2.6 billion aggregate principal amount of Transferor Notes to the Transferor Trust in exchange for all of the Transferor Trust Notes. The Transferor Trust Notes will ultimately be assigned to the Transferors by the Partnership as partial consideration for the sale of the Initial Properties. All of the net proceeds, if any, from the issuance of the Debentures will be used by the Partnership to early redeem a portion of the outstanding aggregate principal amount of the Transferor Notes (including a portion of a particular series of Transferor Notes). Any such early redemptions of Transferor Notes will be made in sequential order of their respective series, such that all of the Series 1 Transferor Notes will be redeemed prior to any early redemption of any higher numbered series of Transferor Notes. The Transferor Notes will rank *pari passu* in right of payment with all of the Partnership's other senior unsecured indebtedness, including the guarantees by the Partnership of the Credit Facility and the Debentures, as well as the REIT Notes. The REIT will not guarantee the Transferor Notes. The following table summarizes the respective initial aggregate principal amounts, annual interest rates and maturity dates of the Transferor Notes.

### Transferor Notes

<u>Series</u>	<u>Maturity</u>	<u>Interest Payment Dates</u>		<u>Principal Amount</u> (\$ millions)	<u>Annual Interest Rate</u>
Series 1 . . . . .	October 15, 2013	Apr 15	Oct 15	\$ 350	1.55%
Series 2 . . . . .	May 5, 2014	May 5	Nov 5	\$ 250	1.86%
Series 3 . . . . .	May 20, 2014	May 20	Nov 20	\$ 150	3.00%
Series 4 . . . . .	April 20, 2015	Apr 20	Oct 20	\$ 350	3.00%
Series 5 . . . . .	April 20, 2016	Apr 20	Oct 20	\$ 300	3.00%
Series 6 . . . . .	April 20, 2017	Apr 20	Oct 20	\$ 200	3.00%
Series 7 . . . . .	September 20, 2019	Mar 20	Sep 20	\$ 200	3.00%
Series 8 . . . . .	April 20, 2020	Apr 20	Oct 20	\$ 300	3.60%
Series 9 . . . . .	September 20, 2021	Mar 20	Sep 20	\$ 200	3.60%
Series 10 . . . . .	September 20, 2022	Mar 20	Sep 20	\$ 300	3.60%
<b>Total / Weighted Average<sup>(1)</sup> . . . . .</b>				<b><u>\$2,600</u></b>	<b><u>2.88%</u></b>

Notes:

(1) The information provided in this table reflects all of the Transferor Notes that will be issued by the Partnership on Closing, without giving effect to any repayments of Transferor Notes by the Partnership with the proceeds, if any, from the sale of the Debentures.

For the period from the date of issue of each Transferor Note to the day prior to the earlier of the maturity date and the 6<sup>th</sup> anniversary thereof, the Partnership may:

- (i) with three months or less remaining until the maturity date (to the extent the maturity date of such Transferor Note occurs prior to the 6<sup>th</sup> anniversary of the date of issue), redeem some or all of the Transferor Notes (including some or all of a particular series of Transferor Notes) at par value, plus accrued and unpaid interest; and
- (ii) with more than three months remaining until the maturity date, redeem some or all of the Transferor Notes (including some or all of a particular series of Transferor Notes), with the consent of the holder thereof, at par value, plus accrued and unpaid interest.

For the period from the 6<sup>th</sup> anniversary of the date of issue of each Transferor Note still outstanding, the Partnership may:

- (i) until the date that is three months prior to the maturity date thereof, at any time and from time to time, redeem some or all of the Transferor Notes (including some or all of a particular series of Transferor Notes) at a redemption price equal to the greater of (i) the Canada Yield Price (as defined in the Transferor Notes) and (ii) par, together in each case with accrued and unpaid interest to the date fixed for redemption; and
- (ii) from and after the date that is three months prior to the maturity date of each Transferor Note, redeem some or all of such Transferor Note at par value, plus accrued interest.

Events of default under the Transferor Notes will include, among other things, (a) default by the Partnership in the payment of principal when due, (b) default by the Partnership in the payment of interest when due, where such default has not been cured within three business days after the relevant interest payment date, (c) breach of or default in the performance of any covenant, where such default or breach continues for a period of 30 business days following notice thereof, (d) a final judgment being rendered against the REIT or any Partnership in an aggregate amount in excess of \$25 million by a court of competent jurisdiction, which remains undischarged and unstayed for a period of 60 days after the date on which the right to appeal has expired, (e) cross-acceleration of debt of the REIT in an aggregate amount in excess of \$25 million, and (f) the bankruptcy or insolvency of the REIT or the Partnership.

Key covenants of the Partnership under the Transferor Notes will include: (i) a debt service coverage ratio covenant whereby the REIT must at all times maintain a ratio of Consolidated EBITDA to Debt Service of not less than 1.50:1.0; (ii) a debt incurrence covenant whereby the REIT must, on each day that it or the Partnership incurs Indebtedness, other than permitted Indebtedness, have (A) an Indebtedness Percentage (as defined below) of not more than (x) 60% excluding any convertible Indebtedness and (y) 65% including (without duplication) any convertible Indebtedness in the calculation of Consolidated Indebtedness plus the aggregate amount of capital ascribed to the Class C LP Units; and (B) a ratio of Consolidated Secured Indebtedness to Aggregate Adjusted Assets (the "Secured Coverage Ratio") of not more than 40%; and (iii) an unencumbered asset value ratio covenant whereby the ratio of Unencumbered Aggregate Adjusted Assets (excluding construction assets and other non-income producing assets) to Consolidated Unsecured Indebtedness (excluding Subordinated Indebtedness) may not be less than 1.50:1.00. In addition, the Partnership will be required to, among other things, maintain its existence, maintain properties in good order and maintain insurance.

Upon a Change of Control Triggering Event, the Partnership shall offer to repurchase all of the Transferor Notes at a purchase price equal to 101% of the outstanding principal amount thereof plus accrued and unpaid interest, if any. A "Change of Control Triggering Event" means a Change of Control and a Rating Event.

A "Rating Event" means any of (A) the Rating of any series of senior unsecured debt securities of the REIT from time to time ("Debt Securities") is lowered to below an Investment Grade Rating by at least two of the Specified Rating Agencies if there are more than two Specified Rating Agencies or all of the Specified Rating Agencies if there are less than three Specified Rating Agencies (the "Required Threshold") on any day within the 60-day period (which 60-day period will be extended so long as the Rating of Debt Securities of such series is under publicly announced consideration for a possible downgrade by such number of the Specified Rating Agencies which, together with Specified Rating Agencies which have already lowered their ratings on the Debt Securities of such series as aforesaid, would aggregate in number the Required Threshold, but only to the extent that, and for so long as, a Change of Control Triggering Event would result if such downgrade were to occur) after the earlier of (i) the occurrence of a Change of Control, and (ii) public notice of the occurrence of a Change of Control or of the REIT's intention or agreement to effect a Change of Control, (B) the Rating of any series of Debt Securities by the Required Threshold is below an Investment Grade Rating upon the occurrence of a Change of Control and the Rating of such series of Debt Securities by the Required Threshold remains below an Investment Grade Rating 30 days after the occurrence of such Change of Control (which 30-day period will be extended so long as the Rating of Debt Securities of such series is under publicly announced consideration for a possible increase by such number of the Specified Rating Agencies which, together with

Specified Rating Agencies which have already increased their ratings on the Debt Securities of such series as aforesaid, would aggregate in number the Required Threshold), and (C) following the occurrence of a Change of Control, one or more of the Specified Rating Agencies cease to rate any series of Debt Securities such that only one Specified Rating Agency continues to rate such series of Debt Securities.

#### *Debentures*

On Closing, the REIT expects to issue \$400 million aggregate principal amount of Series A Debentures and \$200 million aggregate principal amount of Series B Debentures pursuant to the Indenture and the First Supplemental Indenture and Second Supplemental Indenture, respectively.

For further details of the Debentures and the Offering, see “Details of the Offering”.

#### *Revolving Credit Facility*

On Closing, the REIT will enter into the Credit Facility which will consist of a \$500 million revolving facility available for general business purposes, including property acquisitions and development activities, and the refinancing of indebtedness, of the REIT and its Subsidiaries. The Credit Facility can be drawn upon in either Canadian dollars or an equivalent amount in United States dollars. If the REIT draws upon the Credit Facility in Canadian dollars, interest will be calculated either at the Canadian prime lending rate or at the bankers’ acceptance (“BA”) rate plus, in each case, a spread based on the external credit rating of the REIT, expected at Closing to be 0.45% with respect to prime rate and 1.45% with respect to the BA rate. The REIT will have the right to choose between Canadian prime rate and BA rate advances based on available rates and timing requirements. If the REIT draws upon the Credit Facility in United States dollars, interest will be calculated either at the United States prime lending rate or at United States dollar LIBOR (the London Interbank Offered Rate) plus, in each case, a spread based on the external credit rating of the REIT, expected at Closing to be 0.45% with respect to the United States dollar prime rate and 1.45% with respect to LIBOR. The REIT does not intend to draw under the Credit Facility at Closing. Amounts owing under the Credit Facility will be unsecured, ranking *pari passu* with the Debentures and the Transferor Notes and have an initial term of five years from Closing. Amounts owing under the Credit Facility will generally be subject to customary terms and conditions for issuers of this nature, including limits on granting liens, limitation on additional indebtedness, limitation on investments, limitation on asset sales and limitation on transactions with affiliates.

The Credit Facility will provide that, for so long as the rent paid by Loblaw or any of its Subsidiaries accounts for 40% of the consolidated revenue of the REIT, it will be an event of default under the Credit Facility if any indebtedness of Loblaw or its Subsidiaries individually or in the aggregate in an amount in excess of \$100 million is accelerated.

In addition to the Credit Facility, on or shortly following Closing, the REIT expects to enter into an uncommitted letter of credit facility of up to \$40 million with a Schedule I Canadian chartered bank.

#### **Debt Maturities**

The following table presents (i) the maturity balances on the Transferor Notes, and (ii) the assumed maturity balances on the Debentures as set forth in the assumptions to the Financial Forecast contained in this prospectus, in each case, to be paid over each of the five calendar years following Closing (assuming Closing occurs in July 2013) and thereafter (assuming such debt is not renewed at maturity). For greater certainty, the assumed maturity balances of the Debentures set forth below are being provided for illustrative purposes only. The actual maturity balances of the Debentures will not be known until Closing and may materially differ from the assumed maturity balances of the Debentures set forth below and in the assumptions to the Financial Forecast contained in this prospectus. In addition, since the illustrative table below assumes that \$600 million aggregate principal amount of Debentures will be issued on Closing in accordance with the assumptions in the Financial Forecast, it consequently also assumes that the Series 1 and Series 2 Transferor Notes will be repaid in full on Closing with the proceeds from the assumed sale of such Debentures.

<u>Year:</u>	<u>Balance Due on Maturity (\$000's)</u>	<u>Total Debt Repayments (\$000's)</u>	<u>% of Total</u>
2014 . . . . .	\$ 150,000	\$ 150,000	5.8%
2015 . . . . .	\$ 350,000	\$ 350,000	13.5%
2016 . . . . .	\$ 300,000	\$ 300,000	11.5%
2017 . . . . .	\$ 200,000	\$ 200,000	7.7%
2018 . . . . .	\$ 400,000	\$ 400,000	15.4%
Thereafter . . . . .	<u>\$1,200,000</u>	<u>\$1,200,000</u>	46.1%
<b>Total . . . . .</b>	<b><u>\$2,600,000</u></b>	<b><u>\$2,600,000</u></b>	<b>100.0%</b>
Weighted average annual interest rate . . . . .			3.4% <sup>(1)</sup>
Weighted average term to maturity . . . . .			5.4 years <sup>(2)</sup>

Notes:

- (1) Before giving effect to mark-to-market adjustments on the Transferor Notes, and after giving effect to the assumed annual interest rates on the Debentures as set forth in the assumptions to the Financial Forecast contained in this prospectus.
- (2) After giving effect to the assumed maturity dates of the Debentures as set forth in the assumptions to the Financial Forecast contained in this prospectus.

### CREDIT RATINGS

S&P and DBRS provide credit ratings of debt securities for commercial entities. A credit rating generally provides an indication of the risk that the borrower will not fulfill its full obligations in a timely manner with respect to both interest and principal commitments. Rating categories range from highest credit quality (generally “AAA”) to default in payment (generally “D”).

S&P has provided the REIT with a provisional issuer credit rating of “BBB” with a Stable outlook and a provisional credit rating of “BBB”, with a Stable outlook, relating to the Debentures. A credit rating of “BBB” by S&P is the fourth highest of 10 categories and indicates that the obligation exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation. A credit rating of “BBB–” or higher is an investment grade rating. The addition of a rating outlook modifier, such as “Positive”, “Negative”, “Stable” or “Developing” assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years). An outlook is not necessarily a precursor of a rating change. The addition of a plus (+) or minus (–) designation after a rating indicates the relative standing within a particular rating category.

DBRS has provided the REIT with a provisional issuer credit rating of “BBB” with a Stable trend and a provisional credit rating of “BBB”, with a Stable trend, relating to the Debentures. A credit rating of “BBB” by DBRS is the fourth highest of 10 categories and is assigned to debt that is considered to be of adequate credit quality, where payment of financial obligations is considered acceptable but the issuing entity may be vulnerable to future events. The assignment of a “(high)” or “(low)” modifier within each rating category indicates relative standing within such category. The assignment of a “Positive”, “Stable” or “Negative” trend modifier provides guidance in respect of DBRS’s opinion regarding the outlook for the rating in question. The rating trend indicates the direction in which DBRS considers the rating is headed should present tendencies continue.

There can be no assurance that a rating will remain in effect for any given period of time or that a rating will not be lowered, withdrawn or revised by either or both Rating Agencies if in its judgment circumstances so warrant. The rating of the Debentures is not a recommendation to buy, sell or hold such securities, inasmuch as such ratings do not comment as to market price or suitability for a particular investor. See “Risk Factors — Risk Factors Related to the Offering — Credit Ratings and Credit Risk”.

The REIT has paid customary rating fees to DBRS and S&P in connection with the above-mentioned ratings and will pay customary rating fees to DBRS and S&P in connection with the confirmation of such ratings

for purposes of this prospectus. The REIT did not make any payments to DBRS or S&P in respect of any other service provided to the REIT by DBRS or S&P.

### **EARNINGS COVERAGE RATIO**

The earnings coverage ratio based on the Third-Party Tenant Portfolio's historical carve-out financial statements for the twelve-months ended December 31, 2012 and for the twelve-months ended March 31, 2013 would be nil. As the REIT was only created on May 21, 2013, it had no operations prior to such date and, given these circumstances, the earnings coverage ratios presented below have been calculated using information contained in the Financial Forecast.

Based on the Financial Forecast, the forecast earnings coverage of the REIT for the twelve-month period ending June 30, 2014 is 1.42 times (or 3.23 times when excluding the forecast distributions on the Class B LP Units from the determination of interest expense). This information has been prepared based solely upon the information presented in the Financial Forecast and should be considered in conjunction with the Financial Forecast.

### **ARRANGEMENTS WITH LOBLAW**

On Closing, the REIT, the Partnership and Loblaw will enter into certain agreements governing the relationships among such parties following Closing. See "Key Investors".

#### **Services Agreement**

Pursuant to the Services Agreement, Loblaws Inc. will provide the REIT with administrative and other support services, such as property and facility management services (in respect of certain of the Initial Properties and certain properties which may be acquired by the REIT from Loblaw after Closing) and such other services as may be reasonably required from time to time.

Loblaws Inc. has agreed to provide these services to the REIT on a cost-recovery basis only. Loblaws Inc. has agreed to provide the above-noted services for a fixed fee equal to \$6.4 million (which fixed fee excludes HST and all other applicable indirect or value added taxes, but includes all disbursements and expenses) during the Forecast Period. Effective July 1, 2014, however, the REIT will be required to pay Loblaws Inc. a services fee sufficient to reimburse it for the expenses incurred by it in providing the services as long as the expenses are identified in the current annual budget or are otherwise approved by the REIT.

The term of the Services Agreement will commence on Closing for one year and will be automatically renewed for further one year terms, provided that the Services Agreement or any of the services thereunder may be terminated by the REIT at any time during the term (except during the Forecast Period) upon 90 days' prior written notice to Loblaws Inc., or in the event of a material breach or material default of Loblaws Inc.'s obligations under the Services Agreement, without payment of any termination fees. Loblaws Inc. has the right to terminate the Services Agreement with 12 months' written notice after the expiration of the initial one year term, upon the occurrence of an event of default by the REIT that has not been cured within the applicable cure period or in the event that the parties are unable to reach an agreement with respect to the annual budget for a calendar year within 90 days following the beginning of the calendar year. Other than in these three circumstances, Loblaws Inc. will not have the right to terminate the Services Agreement.

The Services Agreement will contain an acknowledgement that Loblaws Inc. may engage in other businesses that may be similar to or in competition with the REIT's affairs. In the event of a conflict, Loblaws Inc. will provide the REIT with written notice of the conflict and the REIT will be entitled to retain one or more third parties to perform the administrative services to which the conflict relates and to deduct from the fees otherwise payable to Loblaws Inc. under the Services Agreement, in respect of the applicable annual budget, the fees payable to such third parties.

Management expects the scope of the services to be provided by Loblaws Inc. to decrease over time as the REIT develops the capacity to perform more of the services internally. As a result, management generally expects the fees payable to Loblaws Inc. pursuant to the Services Agreement to decrease over time (subject to adjustments for inflation) and for the REIT to incur a corresponding increase in internal costs over the same period, the net effect of which is that the cost to the REIT will generally remain the same.

### **Strategic Alliance Agreement**

The Strategic Alliance Agreement will create a series of rights and obligations between the REIT and Loblaw (and certain of its Subsidiaries) intended to establish a preferential and mutually beneficial business and operating relationship. Its initial term will be for 10 years from Closing, and thereafter it will continue until the earlier of 20 years from Closing and the date (if any) on which Loblaw ceases to own a majority interest (on a fully-diluted basis) in the REIT.

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

**Right Of First Offer:** Subject to certain exceptions, the REIT will have the right of first offer to purchase any property in Canada that Loblaw seeks to sell and that the REIT would otherwise be permitted to acquire under its investment guidelines and operating policies. If Loblaw wishes to sell a property, it will provide the REIT with an offer to sell the property and information in respect of the property. Any such offer will set out, in reasonable detail, its material terms and conditions, including the proposed sale price and the form of purchase price consideration (i.e., cash, Units, Class B LP Units and/or other securities of the REIT or any combination thereof) and any unusual terms, including any vendor obligations or restrictions. If the property contains a Loblaw-Owned Banner, office or warehouse, the property-specific information will include the proposed terms of any new or amended lease with Loblaw, including any terms that would differ from the standard terms of the Loblaw Leases. Loblaw will also provide the capital budget for the property for the current year (and ensuing year if available), a rent roll of all leases, historical financial information, copies of the most recent third-party appraisal or valuation and most recent environmental and structural inspection reports, and any additional relevant environmental and structural information. Within five business days after receiving the information, the REIT may provide written notice to Loblaw outlining any information which it believes to be incomplete, and request a list of outstanding information. Loblaw will make reasonable commercial efforts to provide the REIT with such additional information within 15 business days after receipt of any such request. The REIT will have 20 business days from the receipt of the offer to sell (or, as appropriate, after receipt of all requested information) to either accept Loblaw's offer by delivering a binding acceptance notice, together with a refundable cash deposit equal to 10% of the sale price, or to deliver a counter-offer to Loblaw. If the REIT does not provide an acceptance notice or a counter-offer within that 20 business day period, it will be deemed to have rejected the Loblaw offer. If the REIT delivers a counter-offer, Loblaw will have 10 business days to respond, failing which Loblaw will be deemed to have rejected it. If Loblaw accepts the REIT's counter-offer, the REIT must deliver a binding acceptance notice and the refundable cash deposit.

If the REIT accepts Loblaw's offer, it will have a 60-day due diligence period with respect to the property, including to obtain, as required, a phase I environmental site assessment, structural inspection report and an independent appraisal of the property. The closing of the purchase must be completed within 30 days of the waiver or expiry of this due diligence period. On the closing of the purchase, if Loblaw has specified that the consideration be paid all or in part in Units, Class B LP Units, or other Exchangeable Securities of the REIT, the number of such securities to be issued will be determined by reference to the 20 day volume-weighted average price of the Units on the TSX determined on the date prior to the closing of the purchase. If all or a part of the consideration is payable in other equity securities of the REIT which are not listed on the TSX, the reference market price will be the fair market value of such securities, as determined by the Trustees, provided that if debt securities form part of the consideration, the assumed fair market value of such debt securities will be their face amount, unless the REIT and Loblaw otherwise expressly agree.

If the REIT does not accept Loblaw's offer (or Loblaw does not accept the REIT's counter-offer) or if the REIT elects not to proceed with the purchase of the property during its due diligence period, Loblaw will be entitled to complete the sale of the property within the following 180 days to any third party for a consideration payable in cash only, at a price that is higher than the highest price that was provided for in the offer to the REIT, or as applicable, the REIT's counter-offer, and on other terms and conditions not materially more favourable to the third-party purchaser than those offered to the REIT (including in respect of the net effective rent payable under and the overall term of any proposed lease of the property to Loblaw).

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

Loblaw will not be required to provide the REIT with a right of first offer in connection with any property that is being transferred within the Loblaw group or a transfer which is an Excluded Transaction or a direct or indirect sale by Loblaw of one or more businesses or operations, including any sale of one or more Loblaw Associated Properties or Shopping Centre Properties that is completed as part of or in connection with a sale of a Loblaw business or operation that is operated on such property.

**New Shopping Centre Acquisitions:** Subject to certain exceptions, Loblaw will generally be required to present Shopping Centre Property acquisition opportunities in Canada to the REIT to allow the REIT a right of first opportunity to acquire the property itself. If Loblaw wishes to acquire a Shopping Centre Property that it intends to continue to operate as a Shopping Centre Property (and not to convert into a Loblaw Associated Property) or convert into and operate as a Shopping Centre Property (but not a Loblaw Associated Property), Loblaw will provide written notice of such proposed acquisition to the REIT, together with all agreements and information in its possession or control at the time with respect to the property, other than information that Loblaw is not permitted to disclose due to confidentiality obligations and Loblaw's own internal valuations, reports, assessments, financial models and analysis. This information must be provided to the REIT, to the extent possible, at least 60 days prior to the proposed acquisition of the property by Loblaw.

In order to meaningfully provide for this right on the part of the REIT, Loblaw must ensure that any acquisition agreement that it enters into in respect of such a Shopping Centre Property will either (i) be assignable to the REIT, without additional cost and without resulting in any change in the terms of the agreement or (ii) permit the title to the Shopping Centre Property to be vested in a nominee designated by the REIT, with the REIT acquiring the beneficial interest in such property.

The REIT will have 15 business days from receipt of the notice and related property information from Loblaw to advise Loblaw whether it intends to: (i) make its own offer in respect of the property in circumstances where Loblaw has not entered into a purchase agreement; or (ii) to take an assignment of any agreements previously entered into by Loblaw; or (iii) where there are purchase agreements which are not assignable to the REIT, to complete the purchase of the property itself but acting through Loblaw. If the REIT declines to do any of the foregoing, or if it does not otherwise respond to the notice from Loblaw or if it otherwise determines not to proceed after initially electing to do so, Loblaw will be free to proceed with the acquisition of the Shopping Centre Property without further notice to the REIT.

Loblaw will not be required to make this right available to the REIT in respect of any Shopping Centre Property that is being transferred within the Loblaw group or that is being acquired by Loblaw as part of, or in connection with, an Excluded Transaction.

**Right to Participate in Future Shopping Centre Developments:** If at any time Loblaw wishes to construct, develop or redevelop the ancillary space in any property in Canada that it uses or intends to use as a Shopping Centre Property, and such project is not part of an Excluded Transaction, Loblaw must provide the REIT with written notice of its intention to undertake the project. If the REIT advises Loblaw in writing, within 10 business days of receiving such notice, that it is interested in participating in the project, Loblaw and the REIT must negotiate in good faith with each other for a period of up to 30 days, with both parties acting reasonably, to determine if there is an opportunity for the REIT to participate in the project, including by the REIT potentially (i) acquiring all or an undivided co-ownership interest in the Shopping Centre Property and leasing the space occupied or used by Loblaw back to Loblaw; (ii) providing development and/or leasing services in respect of the project; and/or (iii) providing the funding required to complete the project with a possible right to purchase upon completion.

**Right to Provide Financing to Loblaw:** Subject to certain exceptions, if Loblaw at any time proposes to obtain a loan from a non-Loblaw party that is intended to be secured against a property in Canada that the REIT could acquire under the terms of its investment guidelines and operating policies, and such loan would include the grant to such third party of (i) a pre-emptive right in respect of such property (such as a right to purchase or a right of first offer), or (ii) a participation right in the profits or gain from such property, or (iii) if such loan would otherwise result in the leveraging of such property to a level that is greater than 75% of its value, Loblaw must provide prior written notice to the REIT of the proposed loan. The written notice must set out the proposed terms of the third-party loan, together with such information in respect of the proposed secured property as a reasonable lender would require in order to make a financing decision. If the REIT reasonably believes that the information provided is insufficient for it to make a financing decision in respect of the property, it must notify Loblaw to that effect within 15 business days of receiving the notice, and Loblaw must make reasonable commercial efforts to provide the REIT with the additional requested financial information. The REIT will have a period of 15 business days after its receipt of the notice regarding the proposed loan from Loblaw (or, as applicable, the additional required information) to make a decision as to whether to provide the proposed loan on the terms set out in the notice. If the REIT does not agree to provide the loan, or it does not respond to the notice within such period, Loblaw will be permitted to proceed with the proposed loan from the third-party. If the REIT agrees to provide the loan, it will be deemed to have issued a binding commitment to provide it on the terms and conditions set out in the notice it received from Loblaw.

This right to provide a loan in these circumstances will not apply to an Excluded Transaction nor to any secured credit facilities made available to Loblaw that are not specifically in respect of any particular property.

Nothing in the Strategic Alliance Agreement requires Loblaw to provide notice to the REIT, or to seek any consent, or to consult with the REIT in any manner, with respect to Loblaw's ability to acquire vacant land or any property that it intends to use, develop or redevelop for use, as a Loblaw Associated Property, i.e. a Loblaw-Owned Banner, or an office or warehouse used by Loblaw or suppliers to Loblaw, and if the property has third party tenants, up to two other non-Loblaw tenants. Such Loblaw Associated Properties, however, remain subject, in the event that Loblaw proposes to sell them at any time, to the above-described right of first offer in favour of the REIT and, as applicable, to the REIT's above-described right to provide financing in certain circumstances.

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

**Intensification:** Loblaw will be entitled to benefit from any construction, development or redevelopment of additional commercial leasable area, or in the construction and development of residential dwellings for future sale or lease (in each case whether by the REIT, by a tenant or by any other party) on Initial Properties that continue to be owned by the REIT within 20 years after the Closing. The REIT will be required to provide Loblaw with written notice of any such proposed site intensification, in any case no later than 90 days after such site intensification work has been commenced. On the date of substantial completion of such intensification, the REIT will pay Loblaw an amount in respect of any retail, office, industrial or residential additional space in accordance with the site intensification payment grid set out below that takes into account the region, market ranking and type of use for such intensified property. The payment will be calculated by multiplying the additional space by the base payment of \$10.00 per square foot which will be factored upwards or downwards by the factors in the site intensification payment grid below, for region, market ranking and type of use.

Site Intensification Payment Grid					
<i>(Base payment per square foot of GLA = \$10.00)</i>					
<u>Region</u>	<u>Factor</u>	<u>Market Ranking</u>	<u>Factor</u>	<u>Type of Use</u>	<u>Factor</u>
<i>Atlantic Canada</i>	0.90	AAA	1.35	Retail	2.00
<i>Quebec</i>	1.00	AA	1.20	Office	1.00
<i>Ontario</i>	1.50	A	1.00	Industrial	0.75
<i>Western Canada</i>	1.50	B	0.85	Rental Residential	1.25
		C	0.70	Condo Residential	1.40

**Restrictions on REIT regarding Supermarket Properties and Loblaw Right of First Offer to Lease:** The REIT will not be restricted in any way from acquiring properties from vendors other than Loblaw, including properties that have Supermarket Tenants other than Loblaw, nor will the REIT be restricted in any way in its dealings with Supermarket Tenants other than Loblaw under their existing leases. The REIT, however, will be subject to certain leasing restrictions under the Strategic Alliance Agreement with respect to additional Supermarket Tenants and to the entering into of new leases with existing Supermarket Tenants other than Loblaw. These restrictions are in addition to the restrictions under the Loblaw Leases. See “Assets of the REIT — Description of Material Lease Terms with Loblaw — Restrictive Covenants”.

If the REIT at any time acquires a property that does not have a Supermarket Tenant at the time of its purchase (other than in a situation where the property previously had a Loblaw tenant and that Loblaw Lease has expired or been terminated), the REIT will not be permitted to lease, sublease or license all or any part of such property to permit a Supermarket Use without the consent of Loblaw, which Loblaw may withhold in its sole and absolute discretion. If Loblaw does consent, and the REIT subsequently determines to lease the property for a Supermarket Use, it must provide Loblaw with a first right to lease the space on the terms offered by the REIT. Loblaw will have 20 business days from delivery of the offer to lease by the REIT to accept the offer, or to make a counter-offer. If Loblaw declines the offer to lease, or Loblaw and the REIT fail to agree on the terms of a counter-offer, the REIT will be permitted within the next 180 days to lease the space originally offered to Loblaw to another tenant for a Supermarket Use, but only for a net effective rent that is not materially more favourable to the other tenant than that which was offered to Loblaw and for an overall term (including renewals) which is not materially longer than that offered to Loblaw.

Loblaw will also have this right of first offer to lease whenever any space in the REIT’s portfolio that is suitable for a Supermarket Use becomes available, including on the termination of any lease with a

Supermarket Tenant other than Loblaw. This right will not apply, however, in the case of any space in a property which was sold by Loblaw to the REIT and which, either prior to the sale or after the sale to the REIT, had a Loblaw Lease which had expired or had been terminated.

**Right of First Offer on Properties that the REIT wishes to Sell:** Subject to certain exceptions, Loblaw will have the right of first offer to purchase any property in Canada that the REIT seeks to sell. If the REIT wishes to sell a property (other than a sale from one Subsidiary of the REIT to another), it will provide Loblaw with an offer to sell the property and information in respect of the property. Any such offer will set out, in reasonable detail, its material terms and conditions, including the proposed sale price and any unusual terms, including any vendor obligations or restrictions to be imposed. The REIT will also provide the capital budget for the property for the current year (and ensuing year if available), a rent roll of all leases, historical financial information, copies of the most recent third-party appraisal or valuation and recent environmental and structural inspection reports, and any relevant environmental and structural information. Within five business days after receiving the information, Loblaw may provide written notice to the REIT outlining any information which it believes to be incomplete, and request a list of outstanding information. The REIT will make reasonable commercial efforts to provide Loblaw with such additional information within 15 business days after receiving such request. Loblaw will have 20 business days from the receipt of the offer to sell (or, as appropriate, after receipt of all requested information) to either accept the REIT's offer by delivering a binding acceptance notice, together with a refundable cash deposit equal to 10% of the sale price, or to deliver a counter-offer to the REIT. If Loblaw does not provide a notice of acceptance or a counter-offer within that 20 business day period, it will be deemed to have rejected the REIT's offer. If Loblaw delivers a counter-offer, the REIT will have 10 business days to respond, failing which the REIT will be deemed not to have accepted it. If the REIT accepts Loblaw's counter-offer, Loblaw must deliver a binding acceptance notice and the refundable cash deposit.

If Loblaw accepts the REIT's offer, it will have a 60-day due diligence period with respect to the property, with closing to be completed within 30 days of the waiver or expiry of this period. If Loblaw does not accept the REIT's offer (or the REIT does not accept Loblaw's counter-offer), or if Loblaw elects not to proceed with the purchase of the property during its due diligence period, the REIT will be entitled to complete the sale of the property within the following 180 days to any third-party for consideration payable in cash, at a price equal to or higher than the highest purchase price that was provided in the offer to Loblaw or, as applicable, the Loblaw counter-offer, and on other terms and conditions not materially more favourable to the third-party purchaser than those offered to Loblaw.

This right of first opportunity in favour of Loblaw will be subject to any prior-ranking pre-emptive right in respect of the property that the property is subject to at the relevant time. In addition, the right of first offer will be subject to certain exceptions, including sales required in order to comply with applicable laws or governmental directives, or in connection with expropriations, or sales of non-material components to governmental authorities or adjacent landowners or third-parties for public uses.

The REIT and Loblaw will also agree that, during the term of the Strategic Alliance Agreement, neither will intentionally solicit any specific tenant of a property that is owned by the other (other than their respective Subsidiaries) to vacate that property in favour of a property in which it has an ownership or operating interest. As well, for a period of time after Closing, Loblaw will have the right to reallocate a portion of the rent that is payable under Loblaw Leases provided that there is no adverse impact to the REIT.

Notwithstanding the term of the Strategic Alliance Agreement, it may be terminated by the REIT or by Loblaw at any time in the event of a material breach by the other party which cannot reasonably be corrected within a cure period. In the event of such termination, the rights of Loblaw with respect to the receipt of intensification payments in the circumstances described above will continue and survive the termination. In the event of any dispute or other disagreement under the terms of the Strategic Alliance Agreement, the REIT and Loblaw will submit such dispute to arbitration.

## CAPITALIZATION OF THE REIT

The following table sets forth the REIT's *pro forma* consolidated capitalization as at May 21, 2013, both before and after giving effect to, among other things, the Offering, the Unit Offering and the Acquisition, but without giving effect to the exercise of the Unit Over-Allotment Option.

	As at May 21, 2013 <sup>(1)</sup>	As at May 21, 2013 after giving effect to the Offering, the Unit Offering and the Acquisition (in thousands of dollars)
Unitholders' Equity . . . . .	\$10.00	\$ 771,900
Class B LP Units . . . . .	\$ —	\$2,724,979
Class C LP Units . . . . .	\$ —	\$ 876,263
Indebtedness		
Series A Debentures . . . . .	\$ —	\$ 398,125
Series B Debentures . . . . .	\$ —	\$ 198,925
Transferor Notes . . . . .	\$ —	\$1,961,976
Total Capitalization . . . . .	\$10.00	\$6,932,168

Notes:

(1) The REIT was initially settled on May 21, 2013 with \$10.00 in cash.

## FINANCIAL FORECAST

The following financial forecast was prepared by Loblaw on behalf of the REIT, using assumptions with an effective date of May 21, 2013, and was approved by the Board of Trustees on June 25, 2013. Pursuant to applicable securities laws, the REIT will be required to update the forecast during the Forecast Period by identifying any material changes from the forecast resulting from events that have occurred since it was issued and by comparing such forecast with annual audited actual results and interim unaudited actual results for the periods covered. The results of this comparison will accompany the REIT's annual or interim Management's Discussion and Analysis for the relevant periods.

The forecast has been prepared in accordance with the measurement and presentation principles of IFRS and reflect the significant accounting policies expected to be applied by the REIT. The forecast has been prepared using assumptions that reflect management's intended courses of action for the REIT for the periods covered, given management's judgment as to the most probable set of economic conditions. The forecast has been prepared after giving effect to the Offering, the Unit Offering and the other transactions contemplated in this prospectus to be completed before or concurrently with Closing. The forecast assumes the Closing will occur on July 1, 2013.

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

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

## REPORT ON CONSOLIDATED FINANCIAL FORECAST

To the Trustees of Choice Properties Real Estate Investment Trust

The accompanying financial forecast of Choice Properties Real Estate Investment Trust (the “REIT”), consisting of the consolidated statements of forecasted net earnings and comprehensive income for each of the three-month periods ending September 30, 2013, December 31, 2013, March 31, 2014, and June 30, 2014 and the twelve-month period ending June 30, 2014 has been prepared by management using assumptions with an effective date of May 21, 2013. 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  
June 26, 2013  
Toronto, Canada

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

	Three month periods ending				Twelve month period ending June 30, 2014
	September 30, 2013	December 31, 2013	March 31, 2014	June 30, 2014	
	\$	\$	\$	\$	\$
Property revenue . . . . .	161,168	162,328	163,982	163,992	651,470
Property expenses . . . . .	<u>40,745</u>	<u>41,973</u>	<u>43,826</u>	<u>43,869</u>	<u>170,413</u>
Net property income . . . . .	120,423	120,355	120,156	120,123	481,057
General and administrative expense . . . . .	10,087	6,389	6,719	6,719	29,914
Interest and other financing charges:					
Interest . . . . .	35,096	35,110	34,372	35,269	139,847
Class B LP Unit distributions . . . . .	<u>44,281</u>	<u>44,281</u>	<u>44,281</u>	<u>44,281</u>	<u>177,124</u>
Net earnings and comprehensive income . . . . .	<u><u>30,959</u></u>	<u><u>34,575</u></u>	<u><u>34,784</u></u>	<u><u>33,854</u></u>	<u><u>134,172</u></u>

*See accompanying notes to Financial Forecast*

## CHOICE PROPERTIES REAL ESTATE INVESTMENT TRUST

### NOTES TO CONSOLIDATED FINANCIAL FORECAST

**Three month periods ending September 30, 2013, December 31, 2013, March 31, 2014 and June 30, 2014 and the twelve month period ending June 30, 2014  
(in thousands of Canadian dollars except unit amounts)**

#### 1. PURPOSE OF THE CONSOLIDATED FINANCIAL FORECAST

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

#### 2. BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL FORECAST

The REIT is an unincorporated open-ended real estate investment trust established pursuant to a declaration of trust dated May 21, 2013 (the “Declaration of Trust”) where one unit of the REIT was issued for \$10.00 in cash. The REIT was established under the laws of the Province of Ontario. The principal, registered and head office of the REIT is located at 22 St. Clair Avenue East, Suite 800, Toronto, Ontario, M4T 2S5.

The REIT has been formed primarily to own income-producing commercial properties located in Canada. In connection with the completion of the Offering (as defined below), the REIT will indirectly acquire a portfolio of 425 properties, comprising 415 retail properties, one office complex and nine warehouse properties (collectively, the “Initial Properties”). The retail properties will be made up of (i) 267 properties with a stand-alone retail store operating under a Loblaw-owned banner, (ii) 143 properties anchored by a retail store operating under a Loblaw-owned banner that also contain one or more third-party tenants, and (iii) 5 properties containing only third-party tenants. The office complex consists of two office buildings and the warehouse properties include two properties that host three warehouses each.

The consolidated financial forecast consists of consolidated statements of forecasted net earnings and comprehensive income of the REIT for the three month periods ending September 30, 2013, December 31, 2013, March 31, 2014 and June 30, 2014 and the twelve month period ending June 30, 2014. The consolidated financial forecast has been prepared using assumptions with an effective date of May 21, 2013. The consolidated financial forecast reflects the assumptions described in Note 4.

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

#### 3. SIGNIFICANT ACCOUNTING POLICIES

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

##### (a) Basis of consolidation

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

##### (b) Investment properties

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

##### (c) Revenue recognition

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

Property revenue includes base rents earned from tenants under lease agreements, realty tax and operating cost recoveries and other incidental income. Lease related revenue is recognized as revenue over the term of the underlying leases. Other revenue is recognized as the service is provided and when collection is reasonably assured.

**CHOICE PROPERTIES REAL ESTATE INVESTMENT TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL FORECAST (Continued)**

**Three month periods ending September 30, 2013, December 31, 2013, March 31, 2014 and  
June 30, 2014 and the twelve month period ending June 30, 2014**  
**(in thousands of Canadian dollars except unit amounts)**

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*(d) Expenses*

Property expenses and general and administrative expenses are recognized in income in the period in which they are incurred.

*(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. Tenant improvements are capitalized as part of investment properties. Lease inducements are capitalized as a component of investment properties and are amortized over the term of the lease as a reduction of revenue.

*(f) Deferred and restricted unit incentive plans*

The REIT will have a Deferred Unit Plan that provides for the grant of Deferred Trust Units to Trustees. The REIT will also have a Restricted Unit Incentive Plan whereby participants will be entitled to receive the value of the award in Units at the end of the applicable vesting period. A participant receives the number of Trust Units equal to the number of units granted. Deferred Trust Units and Restricted Units are recorded as a liability and expensed over the vesting period based upon the fair value of the Deferred Trust Units or Restricted Units.

*(g) Income taxes*

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

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

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

*(h) Trust Units and Class B LP Units*

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

*(i) Class C LP Units*

The Class C LP Units provide for fixed cumulative monthly distributions from the Partnership to the holder of such Class C LP Units to be paid in priority, subject to certain restrictions, to distributions to holders of the Class A LP Units and Class B LP Units. Due to the nature of such distributions the Class C LP Units have been classified as financial liabilities and are carried at

**CHOICE PROPERTIES REAL ESTATE INVESTMENT TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL FORECAST (Continued)**

**Three month periods ending September 30, 2013, December 31, 2013, March 31, 2014 and  
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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

amortized cost. Distributions on the Class C LP Units are recorded in interest expense and other financing charges in the consolidated statements of forecast net earnings and comprehensive income in the period in which they become payable.

*(j) Financial instruments*

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

The REIT has made the following classifications:

Cash . . . . .	FVTPL
Accounts receivable . . . . .	Loans and receivables
Trade payables and other liabilities . . . . .	Other financial liabilities
Transferor Notes . . . . .	Other financial liabilities
Class C LP Units . . . . .	Other financial liabilities
Class B LP Units . . . . .	FVTPL

Transaction costs other than those related to financial instruments classified as FVTPL, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method. These costs include interest, amortization of discounts or premiums relating to borrowings, fees and commissions paid to agents, brokers and advisers and transfer taxes and duties that are incurred in connection with the arrangement of borrowings.

*(k) Sources of estimation*

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

**4. SIGNIFICANT ASSUMPTIONS**

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

*(a) Initial public offering*

The consolidated financial forecast assumes that on July 1, 2013, the REIT will raise gross proceeds of approximately \$600,000 pursuant to an initial public offering (the “Offering”) through the issuance of 60,000,000 Trust Units at a price of \$10.00 per Trust Unit (excluding any Trust Units that may be issued pursuant to any over-allotment option), of which 20,000,000 Trust Units will be purchased by George Weston Limited (“GWL”), the parent of Loblaw. Costs relating to the Offering are expected to be \$39,526 and will be applied against the gross proceeds of the Offering and charged against unitholders’ equity. For purposes of this consolidated financial forecast, it is assumed that the closing (the “Closing”) of the transactions contemplated by this financial forecast will also occur on July 1, 2013. However, the actual offering and closing dates may differ. In connection with the Closing, the REIT will indirectly acquire the Initial Properties from Loblaw for consideration as described in Note 4(b) below. The purchase price for the Initial Properties is assumed to be \$6,923,039 (as shown in Note 4(b) below) for purposes of this consolidated financial forecast and is supported by independent appraisals. The REIT expects to incur costs on the acquisition of the Initial Properties of \$1,600, which will be included in the determination of the carrying value of the Initial Properties upon their recognition.

*(b) Acquisition of the Initial Properties*

Upon completion of the Offering and issuance of the Debentures (as defined below), the REIT will subscribe for Class A LP Units in one limited partnership (the “Partnership”), formed under the laws of the Province of Ontario, which will be consolidated by the REIT. The Partnership will purchase the Initial Properties from certain subsidiaries of Loblaw (the “Transferors”) in exchange for the issuance or assignment, as the case may be, of: (i) Class A LP Notes of the Partnership; (ii) Class B LP Units of the Partnership

**CHOICE PROPERTIES REAL ESTATE INVESTMENT TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL FORECAST (Continued)**

**Three month periods ending September 30, 2013, December 31, 2013, March 31, 2014 and  
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**4. SIGNIFICANT ASSUMPTIONS (Continued)**

(accompanied by an equivalent number of special voting units (the “Special Voting Units”)); (iii) Class B LP Notes of the Partnership, (iv) Class C LP Units of the Partnership; and (v) Transferor Trust Notes payable by the Transferors. The purchase of the Initial Properties will be accounted for as an asset acquisition in accordance with the REIT’s policy as described in Note 3(b). The allocation of the purchase price for the Initial Properties to the fair values of the individual assets and liabilities acquired is based on preliminary estimates. The actual allocation will be based on the fair values of assets and liabilities acquired on Closing. Accordingly, the actual fair values of the assets and liabilities acquired will vary from the forecasted amounts, and the variation may be material.

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

	\$
Investment properties . . . . .	6,924,639
Fixed assets . . . . .	5,354
	6,929,993

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

	\$
Class A LP Notes . . . . .	544,821
Transferor Trust Notes . . . . .	2,561,976
Class C LP Units . . . . .	876,263
Class B LP Units . . . . .	2,724,979
Class B LP Notes . . . . .	215,000
	6,923,039
Cost of fixed assets . . . . .	5,354
Transaction costs (cash) . . . . .	1,600
Total cost of the acquisitions . . . . .	6,929,993

*(c) Issuance of unsecured debentures*

On Closing, the REIT expects to issue \$400,000 aggregate principal amount of Series A Debentures and \$200,000 aggregate principal amount of Series B Debentures (collectively, the “Debentures”). The Series A Debentures and Series B Debentures are due July 5, 2018 and July 5, 2023, respectively. Costs relating to the issuance of the Debentures are expected to be \$2,950 and will be applied against the gross proceeds thereof. The Series A Debentures and Series B Debentures will pay interest semi-annually at a rate of 3.554% and 4.903%, respectively.

This consolidated financial forecast assumes that the Debentures are issued on Closing and that the REIT will use the proceeds from the issuance of the Debentures to repay certain of the Transferor Notes.

*(d) Exchange of Class B LP Notes*

Immediately following the acquisition of the Initial Properties and transactions described above, the REIT will acquire all of the Class B LP Notes issued by the Partnership in exchange for 21,500,000 Trust Units.

*(e) Repayment of all outstanding Class A LP Notes*

The REIT, through the Partnership, will use a portion of the net proceeds of the Offering to redeem and cancel the Class A LP Notes issued by the Partnership.

*(f) Class B LP Units*

The consolidated financial forecast assumes that distributions will be declared by the REIT in respect of the Trust Units on a monthly basis with an annual distribution equal to \$0.65 per Trust Unit, with a corresponding equal amount payable to holders of

**CHOICE PROPERTIES REAL ESTATE INVESTMENT TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL FORECAST (Continued)**

**Three month periods ending September 30, 2013, December 31, 2013, March 31, 2014 and  
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**4. SIGNIFICANT ASSUMPTIONS (Continued)**

the Class B LP Units. Such amounts payable as distributions to holders of the Class B LP Units have been recorded in interest expense and other financing charges (see Note 4(k)). The consolidated financial forecast does not reflect any change in the fair value of the Class B LP Units as any such change cannot be forecasted. A \$1.00 increase or decrease in the value of traded price of Trust Units will result in a \$272,498 decrease or \$272,498 increase to net earnings, respectively.

*(g) Class C LP Units*

The consolidated financial forecast assumes that the priority distributions will be equal to 5.0% of the aggregate capital amount ascribed to the Class C LP Units, which is expected to be \$925,000, excluding fair value adjustments of \$48,737. Such amounts payable as distributions to holders of the Class C LP Units and the fair value adjustments have been recorded in interest expense and other financing charges (see Note 4(k)).

*(h) Property revenue*

Forecast property revenue is based on rents from existing leases as well as expected revenue from the renewal of leases. Forecasted new and renewal leasing is assumed to occur at market rates. The Initial Properties will be subject to leases (collectively, the "Loblaw Leases") with Loblaw. The leases with Loblaw will range in their remaining terms from 10 to 18 years, with an average remaining lease term of 14 years and an average annual rent escalation of 1.5% over the weighted average remaining term. It is expected that it will take the REIT approximately 5 years to achieve this average annual rent escalation of 1.5% as approximately 20% of the Loblaw Leases escalate in each of the five years subsequent to Closing.

Property revenue during the forecasted period is comprised of the following:

	Three month periods ending				Twelve month
	September 30, 2013	December 31, 2013	March 31, 2014	June 30, 2014	period ending June 30, 2014
	\$	\$	\$	\$	\$
Base rent . . . . .	114,484	114,484	114,484	114,484	457,936
Straight-line adjustment . . . . .	8,098	8,098	8,098	8,098	32,392
	<u>122,582</u>	<u>122,582</u>	<u>122,582</u>	<u>122,582</u>	<u>490,328</u>
Recoveries . . . . .	38,502	39,453	41,140	41,113	160,208
Other . . . . .	84	293	260	297	934
Property revenue . . . . .	<u>161,168</u>	<u>162,328</u>	<u>163,982</u>	<u>163,992</u>	<u>651,470</u>

Property revenue during the forecasted period is attributable to Loblaw and others as follows:

	Three month periods ending				Twelve month
	September 30, 2013	December 31, 2013	March 31, 2014	June 30, 2014	period ending June 30, 2014
	\$	\$	\$	\$	\$
Loblaw . . . . .	146,156	146,822	147,246	147,180	587,404
Others . . . . .	15,012	15,506	16,736	16,812	64,066
Property revenue . . . . .	<u>161,168</u>	<u>162,328</u>	<u>163,982</u>	<u>163,992</u>	<u>651,470</u>

*(i) Property expenses*

Property expenses have been forecasted with reference to the operating plans and budgets for the Initial Properties and are consistent with the assumptions in Note 4(h). The consolidated financial forecast reflects historical data adjusted for changes in costs due to inflation and market factors and anticipated changes in realty tax rates and property assessments, management's estimates, and other market trends. The major components of operating costs consist of property taxes, utilities, and other operating costs such as, repairs and maintenance, insurance and salaries and wages.

**CHOICE PROPERTIES REAL ESTATE INVESTMENT TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL FORECAST (Continued)**

**Three month periods ending September 30, 2013, December 31, 2013, March 31, 2014 and  
June 30, 2014 and the twelve month period ending June 30, 2014**  
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**4. SIGNIFICANT ASSUMPTIONS (Continued)**

Property expenses in the consolidated financial forecast are comprised of the following:

	<b>Loblaw</b>	<b>Third-Party Tenants</b>	<b>Total</b>
	\$	\$	\$
Property taxes . . . . .	125,791	16,524	142,315
Utilities and other operating costs . . . . .	9,985	10,415	20,400
Salaries . . . . .	1,830	1,766	3,596
Insurance . . . . .	2,234	291	2,525
Property management fees . . . . .	544	785	1,329
Ground leases . . . . .	—	248	248
	<u>140,384</u>	<u>30,029</u>	<u>170,413</u>

In addition to annual basic rent under the Loblaw Leases, Loblaw will be required to pay to the REIT realty taxes attributable to the leased premises, the REIT's costs of operating and maintaining a stand-alone property, or in a multi-tenant property, as the case may be, its proportionate share of the REIT's costs of operating and maintaining the common areas, and all charges for utilities supplied to or consumed in the leased premises. Notwithstanding this arrangement, the REIT recognizes such costs as property expenses to the extent that it is the obligor for such costs or where such costs will be paid directly by the REIT and reimbursed by Loblaw or Third-Party Tenants, in accordance with *The Conceptual Framework for Financial Reporting* as issued by the International Accounting Standards Board. Accordingly, amounts for which the REIT is the obligor for such costs or where such costs will be paid directly by the REIT and reimbursed by Loblaw or Third-Party Tenants are recognized as property revenue as a recovery (see Note 4(h)) in accordance with IAS 18, *Revenue*.

The following shows the impact on property revenues, property expenses and net income of the REIT's recognition of property expenses on a gross basis:

	<b>Loblaw</b>	<b>Third-Party Tenants</b>	<b>Total</b>
	\$	\$	\$
Operating expenses . . . . .	140,384	30,029	170,413
Recovery revenues . . . . .	140,384	19,824	160,208
Unrecovered expenses . . . . .	<u>—</u>	<u>10,205</u>	<u>10,205</u>

Recovery revenues for the Third-Party Tenant Portfolio have been forecast based on general lease terms as well as historical vacancy and recovery rates for the properties. An increase or decrease in property expenses of the REIT across all properties on a proportionate basis of \$1,000 would have a corresponding increase or decrease in net operating income of approximately \$60.

(j) *General and administrative*

Loblaw will provide the REIT with both property and facility management services (in respect of certain of the Initial Properties) as well as certain administrative and other support services and such other services as may be reasonably required from time to time. These services will be provided pursuant to a services agreement (the "Services Agreement"). Loblaw has agreed to provide these services to the REIT on a cost-recovery basis only. In this regard, the Services Agreement will require the REIT to pay Loblaw a services fee sufficient to reimburse it for the expenses incurred by it in providing services under the Services Agreement as long as the expenses are identified in the current annual budget or are otherwise approved by the REIT. Notwithstanding the foregoing, Loblaw has agreed to provide the above-noted services for a fixed fee equal to \$6,400 during the forecast period. Effective July 1, 2014, however, the cost-recovery basis described above will commence.

General and administrative costs, in addition to those provided under the Services Agreement, in the amount of \$19,100 have been forecast with reference to the REIT's plans and budgets and relate to the day-to-day administration of the REIT and the operations of the Initial Properties and include salaries, legal fees, trustee fees, annual report costs, transfer agent fees, insurance premiums and other public company costs.

**CHOICE PROPERTIES REAL ESTATE INVESTMENT TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL FORECAST (Continued)**

**Three month periods ending September 30, 2013, December 31, 2013, March 31, 2014 and  
June 30, 2014 and the twelve month period ending June 30, 2014**  
**(in thousands of Canadian dollars except unit amounts)**

**4. SIGNIFICANT ASSUMPTIONS (Continued)**

Included within general and administrative expense for the twelve-month period ending June 30, 2014 is amortization on fixed assets to be purchased by the REIT in the amount of \$1,340, which are being amortized over a period of five years.

Included in general and administrative expense in the forecast period is \$9,974 to be paid by the REIT to Loblaw. This amount is comprised of, (i) \$3,574 which is primarily related to executive searches and the establishment of business infrastructure systems to be paid to Loblaw as a reimbursement of Loblaw's costs incurred with third parties in connection with the Offering and establishment of the REIT; and (ii) \$6,400 payable under the Services Agreement. Additionally, included in general and administrative expense is approximately \$700 payable to the REIT from Loblaw for services provided by the REIT.

*(k) Interest and other finance charges*

Interest and other finance charges are based on the expected terms of the agreements expected to be put in place on Closing and management's intentions as to the refinancing of certain Transferor Notes during the forecast period.

The Partnership will issue \$2,600,000 aggregate principal amount of Transferor Notes to the Transferor Trust (which is a trust created pursuant to a declaration of trust which will initially be established for the benefit of the Transferors) in exchange for all of the Transferor Trust Notes and will assign the Transferor Trust Notes to the Transferors as partial consideration for the Initial Properties. This consolidated financial forecast assumes that the REIT will issue \$600,000 of Debentures and that the proceeds of the issuance of such Debentures will be used to reduce the amount of Transferor Notes outstanding. The Transferor Notes will rank *pari passu* in right of payment with all of the Partnership's other senior unsecured indebtedness. The Transferor Notes will be issued in eight tranches with a weighted average term to maturity of 5.0 years and interest rate of 3.24%, after assuming that the Debentures are issued and the REIT repays \$600,000 of Transferor Notes from the proceeds thereof.

In accordance with the significant accounting policies described in Note 3, the Class B LP Units and Class C LP Units are presented as financial liabilities under IFRS. Accordingly, on Closing, the REIT is expected to have instruments presented as financial liabilities as follows:

	<u>Coupon<sup>(1)</sup></u>	<u>Effective Rate<sup>(1)</sup></u>	<u>Principal</u>	<u>Carrying Amount<sup>(2)</sup></u>
	%	%	\$	\$
Transferor Notes <sup>(3)</sup> . . . . .	3.24%	3.32%	2,000,000	1,961,976
Debentures . . . . .	4.00%	4.00%	600,000	597,050
Class C LP Units . . . . .	5.00%	5.52%	925,000	876,263
Class B LP Units <sup>(4)</sup> . . . . .	6.50%	6.50%	2,724,979	2,724,979
Weighted average / total . . . . .	<u>4.99%</u>	<u>5.10%</u>	<u>6,249,979</u>	<u>6,160,268</u>

- (1) Weighted average amount for Transferor Notes and Debentures.
- (2) Principal amount less financing costs and fair value adjustments.
- (3) This assumes that the Debenture Offering closes concurrently with the Offering. In the event that the Debenture Offering does not close concurrently with the Offering, there will be no Debentures outstanding and the outstanding aggregate principal amount of the Transferor Notes as reflected above will increase from \$2,000,000 to \$2,600,000 and the weighted average coupon for the Transferor Notes and total would be 2.88% and 4.78%, respectively.
- (4) Coupon amount represents the yield calculated as the forecasted distribution rate divided by the offering price of \$10.00 per Trust Unit.

On Closing, the REIT expects to have a \$500,000 revolving credit facility with an initial drawn balance of nil. A stand-by fee equal to 29 basis points will be charged on undrawn amounts with an initial up-front fee equal to 30 basis points of the principal amount of the revolving credit facility. During the forecast period, no amount is expected to be drawn on the revolving credit facility. In addition to the credit facility, on or shortly following Closing, the REIT expects to enter into an uncommitted letter of credit facility of up to \$40,000 with a Schedule I Canadian chartered bank.

**CHOICE PROPERTIES REAL ESTATE INVESTMENT TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL FORECAST (Continued)**

**Three month periods ending September 30, 2013, December 31, 2013, March 31, 2014 and  
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**(in thousands of Canadian dollars except unit amounts)**

**4. SIGNIFICANT ASSUMPTIONS (Continued)**

Interest expense and other financing charges is comprised of the following:

	Three month periods ending				Twelve month period ending
	September 30, 2013	December 31, 2013	March 31, 2014	June 30, 2014	June 30, 2014
	\$	\$	\$	\$	\$
Transferor Notes . . . . .	16,333	16,333	15,978	15,650	64,294
Debentures . . . . .	6,055	6,055	5,923	6,815	24,848
Class C LP Units . . . . .	11,658	11,658	11,404	11,531	46,251
Credit facility . . . . .	362	362	362	362	1,448
Amortization of discounts and costs . . . . .	688	702	705	911	3,006
	<u>35,096</u>	<u>35,110</u>	<u>34,372</u>	<u>35,269</u>	<u>139,847</u>
Class B LP Units . . . . .	44,281	44,281	44,281	44,281	177,124
	<u>79,377</u>	<u>79,391</u>	<u>78,653</u>	<u>79,550</u>	<u>316,971</u>

During the forecast period, \$150,000 of Transferor Notes mature on May 20, 2014. The consolidated financial forecast assumes that such maturity is repaid from the proceeds of the issuance of an equal amount of unsecured debentures.

*(l) Fair value adjustments on investment property*

The consolidated financial forecast does not reflect any change in the fair value of the Initial Properties as any such change is impacted by many variables that cannot be forecasted. A 10 basis point decrease or increase in discount rates would result in an approximately \$120,000 increase or decrease in the fair value of investment property, respectively.

*(m) Trust Units*

As described in Note 4(a) the consolidated statements of forecasted net earnings and comprehensive income have been prepared assuming that the underwriters' over-allotment option has not been exercised. The Trust Units outstanding on Closing for purposes of the consolidated financial forecast is attributable to the following:

	Trust Units	\$
The Offering <sup>(1)</sup> . . . . .	60,000,000	560,474
Exchanged for Class B LP Notes . . . . .	21,500,000	215,000
	<u>81,500,000</u>	<u>775,474</u>

(1) Dollar amount is net of expected costs relating to the Offering of \$39,526.

Immediately following Closing unitholders' equity of the REIT is expected to be as follows:

	Trust Units	\$
Authorized for issue . . . . .	Unlimited	
Issued and outstanding		
Trust Units . . . . .	81,500,000	775,474
Deficit . . . . .		<u>(3,574)</u>
		<u>771,900</u>

The consolidated financial forecast has not included the effect of the applicable distribution reinvestment plan for Trust Units and Class B LP Units.

**CHOICE PROPERTIES REAL ESTATE INVESTMENT TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL FORECAST (Continued)**

**Three month periods ending September 30, 2013, December 31, 2013, March 31, 2014 and  
June 30, 2014 and the twelve month period ending June 30, 2014**  
**(in thousands of Canadian dollars except unit amounts)**

**4. SIGNIFICANT ASSUMPTIONS (Continued)**

*(n) Income taxes*

The consolidated financial forecast assumes that the REIT will on Closing and throughout its 2013 and 2014 taxation years (i) meet the REIT Exception; and (ii) distribute all of its taxable income to Unitholders. Accordingly, no provision for current or future income taxes has been recorded in the consolidated statements of forecast net earnings and comprehensive income.

*(o) Acquisitions, developments and sales of investment property*

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

**5. SOURCES AND USES**

The following are the sources of consideration for the purchase of the Initial Properties and their uses expected on Closing and the related cash components thereof:

	<u>Gross Amount</u>	<u>Cash Component</u>
	\$	\$
Sources		
Initial offering of Trust Units . . . . .	600,000	600,000
Class A LP Notes . . . . .	544,821	—
Class B LP Units . . . . .	2,724,979	—
Class B LP Notes . . . . .	215,000	—
Class C LP Units <sup>(1)</sup> . . . . .	925,000	—
Trust Units issued in exchange for Class B LP Notes . . . . .	215,000	—
Transferor Trust Notes <sup>(2)</sup> . . . . .	2,600,000	—
Debentures . . . . .	600,000	600,000
Uses		
Offering costs . . . . .	(39,526)	(39,526)
Consideration to the vendors for the Initial Properties <sup>(3)</sup> . . . . .	(7,009,800)	—
Cost of fixed assets . . . . .	(5,354)	(5,354)
Repayment of Transferor Notes . . . . .	(600,000)	(600,000)
Repayment of Class A LP Notes . . . . .	(544,821)	(544,821)
Cancellation of Class B LP Notes . . . . .	(215,000)	—
Initial REIT set-up costs . . . . .	(3,574)	(3,574)
Costs of acquisition of the Initial Properties . . . . .	(1,600)	(1,600)
Financing and credit facility placement fees . . . . .	(5,125)	(5,125)
	<u>—</u>	<u>—</u>

(1) Excluding fair value adjustments of \$48,737.

(2) Excluding fair value adjustments of \$38,024.

(3) Excluding fair value adjustments of \$86,761.

**CHOICE PROPERTIES REAL ESTATE INVESTMENT TRUST**  
**NOTES TO CONSOLIDATED FINANCIAL FORECAST (Continued)**

**Three month periods ending September 30, 2013, December 31, 2013, March 31, 2014 and  
June 30, 2014 and the twelve month period ending June 30, 2014**  
**(in thousands of Canadian dollars except unit amounts)**

**6. OPENING FINANCIAL POSITION**

The following is the expected consolidated financial position of the REIT expected to be in place immediately following Closing based on the transactions and assumptions described above:

	\$
Assets	
Investment properties . . . . .	6,924,639
Fixed assets . . . . .	5,354
Other assets <sup>(1)</sup> . . . . .	2,175
Total assets . . . . .	6,932,168
Liabilities	
Class B LP Units . . . . .	2,724,979
Class C LP Units . . . . .	876,263
Transferor Notes <sup>(2)</sup> . . . . .	1,961,976
Debentures <sup>(2)</sup> . . . . .	597,050
Total liabilities . . . . .	6,160,268
Unitholders' equity . . . . .	771,900
Total liabilities and unitholders' equity . . . . .	6,932,168

(1) Relates to amounts expected to be incurred to establish the revolving credit facility (see note 4(k)).

(2) This assumes that the Debenture Offering closes concurrently with the Offering. In the event that the Debenture Offering does not close concurrently with the Offering, there will be no Debentures outstanding and the outstanding aggregate principal amount of the Transferor Notes as reflected above will increase from \$2,000,000 to \$2,600,000.

**7. COMMITMENTS AND CONTINGENCIES**

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

## FORECAST NON-GAAP RECONCILIATION

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

Set out below is a calculation of NOI and a reconciliation of the forecasted net earnings and comprehensive income to FFO, AFFO and AFFO per Unit (in thousands of dollars except for per share amounts). NOI, FFO, AFFO and AFFO per Unit are not measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. NOI, FFO, AFFO and AFFO per Unit as computed by the REIT may differ from similar computations as reported by other real estate companies and accordingly, may not be comparable to NOI, FFO, AFFO and AFFO per Unit as reported by other issuers. See “Financial Forecast”.

	Three month periods ending				Twelve month period ending June 30, 2014
	September 30, 2013	December 31, 2013	March 31, 2014	June 30, 2014	
	\$	\$	\$	\$	\$
<b>Calculation of NOI</b>					
Property revenue . . . . .	161,168	162,328	163,982	163,992	651,470
Property expenses . . . . .	<u>40,745</u>	<u>41,973</u>	<u>43,826</u>	<u>43,869</u>	<u>170,413</u>
<b>NOI . . . . .</b>	<b><u>120,423</u></b>	<b><u>120,355</u></b>	<b><u>120,156</u></b>	<b><u>120,123</u></b>	<b><u>481,057</u></b>
<b>Reconciliation of forecasted net earnings to FFO</b>					
Net earnings and comprehensive income . . . . .	30,959	34,575	34,784	33,854	134,172
Adjustments:					
Class B LP Units finance cost . . . . .	<u>44,281</u>	<u>44,281</u>	<u>44,281</u>	<u>44,281</u>	<u>177,124</u>
<b>FFO . . . . .</b>	<b><u>75,240</u></b>	<b><u>78,856</u></b>	<b><u>79,065</u></b>	<b><u>78,135</u></b>	<b><u>311,296</u></b>
Adjustments:					
Initial REIT set-up costs . . . . .	3,574	—	—	—	3,574
Depreciation . . . . .	335	335	335	335	1,340
Amortization of financing discounts and costs . . . . .	688	702	705	911	3,006
Straight-line rent . . . . .	(8,098)	(8,098)	(8,098)	(8,098)	(32,392)
Leasing and tenanting cost reserve . . . . .	(694)	(694)	(694)	(694)	(2,776)
Non-cash compensation . . . . .	110	225	216	360	911
Capital expenditure reserve . . . . .	<u>(7,323)</u>	<u>(7,323)</u>	<u>(7,323)</u>	<u>(7,323)</u>	<u>(29,292)</u>
<b>AFFO . . . . .</b>	<b><u>63,832</u></b>	<b><u>64,003</u></b>	<b><u>64,206</u></b>	<b><u>63,626</u></b>	<b><u>255,667</u></b>
<b>AFFO per Unit<sup>(1)</sup> . . . . .</b>	<b><u>0.18</u></b>	<b><u>0.18</u></b>	<b><u>0.18</u></b>	<b><u>0.18</u></b>	<b><u>0.72</u></b>

Notes:

(1) Calculated assuming all Class B LP Units were converted into Units at the beginning of the Forecast Period.

## TRUSTEES AND MANAGEMENT OF THE REIT

### Trustees and Executive Officers

The Board of Trustees consists of nine Trustees, the majority of whom are independent under Canadian securities laws. The Trustees will be elected by Voting Unitholders at each annual meeting of Voting Unitholders, and all Trustees will hold office for a term expiring at the close of the next annual meeting or until their respective successors are elected or appointed and will be eligible for re-election or re-appointment. Subject to Loblaw’s Trustee nomination rights, the nominees for election as Trustees will be determined by the Governance, Compensation and Nominating Committee in accordance with the provisions of the Declaration of Trust and the charter of the Governance, Compensation and Nominating Committee. In respect of Trustee nominees submitted by Loblaw pursuant to its nomination rights, the Governance, Compensation and Nominating Committee will review such proposed nominations and, together with such Trustee nominations solely determined by the Governance, Compensation and Nominating Committee, information relating to such

nominees will be included in the proxy-related materials to be made available to Voting Unitholders prior to each annual meeting. In the event that the Governance, Compensation and Nominating Committee does not approve of a proposed Trustee nominee submitted by Loblaw pursuant to its nomination rights, Loblaw will be entitled to submit an alternative proposed Trustee nominee that is acceptable to the Governance, Compensation and Nominating Committee.

The Declaration of Trust provides Loblaw with certain nomination rights in respect of appointing Trustees to the Board. See “Declaration of Trust and Description of REIT Units”.

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

<b>Name, Province or State and Country of Residence</b>	<b>Position/Title</b>	<b>Independent</b>	<b>Committees</b>	<b>Principal Occupation</b>
Galen G. Weston . . . . . <i>Ontario, Canada</i>	Chair	No <sup>(1)</sup>	—	Executive Chairman, Loblaw
Kerry D. Adams . . . . . <i>Ontario, Canada</i>	Trustee	Yes	Audit Committee Governance, Compensation and Nominating Committee	President, K. Adams & Associates Limited
Christie J.B. Clark . . . . . <i>Ontario, Canada</i>	Trustee	Yes	Governance, Compensation and Nominating Committee	Corporate Director
Graeme Eadie . . . . . <i>Ontario, Canada</i>	Trustee	Yes	Audit Committee	Senior Vice President, Head of Real Estate Investments for Canada Pension Plan Investment Board
Michelle Felman . . . . . <i>Connecticut, United States</i>	Trustee	Yes	Governance, Compensation and Nominating Committee	Corporate Director
Michael P. Kitt . . . . . <i>Ontario, Canada</i>	Trustee	Yes	Audit Committee Governance, Compensation and Nominating Committee	Executive Vice President, Canada for Oxford Properties Group
Daniel F. Sullivan . . . . . <i>Ontario, Canada</i>	Lead Trustee	Yes	Governance, Compensation and Nominating Committee (Chair)	Corporate Director
Paul R. Weiss . . . . . <i>Ontario, Canada</i>	Trustee	Yes	Audit Committee (Chair)	Corporate Director
John Morrison . . . . . <i>Ontario, Canada</i>	Trustee, President and Chief Executive Officer	No <sup>(2)</sup>	—	President and Chief Executive Officer of the REIT
Bart Munn . . . . . <i>Ontario, Canada</i>	Chief Financial Officer	N/A	N/A	Chief Financial Officer of the REIT
S. Jane Marshall . . . . . <i>Ontario, Canada</i>	Chief Operating Officer	N/A	N/A	Chief Operating Officer of the REIT

Notes:

- (1) Mr. Weston is considered a non-Independent Trustee as he is an executive officer of Loblaw and a relative of Mr. W. Galen Weston, Loblaw’s ultimate controlling shareholder.
- (2) Mr. Morrison is considered a non-Independent Trustee as he is the President and Chief Executive Officer of the REIT.

Immediately after Closing, the Trustees and executive officers of the REIT, as a group, will beneficially own, or control or direct, directly or indirectly, 310,000 Units, representing approximately 0.09% of the issued and outstanding Units (on a fully-diluted basis) upon completion of the Unit Offering and the Acquisition (or approximately 0.09% of the issued and outstanding Units on a fully-diluted basis if the Unit Over-Allotment Option is exercised in full). No Trustee or executive officer of the REIT will purchase any Debentures in conjunction with the Offering.

The mandate of the Board, substantially in the form set out under Appendix B to this prospectus, is to provide governance and stewardship to 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 and delegating management authority to the President and Chief Executive Officer; (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) monitoring the social responsibility, integrity and ethics of the REIT.

The Board will adopt a written position description for the 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 Board will also adopt 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 also develop a mandate for the President and 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 President and Chief Executive Officer mandate will be considered by the Board for approval annually.

The REIT will adopt a written code of conduct (the "Code of Conduct") that applies to all Trustees, officers, and management of the REIT and its Subsidiaries. The objective of the Code of Conduct is to provide guidelines for maintaining the integrity, reputation, honesty, objectivity and impartiality of the REIT and its Subsidiaries. The Code of Conduct addresses conflicts of interest, protecting the REIT's assets, confidentiality, fair dealing with securityholders, competitors and employees, insider trading, compliance with laws and reporting any illegal or unethical behaviour. As part of the Code of Conduct, any person subject to the Code of Conduct 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 SEDAR.

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 Voting Unitholders or until a successor is appointed, Trustees will be elected at each annual meeting of Voting Unitholders to hold office for a term expiring at the close of the next annual meeting, or until a successor is appointed, and will be eligible for re-election. Other than the nominees which may be nominated by Loblaw pursuant to its nomination rights as described under "Declaration of Trust and Description of REIT Units", nominees will be nominated by the Governance, Compensation and Nominating Committee, in each case for election by Voting Unitholders as Trustees in accordance with the provisions of the Declaration of Trust and will be included in the proxy-related materials to be sent to Voting Unitholders prior to each annual meeting of Voting Unitholders.

#### ***Biographical Information Regarding the Trustees and Executive Officers***

***Galen G. Weston (40)*** — Mr. Galen G. Weston is Executive Chairman of Loblaw. He previously held several senior executive positions with Loblaw and its Subsidiaries. Prior to joining Loblaw, Mr. Weston was an

investment banking analyst for Salomon Brothers in the U.K. Mr. Weston graduated from Harvard University with a Bachelor of Arts and from Columbia University with a Master of Business Administration. Mr. Weston is also a director of Wittington Investments, Limited.

**Kerry D. Adams (60)** — Ms. Kerry Adams currently serves as President of K. Adams & Associates Limited, which has provided wealth management services for trusts and private corporations since 1991. She is a member of the Bank of Nova Scotia's Master Trust and Pension Investment and Administration Committees. Ms. Adams served as a Trustee of Primaris Real Estate Investment Trust from 2007 to 2013, served as Chairman of the Ontario Securities Commission Investor Education Fund from 2000 to 2006 and served as a member of the board and governance committee of the Investment Industry Regulatory Organization of Canada from 2008 to 2011. Ms. Adams served as a director of Indigo Books & Music Inc. from 2006 to 2009 and was a Commissioner and a Director of the Ontario Securities Commission from 1996 to 2003. From 1988 to 1991, Ms. Adams served as President of Widcor Limited and Widcor Financial and from 1975 to 1987 she served in multiple positions at KPMG Peat Marwick, including as Partner from 1984 to 1987. Ms. Adams is a Fellow of the Institute of Chartered Accountants (Ontario) and holds a Bachelor of Arts (Honours Economics) degree from Queens University. Ms. Adams is an Institute-certified Director of the Institute of Corporate Directors.

**Christie J.B. Clark (59)** — Mr. Chris Clark is a former Chief Executive Officer and senior partner of PricewaterhouseCoopers LLP. Prior to being elected as Chief Executive Officer, Mr. Clark was a National Managing Partner and a member of the firm's Executive Committee from 2001 to 2006. Mr. Clark graduated from Queen's University with a Bachelor of Commerce and the University of Toronto with a Master of Business Administration. Mr. Clark is a Fellow Chartered Accountant. Mr. Clark currently serves on the board of directors of Loblaw, Brookfield Office Properties Inc. and IGM Financial Inc. Mr. Clark is also Chair of the board of the Canadian Partnership Against Cancer Corporation, Chair of the Finance and Governance Committees of Alpine Canada and a member of the Advisory Council of Queen's University School of Business.

**Graeme Eadie (60)** — Mr. Graeme Eadie is the Senior Vice President, Head of Real Estate Investments for Canada Pension Plan Investment Board, where he is responsible for the global real estate program which encompasses both equity and debt investments. Prior to joining Canada Pension Plan Investment Board in June 2005, Mr. Eadie held multiple positions at Cadillac Fairview, including Chief Financial Officer, Chief Operating Officer and President. Mr. Eadie has also held senior management positions with a number of entities in the retail and manufacturing areas. Mr. Eadie previously served as a trustee of Morguard Real Estate Investment Trust and a Director of the Ontario Realty Corporation. Mr. Eadie holds Bachelor of Commerce and Master of Science, Business Administration degrees from the University of British Columbia.

**Michelle Felman (50)** — Ms. Michelle Felman served as Executive Vice President, Acquisitions of Vornado Realty Trust from 1999 to December 2010. During her tenure, she helped grow Vornado Realty Trust from an entity with \$3 billion of equity capitalization to an entity with \$16 billion of equity capitalization, making Vornado one of the largest commercial/retail real estate owners in the New York City and Washington, D.C. markets. Prior to joining Vornado, Ms. Felman held the positions of Managing Director, Portfolio Acquisitions and Business Ventures and as Managing Director, Business Development, at GE Capital, Real Estate Division. Ms. Felman spent her early career at Morgan Stanley as an Associate, Real Estate Division, underwriting and analyzing national real estate transactions. Ms. Felman holds a Bachelor of Arts degree from the University of California, Berkeley and a Master of Business Administration degree from The Wharton School at the University of Pennsylvania.

**Michael P. Kitt (47)** — Mr. Michael Kitt has been a senior executive for Oxford Properties Group since 2007 and is currently the Executive Vice President, Canada, responsible for all activities within its 50 million square foot Canadian portfolio, including real estate management, development and investments. From 1996 to 2006, Mr. Kitt held various senior roles at Cadillac Fairview, leading both its Investment and Development Groups. As Executive Vice President, Development, he was responsible for planning and executing over \$2 billion of development projects. Mr. Kitt served on the board of trustees of InnVest Real Estate Investment Trust from 2002 to June 2013. Mr. Kitt holds a Bachelor of Commerce degree from the University of Manitoba and holds a CFA designation.

**Daniel F. Sullivan (70)** — Mr. Daniel Sullivan held the position of Consul General for Canada in New York City, appointed by Prime Minister Stephen Harper, from 2006 to 2010. Prior to Mr. Sullivan's appointment as Consul General for Canada, Mr. Sullivan spent 38 years in the financial services sector, where he served as

Deputy Chairman of Scotia Capital Inc., the corporate and investment banking division of Scotiabank, with a focus on the real estate sector. Mr. Sullivan was Chairman and a Director of The Toronto Stock Exchange and as Chairman of the Investment Dealers Association of Canada. Mr. Sullivan is currently a Director of the Ontario Teachers' Pension Plan, Allied Properties Real Estate Investment Trust and IMP Group International Inc. Mr. Sullivan is a former director of Allstream Inc., Cadillac Fairview Corporation, Camco Inc., Monarch Development Corporation and Schneider Corporation. Mr. Sullivan has served on advisory boards or committees of Canada Post Corporation, Canada Deposit Insurance Corporation, the Canadian Securities Administrators and the Ontario Securities Commission. Mr. Sullivan holds Bachelor of Arts and Master of Business Administration degrees from Columbia University and a Master of Business Administration degree from the University of Toronto.

**Paul R. Weiss (65)** — Mr. Paul Weiss spent over 40 years with KPMG LLP Canada serving as a member of the Management Committee and as a member of the International Global Audit Steering Group, and is also the former Managing Partner for KPMG LLP Canada's Canadian Audit Practice. Earlier in his career, Mr. Weiss was responsible for KPMG LLP Canada's real estate practice. Mr. Weiss currently serves as Director of BCE Inc., Bell Canada, Empire Life Insurance Company and Torstar Corporation. Mr. Weiss was also a director of ING Bank of Canada. Mr. Weiss holds a Bachelor of Commerce from Carleton University and is a Fellow Chartered Accountant.

**John Morrison (56)** — Mr. John Morrison is the President and Chief Executive Officer of the REIT and has over 30 years' experience in the commercial real estate industry, primarily in the shopping centre asset class. Prior to his appointment as President and Chief Executive Officer of the REIT, Mr. Morrison was President and Chief Executive Officer of Primaris Real Estate Investment Trust from 2009 to 2013. Prior to serving in that role, Mr. Morrison was President, Real Estate Management, at Oxford Properties Group, where he was responsible for the performance of Oxford's \$10 billion domestic portfolio of office, industrial, multi-family residential and shopping centre properties including Primaris properties. Mr. Morrison is on the Board of Trustees for the International Council of Shopping Centres, and currently serves on the Executive Committee as Divisional Vice President for Canada. He is also former Vice Chairman of the Urban Land Institute Toronto District Council.

**Bart Munn (56)** — Mr. Bart Munn is the Chief Financial Officer of the REIT. From December 2005 to April 2013, Mr. Munn was the Chief Financial Officer of Calloway Real Estate Investment Trust. From 1999 to 2005, Mr. Munn served as Vice President and Chief Financial Officer of Morguard Corporation, a publicly traded owner and manager of commercial and residential real estate, and from 1997 to 1999, as Vice President and Chief Financial Officer of Morguard Real Estate Investment Trust. Mr. Munn is a Chartered Accountant.

**S. Jane Marshall (56)** — Ms. Jane Marshall is the Chief Operating Officer of the REIT. Prior to joining the REIT, Ms. Marshall held several senior executive positions with Loblaw and its Subsidiaries since joining the company in 1993. Most recently, Ms. Marshall held the position of Executive Vice President, Loblaw Properties Limited and Business Strategy. In this role, Ms. Marshall was responsible for the acquisition and management of a Loblaw's portfolio of owned retail, warehouse and office space as well as its leased locations. Ms. Marshall also led the acquisition by Loblaw of T&T Supermarkets Inc., the purchase and redevelopment of Maple Leaf Gardens in conjunction with Ryerson University and the roll out of Joe Fresh retail locations in the United States. Ms. Marshall is a member of the Board of Directors for the Toronto Lands Corporation.

#### ***Penalties or Sanctions***

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

#### ***Individual Bankruptcies***

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

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

### ***Corporate Cease Trade Orders and Bankruptcies***

None of the Trustees or executive officers of the REIT, and to the best of its knowledge, no Unitholder holding a sufficient number of securities to affect materially the control of the REIT is, as at the date of this prospectus, or has been within the 10 years before the date of this prospectus, (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the 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.

### ***Conflicts of Interest***

Each of Galen G. Weston and Christie J.B. Clark, each a Trustee and a director of Loblaw, 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 Loblaw or any of its affiliates or any other entity in which Mr. Weston or Mr. Clark, 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). See “Declaration of Trust and Description of REIT Units — Conflicts of Interest”.

### ***Committees of the Board of Trustees***

The Board will establish two committees: the Audit Committee and the Governance, Compensation 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”). All of the members of the Governance, Compensation 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 four Trustees, all of whom are persons determined by the REIT to be both Independent Trustees and financially literate within the meaning of NI 52-110 and a majority of whom will be residents of Canada. The Audit Committee will be comprised of Paul R. Weiss, who will act as chair of this committee, Michael P. Kitt, Kerry D. Adams and Graeme Eadie, 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 Board will adopt a written charter for the Audit Committee, substantially in the form set out under Appendix C to this prospectus, which sets out the Audit Committee’s responsibilities. It is expected that the Audit Committee’s responsibilities will include: (i) reviewing the REIT’s procedures for internal control with the REIT’s auditors and Chief Financial Officer; (ii) reviewing and approving the engagement of the auditors; (iii) reviewing annual and quarterly financial statements and all other material continuous disclosure documents,

including the REIT's annual information form and management's discussion and analysis; (iv) assessing the REIT's financial and accounting personnel; (v) assessing the REIT's accounting policies; (vi) reviewing the REIT's risk management procedures; (vii) reviewing any significant transactions outside the REIT's ordinary course of business and any legal matters that may significantly affect the REIT's financial statements; (viii) overseeing the work and confirming the independence of the external auditors; 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.

#### ***Governance, Compensation and Nominating Committee***

The Governance, Compensation and Nominating Committee will be comprised of five Trustees, all of whom are persons determined by the REIT to be Independent Trustees and a majority of whom will be residents of Canada, and will be charged with reviewing, overseeing and evaluating the corporate governance, compensation and nominating policies of the REIT. The Governance, Compensation and Nominating Committee will be comprised of Daniel F. Sullivan, who will act as chair of this committee, Michael P. Kitt, Kerry D. Adams, Michelle Felman and Christie J.B. Clark.

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

The Trustees believe that the members of the Governance, Compensation and Nominating Committee individually and collectively have the requisite knowledge, skill and experience in governance and compensation matters, including human resource management, executive compensation matters and general business leadership, to fulfill the committee's mandate. All members of the Governance, Compensation and Nominating Committee have substantial knowledge and experience as current and former senior executives of large and complex organizations and on the boards of other publicly traded companies, including real estate investment trusts.

#### **Trustees' and Officers' Liability Insurance**

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

## REMUNERATION OF TRUSTEES

### Trustees' Compensation

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

<u>Type of Fee</u>	<u>Amount</u>
Trustee Annual Retainer . . . . .	\$90,000/year <sup>(1)(2)</sup>
Board Chair Annual Retainer <sup>(2)</sup> . . . . .	\$30,000/year
Governance, Compensation and Nominating Committee Chair Annual Retainer <sup>(3)</sup> . . . . .	\$30,000/year
Governance, Compensation and Nominating Committee Member Annual Retainer . . . . .	\$4,000/year
Audit Committee Chair Annual Retainer <sup>(3)</sup> . . . . .	\$20,000/year
Audit Committee Member Annual Retainer . . . . .	\$5,000/year
Board Meeting Attendance Fee . . . . .	\$2,000/meeting
Committee Attendance Fee . . . . .	\$2,000/meeting

Notes:

- (1) Comprising \$40,000 in cash and \$50,000 awarded in the form of Deferred Units.
- (2) A Trustee is not eligible for fees if he or she is an employee of the REIT or one of its Subsidiaries.
- (3) Includes fee received as committee member. The Chair of the Governance, Compensation and Nominating Committee is also the Lead Trustee.

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

### *Trustee Deferred Unit Plan*

The REIT intends to adopt the Deferred Unit Plan at Closing to provide Trustees with the opportunity to acquire Deferred Units in order to allow them to participate in the long-term success of the REIT and to promote a greater alignment of interests between Trustees and Unitholders. Only non-employee Trustees will be eligible to participate in the Deferred Unit Plan.

A Deferred Unit is a right to receive an amount from the REIT equal to the value of one Unit. Trustees are required to receive \$50,000 of their annual retainer in the form of Deferred Units and will have the option to receive up to 100% of their remaining fees that are otherwise payable in cash in Deferred Units pursuant to the Deferred Unit Plan. Trustees must complete an election form to receive Deferred Units no later than December 31 of the year preceding the applicable grant year, provided that new Trustees must complete the form within 30 days after their appointment to the Board. Elections are irrevocable for the year in respect of which they are made. Deferred Units will not entitle a Trustee to any voting or other Unitholder rights.

The number of Deferred Units to be awarded to a Trustee will be equal to the value of the compensation that the Trustee elects or is required to receive in the form of Deferred Units divided by the volume-weighted average trading price of a Unit on the TSX for the five trading days prior to the date of the award (rounded down to the nearest whole Deferred Unit).

The maximum number of Units issuable pursuant to the Deferred Unit Plan at any time shall not exceed 4,075,000 Units. The aggregate number of Units issued to insiders of the REIT within any 12-month period, or issuable to insiders of the REIT at any time, under the Deferred Unit Plan and any other security-based

compensation arrangement of the REIT may not exceed 10% of the total number of issued and outstanding Units of the REIT during such period or at such time, as applicable.

When cash distributions are made on the Units, further rights to acquire Units (referred to as “Income Deferred Units”) will automatically be granted to each Trustee who holds Deferred Units or Income Deferred Units on the record date for such distribution. The number of Income Deferred Units (rounded down to the nearest whole Income Deferred Unit) to be credited to the Trustee’s account on the first business day following the applicable cash distribution payment date will be determined by multiplying the aggregate number of Deferred Units and Income Deferred Units held by the Trustee on the relevant distribution record date by the amount of cash distributions paid on each Unit, and dividing the result by the volume-weighted average trading price of a Unit on the TSX for the five trading days prior to such date.

Deferred Units and Income Deferred Units vest immediately as at each applicable award date. Deferred Units and Income Deferred Units are non-transferable and non-assignable other than by operation of law.

Deferred Units and Income Deferred Units will not be paid out until the Trustee ceases to serve on the Board, thereby providing an equity stake in the REIT throughout the Trustee’s term as a Board member. Following cessation of Board service, settlement of Deferred Units and Income Deferred Units will be made, at the holder’s option, either in issued Units or in cash. Generally, a Trustee may elect to defer this exercise until December 15 of the calendar year following the date when he or she ceases to be a Trustee. If the Trustee (or the Trustee’s beneficiary) fails to exercise by such date, they will be deemed to have elected to receive Units as of that date.

In the event of any consolidation, subdivision or reclassification of the Units or any other relevant changes in the capital structure of the REIT, the number of outstanding Deferred Units and Income Deferred Units will be appropriately adjusted by the Governance, Compensation and Nominating Committee to ensure that such Deferred Units and Income Deferred Units represent a benefit substantially similar to the benefit they represented before such event.

The Governance, Compensation and Nominating Committee may review and confirm the terms of the Deferred Unit Plan from time to time and may, subject to applicable stock exchange rules, amend or suspend the Deferred Unit Plan in whole or in part as well as terminate the Deferred Unit Plan without prior notice as it deems appropriate; provided, however, that any amendment to the Deferred Unit Plan that would: (a) result in any increase in the number of Units issuable under the Deferred Unit Plan; (b) extend eligibility to participate in the Deferred Unit Plan to persons other than non-employee Trustees of the REIT; (c) permit awards other than Deferred Units or Income Deferred Units; (d) extend the term of Deferred Units or Income Deferred Units; (e) increase the insider participation limits; or (f) amend the amendment provision will be subject to the approval of Voting Unitholders. Without limitation, the Governance, Compensation and Nominating Committee may, without obtaining the approval of Voting Unitholders: (a) make minor changes of a “house-keeping” nature; (b) make amendments which are necessary or desirable to remove conflicts or inconsistencies in the Deferred Unit Plan; (c) make amendments as necessary or desirable as a result of changes in tax laws; and (d) make a change to or the addition of any vesting provisions for Deferred Units or Income Deferred Units. Notwithstanding the foregoing, and subject to the terms of the Deferred Unit Plan, no amendment may be made that may adversely affect the Deferred Units or Income Deferred Units previously granted under the Deferred Unit Plan without the written consent of the affected Trustee.

#### ***Unit Ownership Guidelines***

Pursuant to the proposed Unit Ownership Guidelines of the REIT, non-employee Trustees will be expected to hold Units, Deferred Units or Income Deferred Units with an aggregate value of not less than four times the amount of the Trustees’ annual retainer. Based on this multiple, the ownership requirement as of Closing will be \$360,000. For purposes of the Unit Ownership Guidelines, securities will be valued at their market value. Trustees will be expected to meet the required level of Unit ownership within five years of initially being elected or appointed to the Board.

## EXECUTIVE COMPENSATION

### Introduction

The following discussion describes the significant elements of the expected compensation programs for the three Named Executive Officers (“NEOs”) of the REIT. The NEOs are John Morrison, President and Chief Executive Officer; Bart Munn, Executive Vice President, Chief Financial Officer; and Jane Marshall, Executive Vice President, Chief Operating Officer.

### Executive Compensation Philosophy

The objectives of the REIT’s expected executive compensation programs are to attract, retain and motivate outstanding executives who are committed to improving the REIT’s performance and creating value for its Unitholders. The REIT will develop processes to ensure that its executive compensation programs are competitive with market and industry practices and support the attraction and retention of high quality executives. A significant portion of executive compensation will be in the form of at-risk pay. This will create a performance-based corporate culture that rewards individual and team-based contributions to the achievement of the REIT’s goals and for increases in Unitholder value. The REIT will structure its executive compensation programs to align the interests of its executives with those of its Unitholders, with a significant portion of executive compensation taking the form of long-term equity-based awards.

### Risk and Executive Compensation

#### *Risk Mitigation Practices*

The REIT will design its compensation programs to provide an appropriate balance of risk and reward in relation to its overall business strategy. The REIT will have risk mitigation practices that include designing incentive plans focused on the long-term, a clawback policy for short-term and long-term compensation, Unit ownership requirements for the NEOs and trading restrictions. The Governance, Compensation and Nominating Committee will regularly review each compensation plan and will have the discretion to make adjustments to incentive awards, as appropriate.

#### *Incentive Plan Design*

A significant portion of executive compensation will be allocated to long-term incentives to focus executives on sustainable value creation. The REIT’s objective is to design incentive plans that will not motivate executives to take undue short-term risks, given the potential negative impacts on the long-term equity components of compensation.

#### *Clawback Policies*

The REIT will introduce a clawback policy on Short-Term Incentive Plan (“STIP”) and Long-Term Incentive Plan (“LTIP”) payments for senior executives including the NEOs that will be triggered if: (i) an executive engages in conduct that results in the need for the correction or restatement of financial results; (ii) the executive receives an award calculated on the achievement of those financial results; and (iii) the award received would have been lower had the financial results been properly reported. The clawback policy will also provide that a clawback may be triggered if an executive commits a material breach of the REIT’s Code of Conduct. The policy will require that when the clawback is triggered, the executive must repay all of the incentive payments received over the two-year period preceding the triggering event.

#### *Unit Ownership Requirements*

Senior executives, including the NEOs, will be required to maintain a significant equity investment in the REIT to align their interests with those of the REIT’s Unitholders, and mitigate against the likelihood of undue risk taking. The unit ownership guidelines, described below, will establish minimum Unit ownership levels for executives based on a multiple of their salary and executive level.

### Trading Restrictions

All Trustees and employees, including the NEOs, will also be subject to the REIT’s Securities Trading Policy, which will prohibit trading in the securities of the REIT while in possession of material undisclosed information about the REIT. Under the Securities Trading Policy, such individuals will also be prohibited from entering into certain types of hedging transactions involving the securities of the REIT, such as short sales, puts and calls. Furthermore, the REIT will permit executives (including the NEOs) to trade in the REIT’s securities, including the exercise of Unit options, only during prescribed trading windows.

### Components of Compensation

NEO compensation is expected to be comprised principally of base salary, short-term cash incentives and long-term incentives (restricted units and Unit options) as described in the table that follows. Benefits, pensions and perquisites are expected to comprise a relatively small part of a NEO’s total annual compensation.

### Overview of Components

Components		Form	Period	Program Objectives and Details
<b>Fixed Compensation</b>	Base Salary	Cash	Annual	<ul style="list-style-type: none"> <li>Reflects the executive’s level of responsibility, skill and experience, internal equity among executives and the executive’s overall performance both individually and in relation to the executive’s business unit or division.</li> </ul>
	Short-Term Incentive Plan (STIP)	Cash	Annual	<ul style="list-style-type: none"> <li>Incentive program will be linked to the achievement of specific individual, financial and/or operating performance targets in the fiscal year.</li> <li>Each executive will have a target annual bonus (% of base salary).</li> <li>Actual payout will be determined by the achievement of predetermined financial, operating and/or individual performance objectives.</li> </ul>
<b>Variable Compensation</b>	Long-Term Incentive Plan (LTIP)	Restricted Units (“RUs”)	Typically a 3 year vesting period	<ul style="list-style-type: none"> <li>Motivates and rewards executives for increasing Unitholder value.</li> <li>RU grants will generally be made once per year.</li> <li>Individual awards are expected to be differentiated based on role and expected future performance.</li> <li>RUs will comprise 50% of the total value of LTIP grants to executives.</li> <li>RUs are settled in cash or Units acquired in the open market.</li> </ul>
		Unit Options	4 year vesting (25% per year); 7 year term	<ul style="list-style-type: none"> <li>Motivates and rewards executives for increasing Unitholder value.</li> <li>Unit option grants are expected to be made once per year.</li> <li>Individual awards are expected to be differentiated based on role and expected future performance.</li> <li>Unit options will comprise 50% of the total value of LTIP grants to executives using the Black-Scholes-Merton methodology.</li> </ul>
<b>Other Elements of Compensation</b>				
<b>Benefits</b>	Group health, dental and insurance benefits		Employment and post-employment	<ul style="list-style-type: none"> <li>Executive benefit plans, paid for by the REIT, will provide health, dental, disability and insurance coverage.</li> </ul>
<b>Pensions</b>	Defined Benefit Pension Plan/Defined Contribution Pension Plan/Supplemental Executive Retirement Plan		Post-employment	<ul style="list-style-type: none"> <li>Plans will be designed to provide a reasonable level of retirement income to executives to reward them for their service to the REIT.</li> <li>Executives of the REIT will participate in either a defined benefit registered pension plan or a defined contribution registered pension plan and may participate in a supplemental executive retirement plan.</li> </ul>
<b>Perquisites</b>	Cash allowance/reimbursement for professional services		Annual	<ul style="list-style-type: none"> <li>A limited number of personal benefits will be provided, including a car or car allowance, and, in some cases, an annual medical examination and/or a discretionary health care spending account.</li> </ul>

## **Base Salary**

Base salaries for the NEOs are set on an individual basis and take into account the skill, competency, experience, internal equity among executives and the executive's overall performance. In addition, the Governance, Compensation and Nominating Committee may take into account the NEO's compensation with his or her former employer. Each year the Governance, Compensation and Nominating Committee will review the salary of the NEOs and may make adjustments to a NEO's salary as a result of a change in the NEO's duties and responsibilities, or in the performance and contribution of the NEO.

## **Short-Term Incentive Plan**

The REIT's STIP will be designed to motivate executives, including the NEOs, to meet the REIT's annual business objectives. The STIP objectives will include financial performance targets and individual pre-set goals as determined annually by the Governance, Compensation and Nominating Committee. All participating executives will have STIP award targets that are expressed as a percentage of base salary determined by the executive's position and level within the organization. The STIP is designed with the intent that STIP awards will be paid out at each executive's target level. The STIP award payments will be made in cash.

## **Long-Term Incentive Plan**

The purpose of the REIT's expected equity-based LTIP is to motivate executives to increase Unitholder value. Under the LTIP, the REIT will award executives long-term incentives in the form of Unit options and RUs, the values of which will be directly linked to the change in value of the Units. Executives eligible for LTIP grants will generally receive them on an annual basis. One-half of the grant value will be delivered through RUs, and one-half will be delivered through Unit options.

The LTIP will balance the use of Unit options, which align an executive's interest with Unitholders in Unit price accretion and RUs, which serve as a key component in retaining executives. The value of an LTIP grant to a participating executive will generally be based on a percentage of the executive's base salary. All grants will be reviewed and approved by the Governance, Compensation and Nominating Committee as part of its regular review of compensation.

The key features of the REIT's Unit option plan and the RU plan are described below.

### ***Employee Unit Option Plan***

Under the REIT's Employee Unit Option Plan (the "Option Plan"), the size of the annual award an executive will receive will be determined as part of the executive's total long term remuneration. The Governance, Compensation and Nominating Committee will administer the Option Plan, approve the participants, make grants of options and establish any limitations, restrictions and conditions on any grants, including vesting. Any employee of the REIT or any of its affiliates (including officers, whether or not Trustees), as determined by the Governance, Compensation and Nominating Committee, may participate in the Option Plan.

The REIT will have 4,075,000 Units available for future option grants, which will represent approximately 5% of the issued and outstanding Units. The Option Plan will provide that Units issuable pursuant to outstanding options that are cancelled, expired, forfeited or terminated for any reason without having been exercised will again be available for grant under the Option Plan. Options are not transferable or assignable otherwise than by will or by laws of descent and distribution, and during the lifetime of an optionee will be exercisable only by him or her.

The exercise price for options may not be less than the fair market value of a Unit, which is defined as the greater of: (i) the volume-weighted average of the trading price of a Unit for the five trading days prior to the grant date; or (ii) the volume-weighted average of the trading price of a Unit on the trading day immediately preceding the issuance date. The exercise price for options granted to U.S. participants is the closing price of the Units on the TSX on the day prior to the grant date.

Options may not be exercised prior to the first anniversary of the date of the grant. The vesting of options is otherwise determined on the grant of the option. Generally, options vest over a four-year period at a rate of 25% per year and expire at the end of seven years. Under the Option Plan, each option has a term of not less than five and not more than 10 years.

Unvested options immediately expire upon termination of employment. No vested option is exercisable after the earlier of: (i) date of death or retirement; (ii) time of notice of resignation or receipt of notice of termination (with or without cause); or (iii) any other cessation of employment event, except as set forth below:

- (a) If a participant is terminated without cause, vested options may be exercised within 30 days following the earlier of the date of termination or the date of the termination notice.
- (b) If a participant retires under a pension plan of the REIT or an affiliate, vested options may be exercised within 90 days following the date of retirement.
- (c) If a participant dies while employed or during the 30-day or 90-day day window in (a) or (b) above, then the participant's beneficiary may exercise vested options within 180 days following the date of death.

Nothing in (a), (b) or (c) above extends the expiry date of any option.

In the event of a change of control or potential change of control (as determined by the Board), the Board has the power to accelerate vesting and make other changes to the terms of options as it considers fair and appropriate in the circumstances, including modifying the terms of options to allow participants to tender into a take-over bid or other transaction leading to a change of control and terminating any unexercised options following the completion of the bid or transaction.

If the expiry date of an option occurs during a blackout period or other period during which an insider is prohibited from trading in securities of the REIT pursuant to its Securities Trading Policy, the expiry date will automatically be extended for 10 business days after the blackout period ends.

The aggregate number of Units issued to insiders of the REIT within any twelve month period, or issuable to insiders of the REIT at any time, under the Option Plan and any other security based compensation arrangement of the REIT, may not exceed 10% of the total number of issued and outstanding Units during such period of time, as applicable.

In the event of a consolidation, subdivision or reclassification of the Units, or any other relevant changes in the capital structure of the REIT, the Board or the Governance, Compensation and Nominating Committee will make appropriate adjustments to the number of Units subject to any options then outstanding and the exercise price thereof. The Option Plan provides that Unitholder approval is not required for any amendments to the Option Plan or an option granted under the Option Plan, except for any amendment or modification that:

- (a) increases the number of Units that can be issued under the Option Plan, including an increase to a fixed number of Units or a change from a fixed maximum number of Units to a fixed maximum percentage;
- (b) reduces the exercise price of an option (including, without limitation, a cancellation and re-grant of an option, constituting a reduction of the exercise price of such option), except in connection with a change in the number of the REIT's outstanding Units by reason of a consolidation, subdivision or reclassification of Units, or another relevant change in the capital structure of the REIT affecting Units;
- (c) extends the term of an option beyond its original expiry date, except where the expiry date would have occurred during a blackout period or at any other time when the holder may be prohibited from trading in securities of the REIT pursuant to the REIT's Securities Trading Policy;
- (d) changes the provisions relating to the transferability of an option other than for normal estate settlement purposes;
- (e) permits awards, other than options, to be made under the Option Plan;

- (f) extends eligibility to participate in the Option Plan to a non-employee Trustee;
- (g) requires Unitholder approval under applicable laws, regulations or stock exchange rules; or
- (h) affects the amending provisions of the Option Plan.

Subject to any required regulatory review or approval, the Board may make all other amendments to the Option Plan without Unitholder approval. These amendments include, but are not limited to, the termination of the Option Plan; amendments designed to comply with applicable laws or regulatory requirements; and “housekeeping” administrative changes (such as correcting an immaterial inconsistency or curing any ambiguity).

The REIT will grant options to executives, including the NEOs, in connection with the Closing. Such grants will be effective on July 12, 2013 (the sixth trading day following the Closing) and the exercise price of such options will be the fair market value, calculated in accordance with the terms of the Option Plan. The number of options granted will be determined based on the grant date fair value.

#### ***Restricted Unit Plan***

The REIT’s Restricted Unit Plan (“RU Plan”) will entitle a participant to receive the value of the RU award in cash or Units at the end of the applicable vesting period, which is usually three years in length. A participant receives either a cash payment or the number of Units (acquired on the open market) equal to the number of RUs granted, with the ultimate award value determined by the Unit price at the end of the applicable vesting period. The RU Plan will provide for the crediting of additional RUs in respect of distributions paid on Units for the period when an RU is outstanding.

If a participant is either terminated for cause or voluntarily resigns prior to the end of the applicable vesting period, all RUs will be cancelled on the date of cessation of employment and no payments will be made in respect of such RUs.

If a participant’s employment is terminated: (i) due to death; (ii) retirement; or (iii) by the REIT without cause, then the RUs will vest on a pro-rata basis for the period of time the participant was actively employed. All other RUs will be cancelled. Settlement of vested RUs will be made as soon as practicable following the last day of active employment.

#### ***Long-Term Incentive Plan Clawback***

All LTIP grants will include a clawback provision stating that if an executive accepts employment with a competitor of the REIT within six months after leaving the employment of the REIT, the gross dollar value of all Unit option and RU payments received in the twelve months of employment immediately prior to the date of cessation of employment must be repaid to the REIT.

#### **Retirement and Pension Arrangements**

The REIT’s retirement and pension arrangements will be designed to provide a reasonable level of retirement income to executives. The REIT will be a participating employer in the Loblaw retirement arrangements and, accordingly, senior executives will participate in either a Loblaw executive defined benefit registered pension plan (the “Executive DB Plan”) or the executive defined contribution registered pension plan (the “Executive DC Plan”). In addition, certain senior executives of the REIT whose pensionable earnings exceed prescribed levels, including the NEOs will participate in a non-contributory supplemental executive retirement plan (the “SERP”).

#### **Executive Benefit Plans**

The REIT will provide the NEOs, as a participating employer in Loblaw’s executive benefit program, with designated health, dental, disability and insurance coverage through executive benefit plans paid for by the REIT.

## Perquisites

NEOs are expected to receive a limited number of perquisites. These may include a car or car allowance, and in some cases, an annual medical examination and a discretionary health care spending account.

## Executive Unit Ownership Guidelines

The REIT will maintain Executive Unit Ownership Guidelines to further align the interests of senior executives with those of the REIT's Unitholders. The Executive Unit Ownership Guidelines establish minimum Unit ownership levels for executives based on a multiple of their salary and executive level.

Under the Executive Unit Ownership Guidelines, Units, and the in-the-money value of vested Unit options of the REIT, are included in determining an executive's ownership value. The value of RUs is not included. The Executive Unit Ownership Guidelines include every executive at the vice president level and higher.

Under the Executive Unit Ownership Guidelines, executives are expected to own eligible equity-based holdings with a value equal to a multiple of their base salary as determined by their position:

- (a) President and Chief Executive Officer — 3 times base salary
- (b) Executive Vice Presidents — 2 times base salary
- (c) Vice Presidents — 0.5 times base salary

Executives will be expected to attain the required ownership level within four years of their appointment. Executives who transfer from Loblaw to the REIT may also include holdings or spousal holdings of Loblaw common shares and the in-the-money value of unexercised options in determining whether he or she meets the relevant target ownership level.

## Termination and Change of Control Benefits

None of the NEOs' employment agreements will provide for change of control benefits, however, the REIT's compensation plans have termination and change of control provisions. The table below summarizes the termination and change of control benefits provided under each plan in situations that result in cessation of employment.

Type of Compensation	Separation Event				
	Resignation	Termination without Cause	Termination with Cause	Retirement	Change of Control
Short-Term Incentive Plan	No payment	Bonus for the applicable year is prorated to the termination date	No payment	Bonus for the applicable year is prorated to the retirement date	Governance, Compensation and Nominating Committee discretion to grant or adjust bonus
Unit Option Plan	Options forfeited at time of notice of resignation	30 days from notice of termination to exercise vested options	All outstanding options cancelled at time of notice of termination	90 days to exercise vested options	Board discretion to accelerate vesting of options
Restricted Unit Plan	RUs forfeited at time of notice of resignation	Value of RUs paid out on a prorated basis provided termination date is more than 12 months after the grant date	All outstanding RUs forfeited at time of notice of termination	Value of outstanding RUs paid out on a prorated basis	Governance, Compensation and Nominating Committee discretion to adjust grant
Severance	No payment	12-18 months of base salary and bonus (in accordance with employment agreement)	No payment	No payment	No payment

The Governance, Compensation and Nominating Committee will have discretion to make adjustments to the general plan provisions for a particular executive if considered appropriate in the circumstances. The termination benefits for each NEO are described in the "Employment Agreements" section.

## Summary Compensation Table

The following table sets out information concerning the expected fiscal 2013 compensation to be earned by, paid to, or awarded to the NEOs.

Name and Principal Position	Year	Salary (\$)	Unit- Based Awards (\$) <sup>(1)</sup>	Option- Based Awards (\$) <sup>(2)</sup>	Non-Equity Incentive Plan Compensation	All Other Compensation (\$) <sup>(3)</sup>	Total Compensation (\$)
					Annual Incentive Plans (\$)		
<b>John Morrison</b> President and CEO	2013	446,250	337,870	337,870	446,250	—	1,568,240
<b>Bart Munn</b> Executive Vice President, Chief Financial Officer	2013	262,308	498,630	98,630	157,385	250,000	1,266,953
<b>Jane Marshall</b> Executive Vice President, Chief Operations Officer	2013	237,500	112,813	362,813 <sup>(4)</sup>	190,000	—	903,126

- (1) Amounts represent the grant date fair value of RUs expected to be awarded to the NEOs at Closing. The amount for Mr. Munn includes RUs with a grant date fair value of \$400,000 at Closing to compensate him for the forfeiture of deferred units from his former employer.
- (2) These amounts reflect the grant date fair value of the options expected to be granted on July 12, 2013.
- (3) Amounts under All Other Compensation include the expected value of perquisites. For Mr. Munn, the amount also includes a lump sum cash payment of \$250,000 to be made on or prior to March 1, 2014 to compensate him for the forfeiture of deferred units from his former employer. This payment will vest on the second anniversary of his start date with the REIT, and is subject to a pro-rated repayment if he resigns or is terminated without cause prior to vesting.
- (4) This amount includes a special option grant by the Board to Ms. Marshall expected to be made on July 12, 2013 with a grant date fair value of \$250,000 in recognition of Ms. Marshall's contribution to the development of the portfolio of Initial Properties and her extraordinary efforts in connection with the establishment of the REIT and related preparations for its initial public offering.

### *John Morrison, President and Chief Executive Officer*

Pursuant to the terms of an employment agreement with Mr. John Morrison, Mr. Morrison will serve as the REIT's President and Chief Executive Officer and will be responsible for managerial and executive oversight of the REIT. The agreement will provide for an annual salary payable to Mr. Morrison in an amount of \$630,000, which amount will be subject to annual review by the Governance, Compensation and Nominating Committee. The employment agreement will also provide for participation in the STIP and LTIP. For 2013, Mr. Morrison's STIP target is 100% of his prorated salary. Mr. Morrison will receive an LTIP grant on Closing with a grant date fair value of 150% of his prorated salary for 2013, comprised (by grant value) of 50% Unit options and 50% RUs. Mr. Morrison will participate in the Loblaw Executive DC Plan and the corresponding SERP as well as the Loblaw executive benefit program. All of the costs of Mr. Morrison's participation in the Loblaw plans shall be paid by the REIT. If Mr. Morrison is terminated without cause he will be entitled to payment of salary and bonus (to a maximum of target) for up to 18 months following his cessation date. Mr. Morrison's employment agreement will also contain confidentiality covenants and certain restrictive covenants that will continue to apply following the termination of the agreement, including non-competition and non-solicitation covenants for a period of 12 months following the cessation of his employment.

### *Bart Munn, Executive Vice President, Chief Financial Officer*

Pursuant to the terms of an employment agreement with Mr. Bart Munn, Mr. Munn will serve as the REIT's Chief Financial Officer. The agreement will provide for an annual salary payable to Mr. Munn in an amount of \$400,000, which amount will be subject to annual review by the Governance, Compensation and Nominating Committee. The employment agreement will also provide for participation in the STIP and LTIP.

For 2013, Mr. Munn's STIP target is 60% of his prorated salary. Mr. Munn will receive an LTIP grant on Closing with a grant date fair value of 75% of his prorated salary for 2013, comprised (by grant value) of 50% Unit options and 50% RUs. In addition, in order to compensate Mr. Munn for amounts forfeited from his former employer, Mr. Munn will receive: (i) a one-time, lump sum cash payment of \$250,000 to be paid on or before March 1, 2014 (which is subject to prorated repayment if he resigns or is terminated without cause prior to the second anniversary of his start date); and (ii) RUs with a grant value of \$400,000 on Closing. Mr. Munn will participate in the Loblaw Executive DC Plan and the corresponding SERP as well as the Loblaw Executive Benefit Program. All of the costs of Mr. Munn's participation in the Loblaw plans shall be paid by the REIT. If Mr. Munn is terminated without cause he will be entitled to payment of salary and bonus (to a maximum of target) for up to 12 months following his cessation date. Mr. Munn's employment agreement will also contain confidentiality covenants and certain restrictive covenants that will continue to apply following the termination of the agreement, including non-competition and non-solicitation covenants for a period of 12 months following the cessation of his employment.

#### ***Jane Marshall, Executive Vice President, Chief Operating Officer***

Pursuant to the terms of an employment agreement with Ms. Jane Marshall, Ms. Marshall will serve as the REIT's Chief Operating Officer. The agreement will provide for an annual salary payable to Ms. Marshall in an amount of \$475,000, which amount will be subject to annual review by the Governance, Compensation and Nominating Committee. The employment agreement will also provide for participation in the STIP and LTIP. For 2013, Ms. Marshall's STIP target is 80% of her prorated salary. Ms. Marshall will receive an LTIP grant on Closing with a grant date fair value of 95% of her prorated salary for 2013, comprised (by grant value) of 50% Unit options and 50% RUs. In addition, in recognition of Ms. Marshall's contribution to the development of the portfolio of Initial Properties and her extraordinary efforts in connection with the establishment of the REIT and related preparations for its initial public offering, the Board has authorized a special option grant to Ms. Marshall on July 12, 2013 with a grant date fair value of \$250,000. Ms. Marshall will continue to participate in the Loblaw Executive DB Plan and the corresponding SERP as well as the Loblaw Executive Benefit Program. All of the costs of Ms. Marshall's participation in the Loblaw plans shall be paid by the REIT. If Ms. Marshall is terminated without cause she will be entitled to payment of salary and bonus (to a maximum of target) for up to 12 months following her cessation date. Ms. Marshall's employment agreement will also contain confidentiality covenants and certain restrictive covenants that will continue to apply following the termination of the agreement, including non-competition and non-solicitation covenants for a period of 12 months following the cessation of her employment.

#### **Pension Plan Arrangements**

Executives of the REIT, including the NEOs, will participate in either of Loblaw's Executive DB Plan or Executive DC Plan. Ms. Marshall participates in the Executive DB Plan while Messrs. Morrison and Munn participate in the Executive DC Plan.

#### ***Executive Defined Benefit Pension Plan and Supplemental Executive Retirement Plan***

Certain senior executives of the REIT, including Ms. Marshall, will participate on a non-contributory basis in the REIT's Executive DB Plan. The REIT will provide SERP allowances to executives who participate in the Executive DB Plan. The SERP will be an unfunded obligation of the REIT and executives who participate in this plan must comply with certain eligibility provisions in order to receive payment, most notably, former executives are not eligible to receive SERP payments while employed by a competitor of the REIT.

Pension entitlements for an executive in the Executive DB Plan and the SERP will be based on the executive's length of service and his or her highest three-year average rate of base salary during his or her years of service with the REIT. For senior executives, the total annual benefits payable under the Executive DB Plan and the SERP will be capped at \$125,000.

The cost of the estimated future Executive DB Plan benefits and SERP benefits for each NEO participating in the Executive DB Plan will be calculated each year by independent actuaries, based on the same method and assumptions used to determine year-end pension plan obligations. Certain accrued obligations in respect of the NEOs and other senior executives for the SERP will be secured by a stand-by letter of credit issued by a major Canadian bank.

### ***Executive Defined Contribution Pension Plan and Supplemental Executive Retirement Plan***

Certain senior executives of the REIT, including Messrs. Morrison and Munn, will participate on a non-contributory basis in the REIT's Executive DC Plan. For 2013, contributions were set as a percentage of base salary (maximum of \$250,000) and were capped at \$23,820 per year. The REIT will enter into retirement agreements with certain executives who participate in the Executive DC Plan to provide SERP benefits to those executives with allocations for contributions in excess of the annual \$23,820 registered plan limit. As noted above, the SERP will be an unfunded obligation of the REIT and executives who participate in this plan must comply with certain eligibility provisions in order to receive payment, most notably, former executives are not eligible to receive SERP payments while employed by a competitor of the REIT.

### **Indebtedness of Directors, Executive Officers and Employees**

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

## **INVESTMENT GUIDELINES AND OPERATING POLICIES**

### **Investment Guidelines**

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

- (a) the REIT will invest primarily, directly or indirectly, in interests (including fee ownership and leasehold interests) in income-producing real estate located in Canada, the United States or Europe that is primarily commercial in nature and assets ancillary thereto necessary for the operation of such real estate and such other activities as are consistent with the other investment guidelines of the REIT;
- (b) notwithstanding anything else contained in the Declaration of Trust, the REIT shall not make or hold any investment, take any action or omit to take any action or permit a Subsidiary to make or hold any investment or take any action or omit to take any action that would result in:
  - (i) the REIT not qualifying as a "mutual fund trust" or a "unit trust" both within the meaning of the Tax Act;
  - (ii) Units not qualifying as qualified investments for Deferred Income Plans;
  - (iii) the REIT not qualifying as a "real estate investment trust" within the meaning of the Tax Act if, as a consequence of the REIT not so qualifying, the REIT or any of its Subsidiaries would be liable to pay a tax imposed under either paragraph 122(1)(b) or subsection 197(2) of the Tax Act; or
  - (iv) the REIT being liable to pay a tax under Part XII.2 of the Tax Act;
- (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 Aggregate Assets at the time the investment is made;
- (d) the REIT may make its investments and conduct its activities, directly or indirectly, through an investment in one or more persons on such terms as the Trustees may from time to time determine, including by way of joint ventures, partnerships (general or limited), and limited liability companies;
- (e) except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province or territory of Canada, deposits with a savings institution, trust company, credit union or similar financial institution that is organized or chartered under the laws of a state 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 these 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 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 10% of Aggregate Assets;
- (h) the REIT may invest in mortgages and mortgage bonds (including participating or convertible mortgages) and similar instruments where:
  - (i) the real property which is security 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 Aggregate Assets; and
- (i) the REIT may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any debt incurred or assumed in connection with such investment) up to 15% of the Aggregate Assets of the REIT in investments which do not comply with one or more of paragraphs (a), (d), (e), (g) and (h).

Any references in the foregoing to investment in real property will be deemed to include an investment in a joint arrangement that invests in real property.

### **Operating Policies**

The Declaration of Trust provides that the operations and affairs of the REIT will 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 this purpose, the term "hedging" has the meaning given by National Instrument 81-102 — *Mutual Funds* adopted by the Canadian Securities Administrators, as replaced or amended from time to time and, in all events, subject to paragraph (b) of the Investment Guidelines described above;
- (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 (other than Loblaw Companies Limited, any Affiliate thereof or, in the case of a lease or sublease in any province, a purchaser of all or substantially all of the assets and operations of Loblaws Inc. in that province) 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 Aggregate Assets;
- (d) the REIT may engage in construction or development of real property to maintain its real properties in good repair or to improve the income-producing potential of properties in which the REIT has an interest;
- (e) the REIT may not engage in construction or development of new properties that will be capital properties of the REIT on completion unless the aggregate value of the investments of the REIT in such properties under development, after giving effect to the proposed investment in the construction or development, shall not exceed 15% of Aggregate Assets;
- (f) title to each real property shall be held by and registered in the name of the REIT, the Trustees or a person wholly-owned, directly or indirectly, by the REIT or jointly-owned, directly or indirectly, by the REIT, with joint venturers or by any other persons in such manner as the Trustees consider appropriate, taking into account advice of legal counsel; provided that, where land tenure will not provide fee simple title, the REIT, the Trustees or a corporation or other entity wholly-owned, directly or indirectly, by the REIT or jointly owned, directly or indirectly, by the REIT or such person as the Trustees consider appropriate shall hold a land lease as appropriate under the land tenure system in the relevant jurisdiction;
- (g) the REIT shall not incur or assume any Indebtedness, other than Permitted Indebtedness, if, after giving effect to the incurrence or assumption of such Indebtedness, the Consolidated Indebtedness (excluding convertible Indebtedness) of the REIT would be more than 60% of Aggregate Adjusted Assets (or 65% of Aggregate Adjusted Assets including convertible Indebtedness);
- (h) except in connection with or related to the Acquisition of the Initial Properties, the REIT shall not directly or indirectly guarantee any indebtedness or liabilities of any person unless such guarantee: (i) is given in connection with or incidental to an investment that is otherwise permitted by the REIT's investment guidelines; (ii) has been approved by the Trustees; and (iii) (A) would not disqualify the REIT as a "mutual fund trust" within the meaning of the Tax Act, and (B) would not result in the REIT losing any status under the Tax Act that is otherwise beneficial to the REIT and its Unitholders;
- (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 either (i) obtain a Phase I environmental site assessment or (ii) be entitled to rely on a Phase I environmental site assessment dated no earlier than six months prior to receipt by the REIT, of each real property to be acquired by it and, if the Phase I environmental site assessment report recommends that a further environmental site assessment be conducted, the REIT shall have conducted such further environmental site assessments, in each case by an independent and experienced environmental consultant.

Any references in the foregoing to investment in real property will be deemed to include an investment in a joint arrangement that invests in real property.

Where any maximum or minimum percentage limitation is specified in any of the investment guidelines or operating policies, such investment guidelines or operating policies shall be applied on the basis of the relevant

amounts calculated immediately after the making of such investment or the taking of such action. Any subsequent change relative to any percentage limitation which results from a subsequent change in the amount of Aggregate Assets will not require the divestiture of any investment.

#### ***Amendments to Investment Guidelines and Operating Policies***

Pursuant to the Declaration of Trust, the investment guidelines set forth under “Investment Guidelines” and the operating policies set forth in sub-paragraphs (a), (g), (h), (j) and (k) under “Operating Policies” may be amended only with the approval of not less than two-thirds of the votes cast at a meeting of Voting Unitholders called for such purposes (or a written resolution signed by Voting Unitholders representing at least two-thirds of the outstanding Voting Units). The remaining operating policies may be amended with the approval of a majority of the votes cast at a meeting of Voting Unitholders called for such purposes (or a written resolution signed by Voting Unitholders representing at least a majority of the outstanding Voting Units).

#### ***Regulatory Conflict***

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, such investment guideline or operating policy in conflict shall, if the Trustees on the advice of legal counsel to the REIT so resolve, be deemed to have been amended to the extent necessary to resolve any such conflict and, notwithstanding anything to the contrary, any such resolution of the Trustees shall not require the prior approval of Unitholders.

### **DECLARATION OF TRUST AND DESCRIPTION OF REIT UNITS**

#### **General**

The REIT is an unincorporated open-ended real estate investment trust established pursuant to the Declaration of Trust under, and governed by, the laws of Ontario. Although the REIT is expected to qualify on Closing as a “mutual fund trust” as defined in the Tax Act, the REIT will not be a “mutual fund” as defined by applicable securities legislation.

#### **Authorized Capital and Outstanding Securities**

The Declaration of Trust authorizes the issuance of an unlimited number of two classes of units, namely “trust units” and “special voting units”. Special Voting Units are only issued in tandem with the issuance of Class B LP Units. As at the date hereof, the REIT has a total of 1 Unit outstanding and no Special Voting Units outstanding.

In addition, “Preferred Units” may from time to time be created and issued in one or more classes (each of which may be made up of unlimited series) without requiring Voting Unitholder approval. Before the issuance of Preferred Units of a series, the Trustees will execute an amendment to the Declaration of Trust containing a description of such series, including the designations, rights, privileges, restrictions and conditions determined by the Trustees, and the class of Preferred Units of which such series is a part. As at the date hereof, the REIT has no Preferred Units outstanding.

The REIT is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on nor does it intend to carry on the business of a trust company.

#### ***Units***

Each Unit is transferable and represents an equal, undivided beneficial interest in the REIT and any distributions from the REIT, whether of net income, net realized capital gains (other than such gains allocated and distributed to redeeming Unitholders) or other amounts and, in the event of the termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. All Units rank among themselves equally and rateably without discrimination, preference or priority. Each Unit entitles the holder

thereof to receive notice of, to attend and to one vote at all meetings of Voting Unitholders or in respect of any written resolution of Voting Unitholders.

Unitholders are entitled to receive distributions from the REIT (whether of net income, net realized capital gains or other amounts) if, as and when declared by the Trustees. Upon the termination or winding-up of the REIT, Unitholders will participate equally with respect to the distribution of the remaining assets of the REIT after payment of all liabilities. Such distribution may be made in cash, as a distribution in kind, or both, all as the Trustees in their sole discretion may determine. Units have no associated conversion or retraction rights. No person is entitled, as a matter of right, to any pre-emptive right to subscribe for or acquire any Unit, except for Loblaw as set out in the Exchange Agreement, or as otherwise agreed to by the REIT pursuant to a binding written agreement.

### *Special Voting Units*

Special Voting Units are only issued in tandem with Class B LP Units and are not transferable separately from the Class B LP Units to which they relate and, upon any valid transfer of Class B LP Units, such Special Voting Units will automatically be transferred to the transferee of the Class B LP Units. As Class B LP Units are exchanged for Units or redeemed or purchased for cancellation by the Partnership, the corresponding Special Voting Units will be cancelled for no consideration.

Each Special Voting Unit entitles the holder thereof to receive notice of, to attend, and to one vote at all meetings of Voting Unitholders or in respect of any resolution in writing of Voting Unitholders. Except for the right to attend and vote at meetings of Voting Unitholders or in respect of written resolutions of Voting Unitholders, Special Voting Units do not confer upon the holders thereof any other rights. A Special Voting Unit does not entitle its holder to any economic interest in the REIT, or to any interest or share in the REIT, any of its distributions (whether of net income, net realized capital gains or other amounts) or in any of its net assets in the event of the termination or winding-up of the REIT.

### *Preferred Units*

The Trustees may fix from time to time before such issue the number of Preferred Units which is to comprise each class and series and the designation, rights, privileges, restrictions and conditions attaching to each class and series of Preferred Units including any voting rights, the rate or amount of distributions (which may be cumulative or non-cumulative and variable or fixed) or the method of calculating distributions, the dates of payment thereof, the terms and conditions of redemption, purchase and conversion, if any, any rights on the liquidation, dissolution or winding-up of the REIT, and any sinking fund or other provisions.

The Preferred Units of each class and series will, with respect to the payment of distributions (other than distributions paid solely through the distribution of additional Units) and the distribution of assets of the REIT or return of capital in the event of liquidation, dissolution or winding-up of the REIT, whether voluntary or involuntary, or any other return of capital or distribution of assets of the REIT among the unitholders for the purpose of winding-up its affairs, be entitled to preference over the units ranking by their terms junior to the Preferred Units. The Preferred Units of any series may also be given other preferences over the units ranking by their terms junior to the Preferred Units, so long as such preferences are not inconsistent with the Declaration of Trust.

In the event that the REIT decides to create and issue Preferred Units in the future, it intends to obtain an Advance Income Tax Ruling from CRA with respect to the amendments to the Declaration of Trust that would be necessary to provide for the issuance of Preferred Units. It is unlikely that the REIT would proceed with any such amendments unless CRA confirms that such amendments will not, in and of themselves, result in a disposition by existing Unitholders of their Units or result in a disposition by the REIT of its property or in a resettlement of the REIT or result in any other material adverse consequence to the REIT or the Unitholders.

For greater certainty, the REIT has no present intention of issuing Preferred Units, but wishes to have the flexibility to do so in the future as a means of seeking an alternate source of equity financing. The REIT has no present intention of creating or issuing Preferred Units for anti-takeover purposes.

## **Issuance of Units**

Subject to the pre-emptive rights of Loblaw contained in the Exchange Agreement, Units or rights to acquire Units or other securities may be created, issued and sold at such times, to such persons, for such consideration and on such terms and conditions as the Trustees determine, including pursuant to a rights plan, distribution reinvestment plan, purchase plan or any incentive option or other compensation plan. Units will be issued only when fully paid in money, property or past services, and they will not be subject to future calls or assessments, provided that Units may be issued and sold on an installment basis and the REIT may take security over any such Units so issued. Where the Trustees determine that the REIT does not have available cash in an amount sufficient to pay the full amount of any distribution, the payment may, at the option of the Trustees, include or consist entirely of the issuance of additional Units having a fair market value determined by the Trustees equal to the difference between the amount of the distribution and the amount of cash that has been determined by the Trustees to be available for the payment of such distribution. These additional Units will be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing. The Declaration of Trust also provides that unless the Trustees determine otherwise, and subject to all necessary regulatory approvals, immediately after any *pro rata* distribution of additional Units to all Unitholders as described above, the number of outstanding Units will automatically be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the distribution of such additional Units. In such circumstances, each certificate representing a number of Units prior to the distribution of additional Units will be deemed to represent the same number of Units after the distribution of such additional Units and the consolidation. If tax is required to be withheld from a Unitholder's share of the distribution, the consolidation will not result in such Unitholder holding the same number of Units. Each such Unitholder will be required to surrender the certificates, if any, representing that Unitholder's original Units in exchange for a certificate representing that Unitholder's post consolidation Units.

The Trustees may refuse to allow the issuance of or to register the transfer of Units where such issuance or transfer would, in their opinion, adversely affect the treatment of the REIT under applicable Canadian tax laws or their qualification to carry on any relevant business. See “— Limitations on Non-Resident Ownership of Units”.

## **Repurchase of Units**

The REIT may, from time to time, purchase all or a portion of the Units for cancellation at a price per Unit and on a basis determined by the Trustees in accordance with applicable securities laws and stock exchange rules.

## **Limitations on Non-Resident Ownership of Units**

In order for the REIT to maintain its status as a mutual fund trust under the Tax Act, it must not be established or maintained primarily for the benefit of non-resident persons. Accordingly, the Declaration of Trust provides that at no time may Non-Residents be the beneficial owners of more than 49% of the Units on either a basic or fully-diluted basis and the REIT has informed its transfer agent and registrar of this restriction. The Trustees may require a registered holder of Units to provide them with a declaration as to the jurisdictions in which beneficial owners of Units registered in such holder's name are resident and as to whether such beneficial owner is Non-Resident (and, in the case of a partnership, whether the partnership is Non-Resident). If the Trustees become aware, as a result of such declarations as to beneficial ownership or as a result of any other investigations, that the beneficial owners of more than 49% of the Units on either a basic or fully-diluted basis are, or may be, Non-Residents or that such a situation is imminent, the Trustees may make a public announcement thereof and will not accept a subscription for Units from, or issue or register a transfer of Units to, a person unless the person provides a declaration in form and content satisfactory to the Trustees that the person is not a Non-Resident and does not hold such Units for the benefit of Non-Residents. If, notwithstanding the foregoing, the Trustees determine that more than 49% of the Units on either a basic or fully-diluted basis are held by Non-Residents, the Trustees may send or cause to be sent a notice to such Non-Resident Unitholders chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified

period of not more than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Trustees with satisfactory evidence that they are not Non-Residents within such period, the Trustees may on behalf of such persons sell or cause to be sold such Units and, in the interim, will suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders will cease to be holders of the relevant Units and their rights will be limited to receiving the net proceeds of sale upon surrender of the certificates, if any, representing such Units. Notwithstanding the foregoing, the Trustees may determine not to take any of the actions described above if the Trustees have been advised by legal counsel that the failure to take any of such actions would not adversely impact the status of the REIT as a mutual fund trust for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the REIT as a mutual fund trust for purposes of the Tax Act.

### **Nomination of Trustees**

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

In addition to any other applicable requirements, for a nomination to be made by a Nominating Unitholder, the Nominating Unitholder must have given timely notice thereof in proper written form to the Trustees. To be timely, a Nominating Unitholder’s notice to the Trustees must be made: (a) in the case of an annual meeting of Voting Unitholders, not less than 30 nor more than 65 days prior to the date of the annual meeting of Voting Unitholders; provided, however, that in the event that the annual meeting of Voting Unitholders is to be held on a date that is less than 50 days after the date (the “Notice Date”) that is the earlier of the date that a notice of meeting is filed for such meeting or the date on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Unitholder may be made not later than the close of business on the tenth day following the Notice Date; and (b) in the case of a special meeting (which is not also an annual meeting) of Voting Unitholders called for the purpose of electing Trustees (whether or not called for other purposes), not later than the close of business on the 15<sup>th</sup> day following the day that is the earlier of the date that a notice of meeting is filed for such meeting or the date on which the first public announcement of the date of the special meeting of Voting Unitholders was made. In no event shall any adjournment or postponement of a meeting of Voting 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 Voting Unitholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and (D) any other information relating to the person that would be required to be disclosed in a dissident’s proxy circular in connection with solicitations of proxies for election of Trustees pursuant to applicable securities laws; and (b) as to the Nominating Unitholder giving the notice, any proxy, contract,

arrangement, understanding or relationship pursuant to which such Nominating Unitholder has a right to vote any Voting Units and any other information relating to such Nominating Unitholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of Trustees pursuant to applicable securities laws. The REIT may require any proposed nominee to furnish such other information as may reasonably be required by the REIT to determine the eligibility of such proposed nominee to serve as an Independent Trustee or that could be material to a reasonable Voting Unitholder's understanding of the independence, or lack thereof, of such proposed nominee.

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.

The Declaration of Trust also provides Loblaw, in the event that its effective interest in the REIT on a fully-diluted basis is less than 50%, with the exclusive right to nominate a number of Trustees, proportionate to Loblaw's ownership interest in the REIT (on a fully-diluted basis), whether held directly or indirectly, rounded down to the nearest whole number, for election by Voting Unitholders; provided that, so long as Loblaw owns at least a 10% effective ownership interest in the REIT (on a fully-diluted basis), whether held directly or indirectly, Loblaw shall have the right to nominate not less than one Trustee.

### **Redemption Right**

A Unitholder may at any time demand redemption of some or all of its Units by delivering to the REIT a duly completed and properly executed notice requiring redemption in a form satisfactory to the Trustees, together with written instructions as to the number of Units to be redeemed. Upon receipt of the redemption notice by the REIT, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof will be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of:

- (a) 90% of the Market Price (as defined below) of a Unit calculated as of the date on which the Units were surrendered for redemption (the "Redemption Date"); and
- (b) 100% of the Closing Market Price (as defined below) on the Redemption Date.

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

- (a) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date;
- (b) an amount equal to the weighted average of the Closing Market Prices of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or
- (c) if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, an amount equal to the simple average of the following prices established for each of the 10 consecutive trading days ending on such date: the simple average of the last bid and last asking price of the Units for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the simple average of the highest and lowest prices of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day.

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

- (a) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading on the specified date if the principal exchange or

market provides information necessary to compute a weighted average trading price of the Units on the specified date;

- (b) an amount equal to the closing price of a Unit on the principal market or exchange on the specified date if there was a trade on the specified date and the principal exchange or market provides only a closing price of the Units on the specified date;
- (c) an amount equal to the simple average of the highest and lowest prices of the Units on the principal market or exchange, if there was trading on the specified date and the principal exchange or market provides only the highest and lowest trading prices of the Units on the specified date; or
- (d) the simple average of the last bid and last asking prices of the Units on the principal market or exchange, if there was no trading on the specified date.

If Units are not listed or quoted for trading in a public market, the Redemption Price will be the fair market value of the Units, which will be determined by the Trustees in their sole discretion. The aggregate Redemption Price payable by the REIT in respect of any Units surrendered for redemption during any calendar month will be satisfied by way of a cash payment in Canadian dollars on or before the last day of the calendar month immediately following the month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by the REIT in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed \$50,000 (the “Monthly Limit”) (provided that such limitation may be waived at the discretion of the Trustees in respect of all Units tendered for redemption in such calendar month); (ii) at the time such Units are tendered for redemption, the outstanding Units must be listed for trading on the TSX or traded or quoted on any other stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; and (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, in any market where the Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10-day trading period commencing immediately after the Redemption Date.

To the extent a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the Monthly Limit, then the portion of the Redemption Price per Unit equal to the Monthly Limit divided by the number of Units tendered for redemption in the month shall be paid and satisfied by way of a cash payment in Canadian dollars and the remainder of the Redemption Price per Unit shall be paid and satisfied by way of a distribution *in specie* to such Unitholder of Subsidiary Notes having a fair market value equal to the product of (i) the remainder of the Redemption Price per Unit of the Units tendered for redemption and (ii) the number of Units tendered by such Unitholder for redemption. To the extent a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the limitations described at (ii) or (iii) of the foregoing paragraph, then the Redemption Price per Unit shall be paid and satisfied by way of a distribution *in specie* of Subsidiary Notes having a fair market value determined by the Trustees equal to the product of (i) the Redemption Price per Unit of the Units tendered for redemption and (ii) the number of Units tendered by such Unitholder for redemption. No Subsidiary Notes in integral multiples of less than \$100 will be distributed and, where Subsidiary Notes to be received by a Unitholder includes a multiple less than that number, the number of Subsidiary Notes shall be rounded to the next lowest integral multiple of \$100 and the balance shall be paid in cash. The Redemption Price payable as described in this paragraph in respect of Units tendered for redemption during any month shall be paid by the transfer to or to the order of the Unitholder who exercised the right of redemption, of the Subsidiary Notes, if any, and the cash payment, if any, on or before the last day of the calendar month immediately following the month in which the Units were tendered for redemption. Payments by the REIT as described in this paragraph are conclusively deemed to have been made upon the mailing of certificates representing the Subsidiary Notes, if any, and a cheque, if any, by registered mail in a postage prepaid envelope addressed to the former Unitholder and/or any party having a security interest and, upon such payment, the REIT shall be discharged from all liability to such former Unitholder and any party having a security interest in respect of the Units so redeemed. The REIT shall be entitled to all accrued interest, paid or unpaid on the Subsidiary Notes, if any, on or before the date of distribution *in specie* as described in the foregoing paragraph. Any issuance of Subsidiary Notes will be subject to receipt of all necessary regulatory approvals, which the REIT shall use reasonable commercial efforts to obtain forthwith.

It is anticipated that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Units. Subsidiary Notes which may be distributed to Unitholders in connection with a redemption will not be listed on any exchange, no market is expected to develop in Subsidiary Notes and such securities may be subject to an indefinite “hold period” or other resale restrictions under applicable securities laws. Subsidiary Notes so distributed may not be qualified investments for Registered Plans, depending upon the circumstances at the time.

## **Trustees**

The Declaration of Trust provides that the REIT will have a minimum of five and a maximum of twelve Trustees, the majority of whom must be resident Canadians. The number of Trustees may be increased or decreased within such limits from time to time by the Voting Unitholders by ordinary resolution or by the Trustees, provided that the Trustees may not, between meetings of the Voting Unitholders, appoint an additional Trustee if, after such appointment, the total number of Trustees would be greater than one and one-third times the number of Trustees in office immediately following the previous annual meeting of Voting Unitholders. A vacancy occurring among the Trustees may be filled by resolution of the remaining Trustees or by the Voting Unitholders at a meeting of the Voting Unitholders. If at any time a majority of Trustees are Non-Residents because of the death, resignation, adjudicated incompetence, removal or change in circumstances of any Trustee who was a resident Canadian, the remaining Trustees, whether or not they constitute a quorum, will appoint a sufficient number of resident Canadian Trustees to comply with the requirement that a majority of Trustees will be at all times resident Canadians.

In addition, a majority of the Trustees must at all times be Independent Trustees. If at any time a majority of Trustees are not Independent Trustees because of the death, resignation, bankruptcy, adjudicated incompetence, removal or change in circumstance of any Trustee who was an Independent Trustee, this requirement will not be applicable for a period of 60 days after such occurrence, during which time the remaining Trustees shall appoint a sufficient number of Independent Trustees to comply with this requirement.

The Declaration of Trust provides that, subject to its terms and conditions, the Trustees have, without further authorization and free from any control or direction on the part of the Voting Unitholders, full, absolute and exclusive power, control and authority over the assets and affairs of the REIT to the same extent as if the Trustees were the sole and absolute beneficial owners of the assets of the REIT, to do all acts and things as in their sole and absolute judgment and discretion are necessary or incidental to, or desirable for, carrying out any of the purposes or conducting the affairs of the REIT. All meetings of the Trustees (and any committees) shall take place in Canada.

Trustees are appointed at each annual meeting of Voting Unitholders to hold office for a term expiring at the close of the next annual meeting and are eligible for re-election. The Declaration of Trust provides that a Trustee may resign at any time upon written notice to the Lead Trustee or, if there is no Lead Trustee, to the chair or, if there is no chair, to the President of the REIT or, if there is no President, to the Unitholders. A Trustee may be removed at any time with or without cause by an ordinary resolution of the Voting Unitholders at a meeting of Voting Unitholders or by the written consent of Voting Unitholders holding in the aggregate not less than a majority of the outstanding Voting Units or with cause by a resolution passed by at least two-thirds of the other Trustees.

The Declaration of Trust provides that the Trustees will act honestly and in good faith with a view to the best interests of the REIT and its Voting Unitholders and, in connection with that duty, will exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

## **Committees**

The Declaration of Trust requires that the Trustees appoint a Governance, Compensation and Nominating Committee and an Audit Committee. In addition, the Trustees may create such additional committees as they, in their discretion, determine to be necessary or desirable for the purposes of properly governing the affairs of the REIT.

## **Conflicts of Interest**

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

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

- (a) an acquisition of a property or an investment in a property, whether by co-investment or otherwise, or the provision of any financing, development or leasing services in respect of a property under the terms of the Strategic Alliance Agreement or otherwise in which Loblaw or an Affiliate of Loblaw or any Related Party of the REIT has any direct or indirect interest, whether as owner, operator, tenant or manager;
- (b) a material change to any agreement with Loblaw or an Affiliate of Loblaw or a Related Party of the REIT or any approval, consent, waiver or other decision of Trustees thereunder, or any renewal, extension or termination thereof or any increase in any fees (including any transaction fees) or distributions payable thereunder;
- (c) the entering into of, or the waiver, exercise or enforcement of any rights or remedies under, any agreement entered into by the REIT, or the making, directly or indirectly, of any co-investment, in each case, with (i) any Trustee, (ii) any entity directly or indirectly controlled by any Trustee in which any Trustee holds a significant interest, or (iii) any entity for which any Trustee acts as a director or in other similar capacity;
- (d) the refinancing, increase or renewal of any indebtedness owed by or to (i) any Trustee, (ii) any entity directly or indirectly controlled by any Trustee or in which any Trustee holds a significant interest, or (iii) any entity for which any Trustee acts as a director or in other similar capacity; or
- (e) decisions relating to any claims by or against one or more parties to any agreement with Loblaw or an Affiliate of Loblaw or any Related Party of the REIT.

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

## **Meetings of Voting Unitholders**

The Declaration of Trust provides that meetings of Voting Unitholders will be called and held annually for the election of Trustees and the appointment of auditors for the ensuing year, the presentation of the consolidated financial statements of the REIT for the immediately preceding fiscal year, and the transaction of such other business as the Trustees may determine or as may be properly brought before the meeting.

A meeting of Voting Unitholders may be convened by the Trustees at any time and for any purpose and must be convened, except in certain circumstances, if requisitioned by the holders of not less than 5% of the

Voting Units then outstanding by a written requisition. A requisition must state in reasonable detail the business proposed to be transacted at the meeting.

Voting Unitholders may attend and vote at all meetings of Voting Unitholders either in person or by proxy and a proxyholder need not be a Voting Unitholder. Two or more persons present in person or represented by proxy and representing in total at least 10% of the votes attached to all outstanding units will constitute a quorum for the transaction of business at all meetings.

The Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Voting Unitholders similar to those required under the CBCA.

#### **Amendments to the Declaration of Trust and Other Extraordinary Matters**

The Declaration of Trust, except where specifically provided otherwise, may be amended only with the approval of a majority of the votes cast by the Voting Unitholders at a meeting called for that purpose or the written approval of the Voting Unitholders holding a majority of the outstanding Voting Units. Notwithstanding the foregoing, certain amendments and certain extraordinary matters will require the approval of at least two-thirds of the votes cast by the Voting Unitholders at a meeting of Voting Unitholders called for that purpose or the written approval of Voting Unitholders holding more than two-thirds of the outstanding Voting Units, including:

- (i) any amendments to the amendment provisions of the Declaration of Trust;
- (ii) an exchange, reclassification or cancellation of all or part of the Units or Special Voting Units;
- (iii) the change or removal of the rights, privileges, restrictions or conditions attached to the Units or Special Voting Units, including, without limitation,
  - the removal or change of rights to distributions;
  - the removal of or change to conversion privileges, redemption privileges, options, voting, transfer or pre-emptive rights; or
  - the reduction or removal of a distribution preference or liquidation preference;
- (iv) the creation of new rights or privileges attaching to certain of the Units or Special Voting Units;
- (v) any change to the existing constraints on the issue, transfer or ownership of the Units or Special Voting Units, except as provided in the Declaration of Trust;
- (vi) the sale of the REIT's property as an entirety or substantially as an entirety (other than as part of an internal reorganization approved by the Trustees);
- (vii) the combination, amalgamation or arrangement of the REIT or any of its Subsidiaries with any other entity that is not the REIT or a Subsidiary of the REIT (other than as part of an internal reorganization as approved by the Trustees);
- (viii) a material change to the Limited Partnership Agreement; and
- (ix) certain amendments to the investment guidelines and operating policies of the REIT.

A majority of the Trustees may, however, without the approval of the Voting Unitholders, make certain amendments to the Declaration of Trust, including amendments for the purpose of:

- (i) ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees, the REIT or the distribution of the Units or Special Voting Units;
- (ii) providing additional protection or added benefits which are, in the opinion of the Trustees, necessary to maintain the rights of the Voting Unitholders set out in the Declaration of Trust;
- (iii) removing any conflicts or inconsistencies in the Declaration of Trust or making corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Voting Unitholders;

- (iv) making amendments of a minor or clerical nature or to correct typographical mistakes, ambiguities or manifest errors, which amendments are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Voting Unitholders;
- (v) making amendments which are, in the opinion of the Trustees, necessary or desirable as a result of changes in taxation or other laws or accounting standards from time to time which may affect the REIT or the Voting Unitholders to ensure the Units qualify as equity for purposes of GAAP;
- (vi) making amendments which, in the opinion of the Trustees are necessary or desirable to enable the REIT to implement a Unit option or purchase plan, the DRIP, or to issue Units for which the purchase price is payable in installments;
- (vii) creating and issuing one or more new classes of Preferred Units that rank in priority to the Units (in respect of payment of distributions and in connection with any termination or winding-up of the REIT);
- (viii) that are deemed necessary or advisable to ensure that the REIT has not been established nor maintained primarily for the benefit of persons who are not resident Canadians; or
- (ix) for any purpose which, in the opinion of the Trustees, is not prejudicial to Voting Unitholders and is necessary or desirable.

In no event will the Trustees amend the Declaration of Trust if such amendment would amend Voting Unitholders' voting rights, cause the REIT to fail to qualify as a "mutual fund trust", "real estate investment trust" or "unit trust" under the Tax Act or cause the REIT or a Subsidiary of the REIT to be subject to tax under paragraph 122(1)(b), subsection 197(2) or Part XII.2 of the Tax Act.

#### **Take-Over Bids**

The Declaration of Trust contains provisions to the effect that if a take-over bid is made for Units and not less than 90% of the Units (including Units issuable on the exchange of any exchangeable securities, including Class B LP Units, but excluding Units held at the date of the take-over bid by or on behalf of the offeror or associates or Affiliates of the offeror or those acting jointly or in concert with them) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by holders who did not accept the take-over bid on the terms on which the offeror acquired Units from holders who accepted the take-over bid.

#### **Information and Reports**

Prior to each meeting of Voting Unitholders, the Trustees will make available to the Voting Unitholders (along with notice of the meeting) information similar to that required to be provided to shareholders of a corporation governed by the CBCA and as required by applicable securities laws and stock exchange requirements.

#### **Rights of Unitholders**

The rights of the Unitholders and the attributes of the Units are established and governed by the Declaration of Trust. Although the Declaration of Trust confers upon a Unitholder many of the same protections, rights and remedies as an investor would have as a shareholder of a corporation governed by the CBCA, significant differences exist, some of which are described below.

Many of the provisions of the CBCA respecting the governance and management of a corporation are incorporated in the Declaration of Trust. For example, Unitholders are entitled to exercise voting rights in respect of their holdings of Units in a manner comparable to shareholders of a CBCA corporation and to elect Trustees and the auditors of the REIT. The Declaration of Trust also includes provisions modeled after comparable provisions of the CBCA dealing with the calling and holding of meetings of Voting Unitholders and Trustees, the procedures at such meetings and the right of the Voting Unitholders to participate in the decision making process where certain fundamental actions are proposed to be undertaken. The matters in respect of which approval by the Voting Unitholders is required under the Declaration of Trust are generally less extensive than the rights conferred on the shareholders of a CBCA corporation, but effectively extend to certain

fundamental actions that may be undertaken by the Subsidiaries of the REIT. These approval rights are supplemented by provisions of applicable securities laws that are generally applicable to issuers (whether corporations, trusts or other entities) that are “reporting issuers” or the equivalent or are listed on the TSX.

Unitholders do not have recourse to a dissent right under which shareholders of a CBCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, a continuance under the laws of another jurisdiction, the sale of all or substantially all of its property, a going private transaction or the addition, change or removal of provisions restricting: (a) the business or businesses that the corporation can carry on; or (b) the issue, transfer or ownership of shares). Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of a CBCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or which disregard the interests of securityholders and certain other parties. Shareholders of a CBCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The Declaration of Trust does not include a comparable right. The CBCA also permits shareholders to bring or intervene in derivative actions in the name of a corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include a comparable right.

### **Non-Certificated Inventory System**

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

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

## DETAILS OF THE OFFERING

This Offering consists of \$400 million aggregate principal amount of Series A Debentures and \$200 million aggregate principal amount of Series B Debentures.

The Debentures will be issued under the Indenture between the REIT and the Indenture Trustee. The issuance of the Series A Debentures will be made by way of the First Supplemental Indenture between the REIT and the Indenture Trustee and the issuance of the Series B Debentures will be made by way of the Second Supplemental Indenture between the REIT and the Indenture Trustee, which, together with the Indenture, sets out the terms of the Series A Debentures and the Series B Debentures, respectively. The following summary of the material terms of the Debentures does not purport to be complete. For full particulars of such terms, reference should be made to the Indenture and the relevant Supplemental Indenture.

### General

The Series A Debentures will be issued in \$1,000 denominations initially issued for a purchase price of \$1,000 for each \$1,000 principal amount of Series A Debentures, will be dated July 5, 2013, will bear interest at the rate of 3.554% per annum, payable in equal semi-annual installments on January 5 and July 5 in each year, with the first payment of interest due on January 5, 2014, and will mature on July 5, 2018.

The Series B Debentures will be issued in \$1,000 denominations initially issued for a purchase price of \$1,000 for each \$1,000 principal amount of Series B Debentures, will be dated July 5, 2013, will bear interest at the rate of 4.903% per annum, payable in equal semi-annual installments on January 5 and July 5 in each year, with the first payment of interest due on January 5, 2014, and will mature on July 5, 2023.

Interest on the Debentures will be computed on the basis of a year of 365 days (or 366 days in the case of a leap year) based on the actual number of days elapsed during the applicable interest period and will accrue from day to day. The aggregate principal amount of the Series A Debentures and the Series B Debentures that may be issued under the applicable Supplemental Indenture will be unlimited.

### Rank

The Debentures will be direct senior unsecured obligations of the REIT and will rank equally and rateably with one another and with all other unsecured and unsubordinated Indebtedness of the REIT, except to the extent prescribed by law.

### Guarantee

The Debentures will be guaranteed by each of the General Partner, the Partnership and any other Person that becomes a Subsidiary of the REIT (other than a Nominee Subsidiary or an inactive Subsidiary) after the Closing Date. In the case of default by the REIT, the Indenture Trustee will, subject to the Indenture, be entitled to seek redress from the Guarantors for the guaranteed obligations in the same manner and upon the same terms that it may seek to enforce the obligations of the REIT. These Guarantees are intended to eliminate structural subordination, which arises as a consequence of the REIT's assets being primarily held in various Subsidiaries of the REIT. A Guarantor may be released from its Guarantee in certain circumstances where it no longer remains a majority-owned Subsidiary of the REIT. A Guarantor that is not a resident of Canada (within the meaning of the Tax Act) may be released from its Guarantee in certain circumstances set out in the applicable guarantee. See "Risk Factors — Structural Subordination of the Debentures".

Following Closing, the financial results of the Guarantors will be included in the consolidated financial results of the REIT that will be filed from time to time in accordance with applicable securities laws.

### Redemption by the REIT

At its option, the REIT may redeem the Debentures at any time, in whole or in part, on payment of a redemption price equal to the greater of (i) the applicable Canada Yield Price and (ii) par, together in each case with accrued and unpaid interest to the date fixed for redemption. The REIT will give notice of redemption at least 30 days but not more than 60 days before the date fixed for redemption. Where less than all of the Series A

Debentures or Series B Debentures are to be redeemed pursuant to their terms, the applicable Debentures to be so redeemed will be redeemed on a *pro rata* basis according to the principal amount of Debentures registered in the respective name of each holder of Debentures or in such other manner as the Indenture Trustee may consider equitable. In the event that the REIT elects to redeem the Series B Debentures in whole (but not in part) within three calendar months or less of such Debentures' applicable maturity date, the redemption price for such Series B Debentures to be redeemed by the REIT shall be par, together with accrued and unpaid interest to the date fixed for redemption (less any taxes required by law to be deducted or withheld).

For the purposes of the foregoing provisions in respect of the Series A Debentures, the following terms will be defined in the First Supplemental Indenture (pursuant to which the Series A Debentures will be issued) substantially as follows:

**“Canada Yield Price”** means a price equal to the price of a Series A Debenture calculated to provide a yield to maturity, compounded semi-annually and calculated in accordance with generally accepted financial practice, equal to the Government of Canada Yield calculated on the date on which the REIT gives notice of redemption pursuant to the Indenture plus 0.410%.

**“Government of Canada Yield”** on any date means the yield to maturity on such date, compounded semi-annually and calculated in accordance with generally accepted financial practice, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada, at 100% of its principal amount on such date with a term to maturity equal to the remaining term to maturity calculated as of the redemption date of the Series A Debentures, such yield to maturity being the average of the yields provided by two major Canadian investment dealers selected by the REIT.

For the purposes of the foregoing provisions in respect of the Series B Debentures, the following terms will be defined in the Second Supplemental Indenture (pursuant to which the Series B Debentures will be issued) substantially as follows:

**“Canada Yield Price”** means a price equal to the price of a Series B Debenture calculated to provide a yield to maturity, compounded semi-annually and calculated in accordance with generally accepted financial practice, equal to the Government of Canada Yield calculated on the date on which the REIT gives notice of redemption pursuant to the Indenture plus 0.595%.

**“Government of Canada Yield”** on any date means the yield to maturity on such date, compounded semi-annually and calculated in accordance with generally accepted financial practice, which a non-callable Government of Canada bond would carry if issued in Canadian dollars in Canada, at 100% of its principal amount on such date with a term to maturity equal to the remaining term to maturity calculated as of the redemption date of the Series B Debentures, such yield to maturity being the average of the yields provided by two major Canadian investment dealers selected by the REIT.

### **Purchase of Debentures**

The REIT may at any time and from time to time purchase Debentures in the market (which will include purchases from or through an investment dealer or a firm holding membership on a recognized stock exchange) or by tender or private contract at any price. Debentures that are so purchased will be cancelled and will not be reissued or resold.

### **Certain Covenants**

Each of the Supplemental Indentures will contain covenants substantially to the following effect, in addition to those prescribed in the Indenture.

#### *Consolidated EBITDA to Debt Service Ratio*

The REIT will maintain at all times a ratio of Consolidated EBITDA to Debt Service of not less than 1.50:1.

Each of the Supplemental Indentures will provide that Consolidated EBITDA will be calculated on a pro forma basis for the Reference Period giving effect to the Indebtedness to be incurred, Indebtedness incurred

to the date of calculation and, in each case, to the application of the proceeds therefrom and, for this purpose, (i) all Indebtedness incurred since the first day of the Reference Period and the application of the proceeds therefrom, including Indebtedness incurred to refinance other Indebtedness, will be deemed to have occurred at the beginning of the Reference Period, (ii) the repayment or retirement of any other Indebtedness since the first day of the Reference Period will be deemed to have been repaid or retired at the beginning of the Reference Period (except that, in making such computation, the amount of Indebtedness under any revolving credit facility will be computed based upon the average daily balance of such Indebtedness during the Reference Period), (iii) in the case of Acquired Indebtedness acquired since the first day of the Reference Period, the related acquisition will be deemed to have occurred as of the first day of the Reference Period with the appropriate adjustments with respect to such acquisition being included in such pro forma calculation and (iv) in the case of any acquisition or disposition by the REIT or its Subsidiaries of any asset or group of assets since the first day of the Reference Period, whether by merger, share purchase or sale, or asset purchase or sale, such acquisition or disposition or any related repayment of Indebtedness will be deemed to have occurred as of the first day of the Reference Period with the appropriate adjustments with respect to such acquisition or disposition being included in such pro forma calculation *provided that*, until there are four completed fiscal quarters of the REIT, the calculation of Consolidated EBITDA will be done on an annualized basis using the actual results of the REIT for the available fiscal quarters, incorporating each fiscal quarter of the REIT as it is completed and provided further that, until the completion of the interim period commencing July 1, 2013 and ending September 30, 2013, the Consolidated EBITDA for such period shall be \$456,057,000.

#### *Restrictions on Additional Indebtedness*

The REIT will not incur, or permit any Subsidiary to incur, any Indebtedness, other than Permitted Indebtedness, unless:

(A) (i) the quotient (expressed as a percentage) obtained by dividing Consolidated Indebtedness (excluding any convertible Indebtedness) by the amount of Aggregate Adjusted Assets (in the case of each such amount, less cash or cash equivalents on hand) and calculated on a *pro forma* basis would be less than or equal to 60%, and (ii) the quotient (expressed as a percentage) obtained by dividing the sum of Consolidated Indebtedness (including, for certainty, any convertible Indebtedness) plus the aggregate amount of capital ascribed to the Class C LP Units by the amount of Aggregate Adjusted Assets (in the case of each such amount, less cash or cash equivalents on hand) and calculated on a *pro forma* basis would be less than or equal to 65% (the 60% and 65% percentages in the preceding clauses (i) and (ii) being the “Indebtedness Percentage”); and

(B) the ratio of Consolidated Secured Indebtedness to Aggregate Adjusted Assets (in the case of each such amount, less cash or cash equivalents on hand) and calculated on a *pro forma* basis (the “Secured Coverage Ratio”) would not be more than 40%.

Each such calculation will (i) be made on each day that the REIT or any Subsidiary proposes to incur such Indebtedness, and (ii) include Proportionate Consolidation Adjustments.

The Supplemental Indentures will provide that the Indebtedness Percentage and the Secured Coverage Ratio will be calculated on a *pro forma* basis as at the date of the REIT’s most recently published annual or interim consolidated balance sheet (the “Balance Sheet Date”) giving effect to the incurrence of the Indebtedness to be incurred and the application of the proceeds therefrom and to any other event that has increased or decreased Consolidated Indebtedness or Consolidated Secured Indebtedness, convertible Indebtedness, the capital ascribed to the Class C LP Units or Aggregate Adjusted Assets (in each case, as applicable to such calculation) since the Balance Sheet Date to the date of calculation; *provided that* until the date of the REIT’s first published annual or interim consolidated balance sheet, the Balance Sheet Date shall be deemed to be the Closing Date.

#### *Maintenance of Unencumbered Aggregate Adjusted Assets*

The REIT will maintain at all times a ratio of Unencumbered Aggregate Adjusted Assets (excluding construction assets and other non-income producing assets) to the aggregate principal amount of the REIT’s outstanding Consolidated Unsecured Indebtedness (excluding Subordinated Indebtedness) (the “Coverage Ratio”) of not less than 1.50:1.00.

Each of the Supplemental Indentures will provide that the Coverage Ratio will be calculated on a pro forma basis as at the Balance Sheet Date giving effect to the incurrence of the Indebtedness to be incurred and the application of proceeds therefrom and to any other event that has increased or decreased Consolidated Unsecured Indebtedness (other than Subordinated Indebtedness) or Unencumbered Aggregate Adjusted Assets (excluding construction assets and other non-income producing assets) since the Balance Sheet Date to the date of calculation; *provided that* until the date of the REIT's first published annual or interim consolidated balance sheet, the Balance Sheet Date shall be deemed to be the Closing Date.

#### *Restrictions on Consolidations and Mergers*

Neither the REIT nor any Guarantor may consolidate with, amalgamate or merge with or into or sell, assign, transfer or lease all or substantially all of its properties and assets unless:

- (i) the entity formed by such consolidation or amalgamation or into which the REIT or the relevant Guarantor is merged or the entity which acquires by operation of law or by conveyance or by transfer the assets of the REIT or the relevant Guarantor substantially as an entirety is (i) with respect to the REIT, a corporation or unincorporated organization organized or existing under the laws of Canada or any province or territory thereof and (ii) with respect to the relevant Guarantor, a corporation or unincorporated organization organized or existing under (x) the laws of Canada or any province or territory thereof to the extent that such Guarantor's jurisdiction of organization is Canada or a province or territory thereof, (y) the laws of the United States or any state thereof to the extent that such Guarantor's jurisdiction of organization is the United States or any state thereof, or (z) the jurisdiction of organization of the relevant Guarantor if other than the foregoing and, in each case, (except where such assumption is deemed to have occurred solely by the operation of law) such entity assumes under a supplemental trust indenture all of the obligations of the REIT or the relevant Guarantor under the Indenture, the Supplemental Indentures and the Debentures and such transaction to the satisfaction of the Indenture Trustee and in the opinion of counsel will be upon such terms to preserve and not to impair any of the rights and powers of the Indenture Trustee and the holders of any Debentures;
- (ii) immediately before and immediately after giving effect to such transaction, no Event of Default (as defined in the Indenture) has occurred and is continuing;
- (iii) immediately after giving effect to such transaction, the surviving entity could incur at least \$1.00 of additional Indebtedness; and
- (iv) the REIT shall have delivered to the Indenture Trustee a Certificate (as defined in the Indenture) and an opinion of counsel, each stating that such consolidation, amalgamation, merger, sale, assignment, lease or transfer and such supplemental indenture comply with Article 9 of the Indenture and that all conditions precedent contained in the Indenture relating to such transaction have been complied with.

#### **Depository Services**

Except as otherwise provided below, the Debentures will be issued in "book-entry only" form and must be purchased or transferred through participants ("Participants") in the depository service of CDS, which include securities brokers and dealers, banks and trust companies. On the Closing Date, the REIT will cause a global certificate or certificates representing the Debentures (each, a "Global Debenture") to be delivered to, and registered in the name of, CDS or its nominee. Except as described below, no purchaser of a Debenture will be entitled to a certificate or other instrument from the REIT or CDS evidencing that holder's ownership thereof, and no holder of Debentures will be shown on the records maintained by CDS except through a book-entry account of a Participant acting on behalf of such holder of Debentures. It is expected that each holder of Debentures will receive a customer confirmation of purchase from the registered dealer from which the Debenture is purchased in accordance with the practices and procedures of that registered dealer. Practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS will be responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Debentures.

Debentures will be issued in fully registered form to holders or their nominees other than CDS or its nominee if (i) the REIT determines that CDS is no longer willing or able to discharge properly its responsibilities as depository and the REIT is unable to locate a qualified successor, (ii) the REIT at its option elects, or is required by law, to terminate the book-entry system through CDS, or (iii) after the occurrence of an Event of Default, holders of Debentures representing beneficial interests aggregating over 50% of the outstanding principal amount of Debentures determine that the continuation of the book-entry system is no longer in their best interests.

### **Transfers**

Transfers of ownership in the Debentures will be effected only through records maintained by CDS or its nominee for such Debentures with respect to interests of Participants and on the records of Participants with respect to interests of persons other than Participants. Holders of Debentures who are not Participants, but who desire to purchase, sell or otherwise transfer ownership of or other interest in the Debentures, may do so only through Participants.

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

### **Payment of Interest and Principal**

Except in the case of payment on maturity, in which case payment may be made on surrender of the Global Debenture, payments of interest and principal on each Global Debenture will be made to CDS as registered holder of the Global Debenture. Interest payments on the Global Debenture may be made by cheque dated the date interest is payable and delivered to CDS two days before the date interest is payable. Payments of interest may also be made, at the option of the REIT, by electronic funds transfer to CDS on the date interest is payable. Principal payments on the Global Debenture may be made by cheque dated the maturity date and delivered to CDS at maturity against receipt of the Global Debenture. Payments of principal may also be made, at the option of the REIT, by electronic funds transfer to CDS on the maturity date. As long as CDS is the registered holder of the Global Debenture, CDS will be considered the sole owner of the Global Debenture for the purpose of receiving payment on the Debentures and for all other purposes under the Indenture and the Debentures.

The REIT expects that CDS, upon receipt of any payment of principal or interest in respect of a Global Debenture, will credit Participants' accounts, on the date principal or interest is payable, with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Debenture as shown on the records of CDS. The REIT also expects that payments of principal and interest by Participants to the owners of beneficial interests in such Global Debenture held through such Participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participants. The responsibility and liability of the REIT and the Indenture Trustee in respect of Debentures represented by the Global Debenture is limited to making payment of any principal and interest due on such Global Debenture to CDS.

If the date for payment of any amount of principal or interest on any Debenture is not a business day at the place of payment, then payment will be made on the next business day and the holder of the Debenture will not be entitled to any further interest or other payment in respect of the delay.

### **Repurchase upon Change of Control Triggering Event**

If a Change of Control Triggering Event (as defined herein) occurs with respect to a series of Debentures, unless the REIT has exercised its optional right to redeem all of the Debentures of that series as described under "Redemption by the REIT" above, the REIT will be required to make an offer to repurchase all or, at the option of the holder of that series of Debentures, any part (equal to \$1,000 or an integral multiple thereof) of each holder's Debentures of that series pursuant to the offer described below (the "Change of Control Offer") on the terms set forth in the applicable Supplemental Indenture. In the Change of Control Offer, the REIT will be required to offer payment in cash equal to 101% of the aggregate outstanding principal amount of

Debentures of the series to be repurchased together with accrued and unpaid interest on such series of Debentures to the date of repurchase.

Within 30 days following any Change of Control Triggering Event, the REIT will be required to give written notice to holders of the applicable series of Debentures describing the transaction or transactions that constitute the Change of Control Triggering Event and offering to repurchase the Debentures of the applicable series on the date specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is given (the “Change of Control Payment Date”). The REIT must comply with the requirements of applicable securities laws and regulations in connection with the repurchase of the Debentures of the particular series as a result of a Change of Control Triggering Event. To the extent that the provisions of any such applicable securities laws and regulations conflict with the Change of Control (as defined herein) provisions, the REIT will be required to comply with such laws and regulations and will not be deemed to have breached its obligations to repurchase such series of Debentures by virtue of such conflict.

The REIT will not be required to make a Change of Control Offer upon a Change of Control Triggering Event if a third party makes such an offer substantially in the manner, at the times and in compliance with the requirements for a Change of Control Offer (and for at least the same purchase price payable in cash) and such third party purchases all Debentures of such series properly tendered and not withdrawn under its offer.

“**Change of Control Triggering Event**” shall mean the occurrence of both a Change of Control and a Rating Event.

“**Investment Grade Rating**” shall mean a rating equal to or higher than Baa3 (or the equivalent) by Moody’s Investors Service Inc., BBB– (or the equivalent) by S&P, BBB (low) (or the equivalent) by DBRS, or BBB– (or the equivalent) by Fitch Ratings Inc. or the equivalent investment grade credit rating from any other Specified Rating Agency.

“**Rating Event**” shall mean any of (A) the Rating of the particular series of Debentures is lowered to below an Investment Grade Rating by at least two of the Specified Rating Agencies if there are more than two Specified Rating Agencies or all of the Specified Rating Agencies if there are less than three Specified Rating Agencies (the “Required Threshold”) on any day within the 60-day period (which 60-day period will be extended so long as the Rating of Debentures of such series is under publicly announced consideration for a possible downgrade by such number of the Specified Rating Agencies which, together with Specified Rating Agencies which have already lowered their ratings on the Debentures of such series as aforesaid, would aggregate in number the Required Threshold, but only to the extent that, and for so long as, a Change of Control Triggering Event would result if such downgrade were to occur) after the earlier of (i) the occurrence of a Change of Control, and (ii) public notice of the occurrence of a Change of Control or of the REIT’s intention or agreement to effect a Change of Control, (B) the Rating of the particular series of Debentures by the Required Threshold is below an Investment Grade Rating upon the occurrence of a Change of Control and the Rating of the particular series of Debentures by the Required Threshold remains below an Investment Grade Rating 30 days after the occurrence of such Change of Control (which 30-day period will be extended so long as the Rating of Debentures of such series is under publicly announced consideration for a possible increase by such number of the Specified Rating Agencies which, together with Specified Rating Agencies which have already increased their ratings on the Debentures of such series as aforesaid, would aggregate in number the Required Threshold), and (C) following the occurrence of a Change of Control, one of more of the Specified Rating Agencies cease to rate the Debentures of the particular series such that only one Specified Rating Agency continues to rate the Debentures.

### **Maintenance of Properties**

The REIT will maintain and keep or cause to be maintained and kept in good condition, repair and working order all of the properties owned by it or any of its Subsidiaries used in its business or in the business of any of its Subsidiaries and will make or cause to be made all necessary repairs and renewals to and replacements and improvements of these properties, in each case as in its judgment may be necessary to carry on its business properly and prudently. Notwithstanding the foregoing, the REIT and its Subsidiaries will not be prohibited from selling or transferring any of their properties in the ordinary course of business.

## **Insurance**

The REIT will maintain and cause its Subsidiaries to maintain prudent property and liability insurance and/or similar arrangements.

## **Events of Default**

The Indenture will provide that each of the following events will constitute an event of default (each, an “Event of Default”) under the Debentures:

- (a) default in payment of principal when due;
- (b) default in payment of any interest when due where such default continues for a period of three business days after the relevant interest payment date;
- (c) a breach of or default in the performance of any covenant of the REIT under the Debentures or the Indenture in connection with that series of Debentures where such default or breach continues for a period of 30 days after the Indenture Trustee has given notice in writing to the REIT specifying the nature of such breach or default, and requiring the REIT to remedy such breach or default unless the Indenture Trustee (having regard to the subject matter of such breach or default) agrees to a longer period, and in such event within the period agreed to by the Indenture Trustee;
- (d) certain events of bankruptcy, insolvency, winding up or dissolution related to the REIT or a Material Subsidiary as set out in the Indenture;
- (e) the rendering of a final judgment (not subject to appeal) against the REIT or any Material Subsidiary in an aggregate amount in excess of \$25 million by a court of competent jurisdiction, which remains undischarged and unstayed for a period of 60 days after the date on which the right to appeal has expired; and
- (f) default by the REIT or any Subsidiary under the terms of any Indebtedness (other than any Non-Recourse Indebtedness) where that default results in the acceleration of that Indebtedness (after expiration of any applicable grace period) unless such acceleration is waived or rescinded; provided that the aggregate of all such Indebtedness which is accelerated exceeds \$25 million.

Subject to the provisions of the Indenture relating to the duties of the Indenture Trustee, in case an Event of Default applicable to a series of Debentures occurs and is continuing, the Indenture Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the holders of Debentures of such series, unless such holders have offered to indemnify the Indenture Trustee to its reasonable satisfaction.

If an Event of Default (other than an Event of Default described in paragraph (d) above) occurs and is continuing with respect to a particular series of Debentures, the Indenture Trustee may, in its discretion, or will, upon receiving instruction from the holders of at least 25% in aggregate principal amount of the outstanding Debentures of such series, accelerate the maturity of all Debentures of such series; provided that, notwithstanding any other provisions of the Indenture, after such acceleration, but before a judgment or decree based on acceleration, the holders of a majority in aggregate principal amount of outstanding Debentures of that series may rescind and annul such acceleration in certain circumstances described in the Indenture. See “— Modification and Waiver” below. If an Event of Default specified in paragraph (d) above occurs, the outstanding Debentures will become immediately due and payable without any declaration or other act on the part of the Indenture Trustee or any holder of Debentures.

## **Defeasance**

The Indenture will contain provisions requiring the Indenture Trustee to release the REIT from its obligations under the Indenture and a Supplemental Indenture relating to the Series A Debentures or the Series B Debentures, as applicable, provided that, among other things, the REIT satisfies the Indenture Trustee that it has deposited funds or made due provision for the payment of the expenses of the Indenture Trustee and

for payment of all principal and interest and other amounts due or to become due in respect of such series of Debentures.

### **Modification and Waiver**

The rights of the holders of Debentures issued under the Indenture and the applicable Supplemental Indenture may be modified if authorized by extraordinary resolution. If the proposed modification affects the rights of the holders of a separate series of debentures issued under a supplemental indenture to the Indenture rather than all of the debt securities of the REIT, the approval of a like proportion of the holders of such separate series of debt securities outstanding under such supplemental indenture will be required.

Notwithstanding the above, the approval of holders of 100% of the outstanding principal amount of Debentures of any series will be required (a) to change the stated maturity of the principal, the redemption price of, or any installment of interest on, any Debentures of such series, (b) to reduce the principal amount of, or interest or premium (if any) on, any Debentures of such series, (c) to change the place or currency of payment of the principal of, premium (if any) on redemption price of or interest on, any Debentures of such series, or (d) to amend the percentage of Debentures of such series necessary to approve an Extraordinary Resolution.

The holders of a majority of the outstanding principal amount of the Debentures of a series, on behalf of all holders of Debentures of that series, may waive compliance by the REIT with certain restrictive provisions of the Indenture relating to such series. Subject to certain rights of the Indenture Trustee as provided in the Indenture, the holders of a majority of the outstanding principal amount of the Debentures of a series, on behalf of all holders of Debentures of such series, may waive certain Events of Default under the Indenture with respect to such series of Debentures.

### **Financial Information**

The REIT has covenanted in the Indenture to deliver to the Indenture Trustee its audited annual financial statements and unaudited interim financial statements at such time as such statements are delivered to Canadian securities regulators or, in the event that the REIT is no longer required to deliver such statements to Canadian securities regulators, at such time as the REIT would be required to deliver such statements to Canadian securities regulators if the REIT was a reporting issuer.

## **THE PARTNERSHIP**

### **General**

The Partnership is a limited partnership formed under the laws of the Province of Ontario and will be governed by the Limited Partnership Agreement. The Partnership will acquire at Closing, directly or indirectly, beneficial ownership of all of the Initial Properties and following Closing will own, operate and lease real estate assets and property and engage in all activities ancillary and incidental thereto. Upon Closing, the general partner of the Partnership will be a corporation incorporated under the laws of the Province of Ontario that is wholly-owned by the REIT (the “General Partner”) and the limited partners of the Partnership will initially be the REIT (which will own all of the Class A LP Units) and the Transferors (which will initially own all of the Class B LP Units and Class C LP Units) (collectively, the “Limited Partners” and, individually, a “Limited Partner”). The board of directors of the General Partner will be made up of the same members as the Board of Trustees.

### **Partnership Units**

Upon Closing, the Partnership will have outstanding Class A LP Units, all of which will be held by the REIT, Class B LP Units, all of which will initially be held by the Transferors, and Class C LP Units, all of which will initially be held by certain of the Transferors. The General Partner will have a general partner interest in the Partnership (the “GP Interest”) but no certificate will be issued to evidence same. Immediately following Closing, it is expected that the Class A LP Units will represent approximately 18.3% of the limited partnership interest in the Partnership, the Class B LP Units will represent approximately 61.0% of the limited partnership

interest in the Partnership and the Class C LP Units will represent approximately 20.7% of the limited partnership interest in the Partnership.

The Class B LP Units will, in all material respects, be economically equivalent to the Units on a per unit basis. The Class B LP 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" or "real estate investment trust" under the Tax Act or cause or create significant risk that the REIT would be caused to be subject to tax under paragraph 122(1)(b) of the Tax Act and subject to satisfaction of conditions set out therein.

The Class C LP Units provide Loblaw with an equity interest in the Partnership that will entitle Loblaw to a fixed cumulative monthly distribution in priority to distributions made to holders of the Class A LP Units, Class B LP Units and the GP Unit, subject to certain exceptions. The annual distribution rate on the Class C LP Units will be 5%, distributed on a monthly basis.

So long as any of the Class C LP Units are outstanding, the Partnership will not at any time without, but may at any time with, the approval of the holders of a majority of the Class C LP Units of the Partnership: (i) pay any distribution on the Class A LP Units, the Class B LP Units or GP Units of the Partnership unless distributions payable on the Class C LP Units have been paid in full (subject to certain exceptions); (ii) offer to accept the withdrawal of the Class A LP Units or the Class B LP Units; or (iii) issue any additional Class C LP Units, other than to Loblaw, in each case, subject to certain limited exceptions.

The table below sets forth various periods during which a holder of Class C LP Units will be entitled to require the Partnership to redeem, at any time and from time to time, up to the specified number of the outstanding Class C LP Units in exchange for Class B LP Units upon at least 180 days' prior written notice to the Partnership. In such circumstances, the number of Class B LP Units to be issued on the applicable redemption date will be determined based on the 20-day volume-weighted average price of the Units on the stock exchange on which the Units are then listed calculated as of the end of the trading day prior to redemption. The value of each Class C LP Unit for such redemption purposes will be \$10.00. The Partnership, at its option, may also elect to settle any such redemption payment, in whole or in part, in cash.

<u>Class C LP Unit Redemption Periods</u>	<u>Numbers of Class C LP Units Eligible for Redemption</u>
From and after the day that is 14 years following Closing . . . . .	30,000,000
From and after the day that is 15 years following Closing . . . . .	30,000,000
From and after the day that is 16 years following Closing . . . . .	32,500,000

For greater certainty, from and after the day that is 16 years following Closing, the holders of all of the Class C LP Units issued on Closing will be entitled to require the Partnership to redeem some or all of such Class C LP Units at any time in the manner described above.

In addition, the Partnership will be required to make an offer to the holders of its Class C LP Units to redeem for cash all of the outstanding Class C LP Units within 30 days following a Change of Control of the REIT. In such circumstances, the cash redemption price will be an amount equal to the initial subscription price for the applicable Class C LP Units. Except as required by law or the Limited Partnership Agreement, and in certain specified circumstances in which the rights of holders of Class B LP Units or Class C LP Units are particularly affected, the holders of Class B LP Units and Class C LP Units will not be entitled to vote at any meeting of the holders of units of the Partnership.

Except as required by law or the Limited Partnership Agreement and in certain specified circumstances in which the rights of a holder of Class B LP Units or Class C LP Units are affected, holders of Class B LP Units and Class C LP Units will not be entitled to vote at any meeting of the holders of units of the Partnership.

**Operation**

The business and affairs of the Partnership will be managed and controlled by the General Partner which will be bound by the investment guidelines and operating policies applicable to the REIT. The Limited Partners will not be entitled to take part in the management or control of the business or affairs of the Partnership.

Except as provided below, the Partnership will reimburse the General Partner for all direct costs and expenses incurred by the General Partner in the performance of its duties as the general partner of the Partnership.

The composition of the General Partner's board of directors will be identical to the Board of Trustees.

The Partnership will operate in a manner to ensure, to the greatest extent possible, the limited liability of the Limited Partners. The Limited Partners may lose their limited liability in certain circumstances. If the limited liability of any Limited Partner is lost by reason of the negligence of the General Partner in performing its duties and obligations under the Limited Partnership Agreement, the General Partner will indemnify the applicable Limited Partner against all claims arising from assertions that its liabilities are not limited as intended by the Limited Partnership Agreement. The General Partner has no significant assets or financial resources other than their *de minimis* distribution entitlements from the Partnership. Accordingly, this indemnity may only be of nominal value.

#### *Duties and Responsibilities of the General Partner*

The General Partner will be the general partner of the Partnership and will manage and control the operations and affairs of the Partnership and make all decisions regarding the business and activities of the Partnership.

#### **Distributions**

The Partnership will distribute to the General Partner and to the holders of its Class A LP Units, Class B LP Units and Class C LP Units their respective portions of distributable cash as set out below.

Distributions will be made forthwith after the General Partner determines the distributable cash of the Partnership and determines the amount of all costs and expenses incurred by it in the performance of its duties under the Limited Partnership Agreement as general partner (the "Reimbursement Distribution Amount"), which determination shall be made no later than the 10<sup>th</sup> day of each calendar month.

Distributable cash will represent, in general, all of the Partnership's cash on hand that is derived from any source (other than amounts received in connection with the subscription for additional interests in the Partnership) and that is determined by the General Partner not to be required in connection with the business of the Partnership. The distributable cash of the Partnership will be distributed in the following order and priority: (a) the Reimbursement Distribution Amount to the General Partner; (b) an amount to the holder of Class A LP Units sufficient to allow the REIT to pay its expenses (including, without limitation, any fees or commissions payable to agents or underwriters in connection with the sale of securities by the REIT, listing fees of applicable stock exchanges and fees of the REIT's auditors) on a timely basis (the "Class A LP Preferred Distribution"); (c) an amount to the holders of Class C LP Units sufficient to satisfy the priority monthly distribution thereon (the "Class C LP Preferred Distribution"); (d) an amount to the General Partner equal to 0.001% of the balance of the distributable cash of the Partnership; and (e) an amount equal to the remaining balance of the distributable cash of the Partnership to the holders of Class A LP Units and Class B LP Units in accordance with their *pro rata* entitlements as holders of Class A LP Units and Class B LP Units. Holders of Class B LP Units will be entitled to receive distributions on each such unit equal to the amount of the distribution declared by the REIT on each Unit. The record date and, subject to the following paragraph, the payment date for any distribution declared on the Class B LP Units will be the same as those for the Units.

In lieu of receiving all or a portion (the "Selected Amount") of a distribution declared by the Partnership from time to time, the holders of Class A LP Units, Class B LP Units and Class C LP Units may elect to defer receipt of the distribution of the Selected Amount until the first business day following the end of the fiscal year in which such distribution would otherwise have been made. In the event that such an election is made by a holder of Class A LP Units, Class B LP Units or Class C LP Units, such a holder will be loaned an amount from the Partnership, on the date of such election, equal to the Selected Amount. Each such loan will not bear interest and will be due and payable in full on the first business day following the end of the fiscal year during which the loan was made.

A holder of Class B LP Units has the right to elect to reinvest all distributions payable on its Class B LP Units on the same economic terms as participants in the DRIP. A holder of Class B LP Units may reinvest

such distributions in Class B LP Units, Units or a combination thereof. If a holder of Class B LP Units elects to reinvest its distributions, such holder will receive a bonus distribution of 3% of the amount reinvested, which bonus distribution will be reinvested in the Class B LP Units or Units, as the case may be, that the holder elects to receive.

### **Allocation of Partnership Net Income**

The net income of the Partnership, determined in accordance with the provisions of the Tax Act, will generally be allocated at the end of each fiscal year in the following manner:

- (a) first, to the holder of Class A LP Units in an amount equal to its Class A LP Preferred Distribution;
- (b) second, to the holder of Class C LP Units in an amount equal to its Class C LP Preferred Distribution;
- (c) third, to the General Partner in an amount equal to the aggregate of (i) the Reimbursement Distribution Amount, and (ii) the distributions paid on the GP Unit; and
- (d) the balance, among the holders of Class A LP Units and Class B LP Units based on their proportionate share of distributions received or receivable for such fiscal year.

### **Transfer of LP Units**

The transfer of Class A LP Units, Class B LP Units and Class C LP Units will be subject to a number of restrictions, including: (i) the Class A LP Units, Class B LP Units and Class C LP Units may not be transferred to a transferee who is a Non-Resident; (ii) no fractional Class A LP Units, Class B LP Units or Class C LP Units will be transferable; (iii) no transfer of Class B LP Units or Class C LP Units will be accepted by the General Partner if such transfer would cause the Partnership to be liable for tax under subsection 197(2) of the Tax Act; and (iv) no transfer of Class A LP Units, Class B LP Units or Class C LP Units will be accepted by the General Partner unless a transfer form, duly completed and signed by the registered holder of such Class A LP Units, Class B LP Units or Class C LP Units, as applicable, has been remitted to the registrar and transfer agent of the Partnership. In addition, a transferee of Class A LP Units, Class B LP Units or Class C LP Units must provide to the General Partner such other instruments and documents as the General Partner may require, in appropriate form, completed and executed in a manner acceptable to the General Partner, acting reasonably. A transferee of a unit of the Partnership will not become a partner or be admitted to the Partnership and will not be subject to the obligations and entitled to the rights of a partner under the Limited Partnership Agreement until the foregoing conditions are satisfied and such transferee is recorded on the Partnership's register of partners.

In addition to the above restrictions, the Limited Partnership Agreement will also provide that no holder of Class B LP Units will be permitted to transfer such Class B LP Units, other than for Units in accordance with the terms of the Exchange Agreement or the Limited Partnership Agreement, unless: (i) the transfer is to an Affiliate of the holder; (ii) such transfer would not require the transferee to make an offer to Unitholders to acquire Units on the same terms and conditions under applicable securities laws if such Class B LP Units, and all other outstanding Class B LP Units, were converted into Units at the then-current exchange ratio in effect under the Exchange Agreement immediately prior to such transfer; or (iii) the offeror acquiring such Class B LP Units makes a contemporaneous identical offer for the Units (in terms of price, timing, proportion of securities sought to be acquired and conditions) and acquires such Class B LP Units along with a proportionate number of Units actually tendered to such identical offer. Certain rights affecting the Transferors, as the initial holders of the Class B LP Units, are specific to the Transferors and are not transferable to a transferee of the Class B LP Units, other than an Affiliate of the Transferors.

In addition to the above restrictions, the Limited Partnership Agreement will also provide that no holder of Class C LP Units will be permitted to transfer such Class C LP Units without the consent of the board of directors of the General Partner, unless such transfer is to an Affiliate of the holder.

### **Amendments to the Limited Partnership Agreement**

Following Closing, the Limited Partnership Agreement may be amended with the prior consent of the holders of at least 66⅔% of the Class A LP Units voted on the amendment at a duly constituted meeting of

holders of Class A LP Units or by a written resolution of partners holding at least 66 $\frac{2}{3}$ % of the Class A LP Units entitled to vote at a duly constituted meeting of holders of Class A LP Units, except for certain amendments which require unanimous approval of holders of limited partnership units, including: (i) changing the liability of any limited partner; (ii) changing the right of a limited partner to vote at any meeting of holders of Class A LP Units; and (iii) changing the Partnership from a limited partnership to a general partnership. The General Partner may also make amendments to the Limited Partnership Agreement without the approval or consent of the Limited Partners to reflect, among other things: (i) a change in the name of the Partnership or the location of the principal place of business or registered office of the Partnership; (ii) the admission, substitution, withdrawal or removal of Limited Partners in accordance with the Limited Partnership Agreement; (iii) a change that, as determined by the General Partner, is reasonable and necessary or appropriate to qualify or continue the qualification of the Partnership as a limited partnership in which the Limited Partners have limited liability under applicable laws; (iv) a change that, as determined by the General Partner, is reasonable and necessary or appropriate to enable the Partnership to take advantage of, or not be detrimentally affected by, changes in the Tax Act or other taxation laws; or (v) a change to amend or add any provision, or to cure any ambiguity or to correct or supplement any provisions contained in the Limited Partnership Agreement which may be defective or inconsistent with any other provision contained in the Limited Partnership Agreement or which should be made to make the Limited Partnership Agreement consistent with the disclosure set out in this prospectus. Notwithstanding the foregoing: (i) no amendment which would adversely affect the rights and obligations of the General Partner, as a general partner, may be made without the consent of the General Partner; and (ii) no amendment which would adversely affect the rights and obligations of any other holders of limited partnership units or any class of limited partner differently than any other class of limited partner may be made without the consent of such holder or class, including with respect to amendments to the restrictions on transfer of Class B LP Units or Class C LP Units.

In addition, the Declaration of Trust provides that the REIT will not agree to or approve any material amendment to the Limited Partnership Agreement without the approval of at least two-thirds of the votes cast at a meeting of the Voting Unitholders of the REIT called for such purpose (or by written resolution in lieu thereof).

## DISTRIBUTION POLICY

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

### Distribution Policy

The REIT intends to adopt a distribution policy, as permitted under the Declaration of Trust, pursuant to which it will make monthly cash distributions to Unitholders and, through the Partnership, holders of Class B LP Units, initially equal to, on an annual basis, approximately 90% of the REIT's estimated AFFO for the 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 sole discretion. Pursuant to the Declaration of Trust, the Trustees have full discretion respecting the timing and amounts of distributions, including the adoption, amendment or revocation of any distribution policy. It is the REIT's current intention to make distributions to Unitholders at least equal to the amount of net income and net realized capital gains of the REIT as is necessary to ensure that the REIT will not be liable for ordinary income taxes on such income.

Unitholders of record as at the close of business on the last business day of the month preceding a Distribution Date will have an entitlement on and after that day to receive distributions in respect of that month on such Distribution Date. Distributions may be adjusted for amounts paid in prior periods if the actual AFFO for the prior periods is greater than or less than the estimates for the prior periods. Under the Declaration of Trust and pursuant to the distribution policy of the REIT, where the REIT's cash is insufficient to make payment of the full amount of a distribution, such payment will, to the extent necessary, be distributed in the form of additional Units. See "Declaration of Trust and Description of REIT Units — Issuance of Units" and "Certain Canadian Federal Income Tax Considerations".

The first distribution will be for the period from Closing to August 31, 2013 and will be made on September 15, 2013 in the amount of \$0.102249 per Unit (assuming that Closing occurs on July 5, 2013). The REIT intends to make subsequent monthly distributions in the estimated amount of \$0.054167 per Unit, commencing October 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. See "Risk Factors".

The General Partner, on behalf of the Partnership, will make monthly cash distributions to holders of Class A LP Units and holders of Class B LP Units by reference to the monthly cash distributions payable by the REIT to Unitholders. Distributions to be made on the Class B LP Units will be equal to the distributions that the holders of Class B LP Units would have received if they were holding Units instead of Class B LP Units. Distributions to holders of Class C LP Units and the General Partner will be made in priority to distributions to holders of Class A LP Units (subject to certain exceptions) and holders of Class B LP Units. See "The Partnership — Distributions" and "Risk Factors".

### Distribution Reinvestment Plan

Following Closing and subject to regulatory approval, the REIT intends to implement 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 volume-weighted average of the closing price of the Units on the stock exchange on which the Units are then-listed 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 who are Non-Residents will not be entitled to participate in the DRIP. Upon becoming a Non-Resident, a Unitholder must terminate the Unitholder's participation in the DRIP.

Upon the request of a holder of Class B LP Units, the Partnership shall adopt a similar distribution reinvestment plan for the holders of Class B LP Units such that they may elect to have all of the cash distributions on the Class B LP Units payable to any such person automatically reinvested in additional Class B LP Units on the same basis as a Unitholder pursuant to the DRIP. Moreover, pursuant to the Exchange Agreement, holders of Class B LP Units may also elect to receive distributions on Class B LP Units in the form of Units on a basis equivalent to the rights of Unitholders participating in the DRIP. See "Key Investors — Exchange Rights".

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 Unitholders prior to the fourth Distribution Date.

#### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Torys LLP, counsel to the REIT, and Blake, Cassels & Graydon LLP, counsel to the Agents, 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 Debentures pursuant to this prospectus and who, for purposes of the Tax Act and at all relevant times, is or is deemed to be resident in Canada, deals at arm's length with the REIT and the Agents and is not affiliated with the REIT or the Agents, acquires and holds their Debentures as capital property, and is not exempt from tax under Part I of the Tax Act (in this section of the prospectus, referred to as a "Holder"). Generally, the Debentures will be considered to be capital property to a Holder provided that the Holder does not hold such Debentures in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold their Debentures 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 Debentures and any other "Canadian securities" as defined in the Tax Act owned by such Holder in the taxation year in which the election is made and in subsequent taxation years, deemed to be capital property. Holders who do not hold their Debentures as capital property should consult their own tax advisors regarding their particular circumstances.

This summary is not applicable to a Holder: (i) that is a "financial institution" for purposes of the "mark-to-market rules"; (ii) that is a "specified financial institution"; (iii) that has elected to determine its Canadian tax results in a foreign currency pursuant to the "functional currency" reporting rules in the Tax Act; or (iv) an interest in which is a "tax shelter investment", as each term is defined in the Tax Act. Such Holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Debentures. In addition, this summary does not address the deductibility of interest by an investor who has borrowed money to acquire Debentures under this offering, and assumes that no Holder has entered into or will enter into a "derivative forward agreement" (as that term is defined in the proposed amendments contained in a Notice of Ways and Means Motion that accompanied the federal budget tabled by the Minister of Finance (Canada) on March 21, 2013) with respect to Debentures.

This summary is based upon the facts set out in this prospectus, the current provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Tax Proposals"), and counsel's understanding of the current administrative policies and assessing practices of the CRA published in writing by CRA prior to the date

hereof. Except for the Tax Proposals, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, or changes in CRA's administrative policies or assessing practices, nor does it take into account or consider any other federal tax considerations or any provincial, territorial or foreign tax considerations, which may differ materially from those discussed herein. This summary assumes that the Tax Proposals will be enacted as currently proposed, but no assurances can be given that this will be the case. There can be no assurances that CRA will not change its administrative policies or assessing practices.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in the Debentures. The income and other tax consequences of acquiring, holding or disposition of Debentures will vary depending on a Holder's particular status and circumstances, including the province or territory in which the Holder resides or carries on business. This summary is not intended to be, and should not be construed to be, legal or tax advice to any particular Holder. Accordingly, prospective purchasers should consult their own tax advisors for advice with respect to the tax consequences of an investment in Debentures in their particular circumstances.

### **Interest on Debentures**

A Holder that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on a Debenture that accrues or is deemed to accrue to it to the end of the particular taxation year (or if the Holder disposes of a Debenture in the year, that accrues or is deemed to accrue to it until the time of disposition) or that has become receivable by or is received by the Holder before the end of that taxation year, including on a redemption or repayment on maturity, except to the extent that such interest was included in computing the Holder's income for a preceding taxation year.

Any other Holder will be required to include in computing income for a taxation year all interest on a Debenture that is received or receivable by such Holder in that taxation year (depending on the method regularly followed by the Holder in computing income), including on a redemption or repayment on maturity, except to the extent that the interest was included in the Holder's income for a preceding taxation year. In addition, if at any time a Debenture should become an "investment contract" (as defined in the Tax Act) in relation to the Holder, such Holder will be required to include in computing its income for a taxation year all interest (not otherwise required to be included in income) that accrues or is deemed to accrue on the Holder's Debentures to the end of any "anniversary day" (as defined in the Tax Act) in that year. For this purpose, an anniversary day means the day that is one year after the day immediately preceding the date of issue of a Debenture, the day that occurs at every successive one year interval from that day and the day on which the Debenture is disposed of.

The fair market value of any premium paid by the REIT to a Holder on a redemption or repayment of a Debenture will generally be deemed to be interest received at that time by such Holder if such premium is paid by the REIT because of the redemption or repayment by it of the Debenture before maturity, but only to the extent that such premium can reasonably be considered to relate to, and does not exceed the value on the date of redemption of, the interest that would have been paid or payable by the REIT on the Debenture for taxation years of the REIT ending after the date of redemption or repayment.

A Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on its "aggregate investment income" (as defined in the Tax Act), including amounts of interest.

### **Dispositions of Debentures**

On a disposition or deemed disposition of a Debenture by a Holder, including on redemption or purchase for cancellation, a Holder will generally be required to include in income the amount of interest accrued or deemed to accrue on the Debenture from the date of the last interest payment to the date of disposition to the extent that such amount has not otherwise been included in the Holder's income for the taxation year or a

previous taxation year. In general, a disposition or deemed disposition of a Debenture will give rise to a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any accrued interest and any other amount required to be included in computing income exceed (or are exceeded by) the aggregate of the Holder's adjusted cost base thereof and any reasonable costs of disposition.

A Holder's adjusted cost base of a Debenture will generally include any amount paid to acquire the Debenture plus the amount of any discount included in income by such Holder. A Holder that receives repayment in full of the outstanding principal amount of a Debenture upon maturity will be considered to have disposed of the Debenture at that time for proceeds of disposition equal to such outstanding principal amount.

One-half of the amount of any capital gain (a "taxable capital gain") realized by a Holder in a taxation year on a disposition of a Debenture will generally be included in the Holder's income for the year. One-half of the amount of any capital loss (an "allowable capital loss") sustained by the Holder in a taxation year on the disposition of a Debenture must generally be deducted by such Holder against taxable capital gains for the year. Any excess allowable capital losses over taxable capital gains of the Holder for that year may be carried back up to three taxation years or forward indefinitely and deducted against net taxable capital gains in those other years, subject to the detailed provisions of the Tax Act.

A Holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on its "aggregate investment income" (as defined in the Tax Act), including amounts of taxable capital gains. A Holder that is an individual, including most trusts, may be liable for alternative minimum tax as a result of realizing a capital gain.

## PLAN OF DISTRIBUTION

### General

Pursuant to the Agency Agreement, the REIT has agreed to sell and the Agents have severally agreed to offer \$400 million aggregate principal amount of Series A Debentures and \$200 million aggregate principal amount of Series B Debentures for sale, as agents of the REIT, on a best efforts basis, if, as and when issued by the REIT. The Closing is expected to occur on July 5, 2013 or such other date as the REIT and the Agents may agree, but in any event not later than July 19, 2013. The obligations of the Agents under the Agency Agreement are several and not joint and several, are conditional, and may be terminated at the Agents' 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 Debentures will not be listed on any securities exchange or quotation system and, consequently, there is currently no market through which the Debentures may be sold. In consideration for their services in connection with the Offering, the REIT has agreed to pay the Agents a fee of \$3.50 per \$1,000 principal amount of Series A Debentures and \$4.00 per \$1,000 principal amount of Series B Debentures that are sold, being an aggregate fee of \$2.2 million. Subscriptions for Debentures will be received subject to rejection or allocation in whole or in part and the right is reserved to close the subscription books at any time without notice. While the Agents have agreed to use their best efforts to sell the Debentures offered hereby, they are not obligated to purchase any Debentures which are not sold. Assuming that all of the Debentures contemplated in the Offering are sold, the net proceeds of the Offering, after deducting the Agents' aggregate fee of \$2.2 million and the expenses of the Offering estimated at \$0.8 million, are estimated to be \$597.0 million. See "Use of Proceeds".

The REIT and Loblaw have agreed to indemnify the Agents and their directors, officers, employees and agents against certain liabilities, including, without restriction, civil liabilities under Canadian securities legislation, and to contribute to any payments that the Agents may be required to make in respect thereof.

During a period ending 180 days from Closing, the REIT will not offer, sell or issue for sale or resale any debt securities or financial instruments or securities convertible into, or exercisable or exchangeable for, debt securities, or agree to, or announce, any such offer, sale or issuance, without the prior written consent of the Lead Agents, on behalf of the Agents, which consent may not be unreasonably withheld or delayed.

## **Price Stabilization and Passive Market Making**

In connection with the Offering, the Agents may over-allocate or effect transactions which stabilize or maintain the market price of the Debentures at levels other than those which otherwise might prevail on the open market.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Debentures while the Offering is in progress. In addition, in accordance with rules and policy statements of certain Canadian securities regulators, the Agents may not, at any time during the period of distribution, bid for or purchase Debentures. 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 Debentures. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the TSX, including the Universal Market Integrity Rules for Canadian Marketplaces, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution.

As a result of these activities, the price of the Debentures 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 Agents at any time.

## **Relationship Between the REIT and Certain of the Agents**

CIBCWM, RBCDS, TDSI, BMONB, Desjardins, NBF and SCI are affiliates of Canadian chartered banks that have committed to provide to the REIT with the Credit Facility at Closing. BMONB is also an affiliate of a Canadian chartered bank with which the REIT expects to enter into an uncommitted letter of credit facility of up to \$40 million on or shortly following Closing. See “Debt Strategy and Indebtedness — Composition of Indebtedness — Revolving Credit Facility”. In addition, CIBCWM, RBCDS, TDSI, BMONB, Citigroup, Desjardins, JP Morgan, BofAML, NBF and SCI are affiliates of financial institutions that have provided credit lines to Loblaw, in the aggregate principal amount of approximately \$3.0 billion. Consequently, the REIT may be considered a “connected issuer” of each of CIBCWM, RBCDS, TDSI, BMONB, Citigroup, Desjardins, JP Morgan, BofAML, NBF and SCI, under applicable Canadian securities laws. The decision to issue the Debentures and the determination of the terms of the Offering were made through negotiation between the REIT, Loblaw and the Agents. The financial institutions of which such Agents are affiliates did not have any involvement in such decision or determination although such financial institutions may be advised of the Offering and the terms thereof. As a consequence of the Offering, each of such Agents will receive its proportionate share of the Agents’ fee. Loblaw has informed the REIT that Loblaw is and has been in compliance with all material terms and conditions of the foregoing credit lines, that no waiver of any default has occurred thereunder and that there has not been a material change in the value of the security for such credit lines since their incurrence.

## **Unit Offering**

Pursuant to the Equity Underwriting Agreement, the REIT has agreed to sell and the Equity Underwriters have severally agreed to purchase on Closing an aggregate of 40,000,000 Units at a purchase price of \$10.00 per Unit payable in cash to the REIT against delivery of the Units for aggregate gross proceeds of \$400,000,000. The Units will be issued the Unit Prospectus.

The REIT has granted to the Equity Underwriters the Unit Over-Allotment Option, which is exercisable in whole or in part and at any one time up to 30 days after Closing to purchase up to an additional 4,000,000 Units on the same terms as set forth above solely to cover over-allocations, if any, and for market stabilization purposes.

The TSX has conditionally approved the listing of the Units under the symbol “CHP.UN”. Listing is subject to the REIT fulfilling all of the requirements of the TSX on or before September 10, 2013.

In addition, Loblaw and GWL have agreed with the Equity Underwriters not to directly or indirectly, or to cause any of its affiliates to directly or indirectly, offer, sell or otherwise dispose of, or agree to, or announce, any such offer, sale or disposition without the prior written consent of the Lead Equity Underwriters, on behalf of the Equity Underwriters, which consent may not be unreasonably withheld or delayed: (i) any Class B LP Units (or Units underlying the Class B LP Units) acquired by the Transferors pursuant to the Acquisition, (ii) any Units issued to Loblaw or its Subsidiaries in connection with Closing, and (iii) any Units purchased by GWL concurrently with the Closing, in each case for a period of 18 months following Closing.

The completion of the Offering and the Unit Offering are expected to occur concurrently, and the closing of the Offering is conditional upon completion of the Unit Offering and the closing of the acquisition by the REIT of the Initial Properties. In the event that the Offering does not close concurrently with the Unit Offering, the REIT will nonetheless complete the Unit Offering and the transactions related thereto as described in this prospectus.

#### **PRIOR ISSUANCES**

The REIT has never previously issued any Debentures, or securities convertible into Debentures.

#### **USE OF PROCEEDS**

The net proceeds of the Offering will be up to approximately \$597.0 million, after deducting the REIT's estimated expenses of the Offering and the Agent's fee. The REIT will use some or all of the proceeds of the Offering to repay certain Transferor Notes (including some or all of a particular series of Transferor Notes) in sequential order of the outstanding Transferor Notes, starting with the Series 1 Transferor Note.

The net proceeds of the Unit Offering will be approximately \$360 million, after deducting the REIT's estimated expenses of the Unit Offering and the Equity Underwriters' fee. In addition, the REIT will receive proceeds of \$200 million from the sale of Units to GWL. See "Key Investors — Investment by George Weston Limited". The REIT will use the net proceeds of the Unit Offering as partial consideration to indirectly acquire the Initial Properties from the Transferors. In particular, the REIT will use approximately \$545 million (plus \$215 million aggregate principal amount of Class B LP Notes acquired from the Transferors) to subscribe for Class A LP Units of the Partnership. The Partnership will then use a portion of the subscription proceeds to redeem and cancel all of the outstanding Class A LP Notes to be issued to the Transferors as partial consideration for the acquisition of the Initial Properties. See "Acquisition of the Initial Properties".

The net proceeds received by the REIT on the exercise of the Unit Over-Allotment Option, to the extent exercised, will be used by the REIT for working capital purposes, which may include repayment of certain Transferor Notes (or portions of a particular series of Transferor Notes), and to fund future acquisitions. See "Plan of Distribution — Unit Offering".

## RISK FACTORS

The REIT faces a variety of significant and diverse risks, many of which are inherent in the business to be conducted by the REIT and the tenants of the properties. Described below are certain risks that could materially adversely 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 Debentures should carefully consider these risks before investing in the Debentures.

### **Risk Factors Related to the Real Estate Industry and the Business of the REIT**

#### ***Real Property Ownership and Tenant Risks***

Real estate ownership is generally subject to numerous factors and risks, including changes in general economic conditions (such as the availability, terms and cost of mortgage financing and other types of credit), local economic conditions (such as an oversupply of properties or a reduction in demand for real estate in the area), the attractiveness of properties to potential tenants or purchasers, competition with other landlords with similar available space, and the ability of the owner to provide adequate maintenance at competitive costs.

There is no assurance that the operations of the REIT will be profitable or that cash from operations will be available to make distributions to Unitholders. Real estate, like many other types of long-term investments, experiences significant fluctuation in value and, as a result, specific market conditions may result in occasional or permanent reductions in the value of the REIT's portfolio, including the Initial Properties. The marketability and value of the portfolio, including the Initial Properties, will depend on many factors, including, without limitation: (i) changes in general economic conditions (such as the availability, terms and cost of mortgage financing and other types of credit); (ii) local economic conditions (such as business layoffs, industry slowdowns, changing demographics and other factors); (iii) local real estate conditions (such as an oversupply of properties or a reduction in demand for real estate in the area); (iv) changes in occupancy rates; (v) the attractiveness of properties to potential tenants or purchasers; (vi) competition with other landlords with similar available space; (vii) the ability of the REIT to provide adequate maintenance at competitive costs; (viii) changes in exchange rates; (ix) the promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions, environmental protection and occupational safety; (x) the financial condition of borrowers and of tenants, buyers and sellers of property; (xi) changes in real estate tax rates and other operating expenses; (xii) the imposition of rent controls; (xiii) energy and supply shortages; (xiv) various uninsured or uninsurable risks; and (xv) natural disasters. There can be no assurance of profitable operations because the costs of operating the portfolio, including debt service, may exceed gross rental income therefrom, particularly since certain expenses related to real estate, such as property taxes, utility costs, maintenance costs and insurance, tend to increase even if there is a decrease in the REIT's income from such investments.

The Initial Properties generate income through rent payments made by tenants, and particularly rent payments made by Loblaw as the REIT's largest tenant. 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 restrictive covenants. In addition, historical occupancy rates and rents are not necessarily an accurate prediction of future occupancy rates for the Initial Properties. The REIT's cash flows and financial position would be materially adversely affected if its tenants (and especially Loblaw) 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 and the terms of the Strategic Alliance Agreement may narrow the field of potential tenants at a property and could contribute to difficulties in leasing space to new tenants. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease of the tenant and thereby cause a reduction in the REIT's cash flows, financial condition or results of operations and its ability to make distributions to Unitholders.

The REIT's net income could also be materially adversely affected in the event of a downturn in the business, or the bankruptcy or insolvency, of Loblaw, as the REIT's largest tenant. Anchor tenants generally occupy large amounts of leasable area, pay a significant portion of the total rents at a property and contribute to the success of other tenants by drawing significant numbers of customers to a property. The closing of an anchor store at a property could have a material adverse effect on the value of that property. Vacated anchor tenant space also tends to adversely affect the entire property because of the loss of the departed anchor tenant's power to draw customers to the property, which in turn may cause other tenants' operations to suffer and adversely affect such other tenants' ability to pay rent or perform any other obligations under their leases. No assurance can be given that the REIT will be able to quickly re-lease space vacated by an anchor tenant on favourable terms, if at all. In addition, although certain, but not all, leases contain a provision requiring tenants to maintain continuous occupancy of leased premises, there can be no assurance that such tenants will continue to occupy such premises. The loss of an anchor tenant at any leasable area could cause a reduction in the REIT's cash flows, financial condition or results of operations and its ability to make distributions to Unitholders.

### ***Competition***

The REIT will compete with other investors, managers and owners of properties in seeking tenants and for the purchase and development of desirable real estate properties. Some of the properties of the REIT's competitors may be newer or better located than the Initial Properties. Certain of these competitors may have greater financial and other resources and greater operating flexibility than the REIT. An increase in the availability of funds for investment or an increase in interest in real estate property investments may increase the competition for real estate property investments, thereby increasing purchase prices and reducing the yield on them. The existence of competing managers and owners could have a material adverse effect on the REIT's ability to lease space and on the rents the REIT is able to charge, and could materially adversely affect revenues and the REIT's ability to meet its obligations and its ability to make distributions to Unitholders.

### ***Capital Expenditures and Fixed Costs***

Certain significant expenditures, including property taxes, maintenance costs, debt service payments, insurance costs and related charges, must be made throughout the period of ownership of real property, regardless of whether the property is producing sufficient income to pay such expenses. 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 recover from its tenants. All of the Loblaw Leases in the Initial Properties contain exclusions on certain operating costs and/or tax recoveries. In addition, property tax reassessments based on updated appraised values may occur, which the REIT may not be able to recover from its tenants. As a result, the REIT will bear the economic cost of such operating costs and/or taxes which may adversely impact the REIT's financial condition and results from operations and decrease the amount of cash available for distribution to Unitholders. Numerous factors, including the age of the relevant building, the materials used at the time of construction or currently unknown building code violations could result in substantial unbudgeted costs for refurbishment or modernization. In addition, the timing and amount of capital expenditures may indirectly affect the amount of cash available for distribution to Unitholders. Distributions may be reduced, or even eliminated, at times when the REIT deems it necessary to make significant capital or other expenditures.

If the actual costs of maintaining or upgrading a property exceed the REIT's estimates, or if hidden defects are discovered during maintenance or upgrading which are not covered by insurance or contractual warranties, or if the REIT is not permitted to increase rents due to legal or other constraints, the REIT will incur additional and unexpected costs. If competing properties of a similar type are built in the area where one of the REIT's properties is located or similar properties located in the vicinity of one of the REIT's properties are substantially refurbished, the net operating income derived from, and the value of, the REIT's property could be reduced. Any failure by the REIT to undertake appropriate maintenance and refurbishment work in response to the factors described above could materially adversely affect the rental income that the REIT earns from such

properties. Any such event could have a material adverse effect on the REIT's cash flows, financial condition or results of operations and its ability to make distributions to Unitholders.

### ***Liquidity***

An investment in real estate is relatively illiquid. Such illiquidity will tend to limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. In recessionary times it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable and during an economic recession the REIT may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the REIT to dispose of properties at lower prices in order to generate sufficient cash for operations and for making distributions to Unitholders.

### ***Environmental Matters***

Environmental legislation and regulations have become increasingly important in recent years. As an owner of real property in Canada, the REIT will be subject to various Canadian federal, provincial, territorial and municipal laws relating to environmental matters. In the event that the REIT acquires properties in the United States or Europe, it will also be subject to various U.S. federal and state and European environmental laws, as applicable. Such laws provide that the REIT could be, or become, liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties. Further, liability may be incurred by the REIT with respect to the release of such substances from or to the REIT's properties. These laws often impose liability regardless of whether the property owner knew of, or was responsible for, the presence of such substances. Additional liability may be incurred by the REIT with respect to the release of such substances from the REIT's properties to properties owned by third parties, including properties adjacent to the REIT's properties or with respect to the exposure of persons to such substances. These laws also govern the maintenance and removal of materials containing asbestos in the event of damage, demolition or renovation of a property and also govern emissions of, and exposure to, asbestos fibres in the air. Certain of the Initial Properties contain or might contain materials containing asbestos. The costs of investigation, removal and remediation of such substances or properties, if any, may be substantial and could materially adversely affect the REIT's financial condition and results of operations. The presence of contamination or the failure to remediate contamination may also materially adversely affect the REIT's ability to sell such property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in significant claims against the REIT by public or private parties.

The 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, pentachlorophenol 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 property.

Some of the Initial Properties have, or have had, tenants that would or currently use, hazardous, toxic or other regulated substances. For example, retail gas stations and dry-cleaning operations are currently located, or have been located in the past, at some of the Initial Properties.

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 such properties, the REIT may become subject to liability for undetected contamination or other environmental conditions at its properties, which could materially adversely affect the REIT's financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to Unitholders. See "Assessment and Valuation of the Initial Properties — Environmental Site Assessments".

The REIT intends to make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters that may have a material adverse effect on the REIT's business, financial condition or results of operation and decrease or eliminate the amount of cash available for distribution to Unitholders. 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 a material adverse effect on the REIT's financial condition and results of operation and decrease or eliminate the amount of cash available for distribution to Unitholders.

### ***Financing Risks***

The REIT expects to have outstanding indebtedness at Closing of approximately \$2.6 billion. Although a portion of the cash flow generated by the Initial Properties will be devoted to servicing such debt, there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest payments and principal repayments upon an applicable maturity date. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the REIT to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could materially adversely affect the REIT's financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to Unitholders.

The REIT will be subject to the risks associated with debt financing, including the risk that any outstanding indebtedness will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness, which may reduce AFFO. To the extent that the REIT incurs variable rate indebtedness (such as under the Credit Facility), this will result in fluctuations in the REIT's cost of borrowing as interest rates change. To the extent that interest rates rise following Closing, the REIT's operating results and financial condition could be materially adversely affected and decrease the amount of cash available for distribution to Unitholders. The REIT's Credit Facility, the Transferor Notes and the Debentures will also 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 to Unitholders may be limited or suspended.

### ***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, territorial, 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 impossible to predict whether there will be any future changes in the regulatory regimes to which the REIT will be subject or the effect of any such change on its investments.

### ***Acquisitions and Associated Undisclosed Defects and Obligations***

The REIT's business plan contemplates, among other things, growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and leasing the properties, in all cases subject to the terms of the Strategic Alliance Agreement. The REIT intends to make acquisitions and dispositions of properties in accordance with its external growth strategy. If the REIT is unable to manage its growth effectively, it could materially adversely impact the REIT's financial position and results of operation

and decrease or eliminate the amount of cash available for distribution to Unitholders. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis and, as such, there can be no assurance that distributions to Unitholders will be maintained or increase in the future.

Acquired properties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of the REIT. For example, the REIT could acquire a property that contains undisclosed defects in design or construction. Representations and warranties given by third parties to the REIT may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Furthermore, it is not always possible to obtain from the seller the records and documents that are required in order to fully verify that the buildings to be acquired are constructed in accordance, and that their use complies, with planning laws and building code requirements. Accordingly, in the course of acquiring a property, specific risks might not be or might not have been recognized or correctly evaluated. These circumstances could lead to additional costs and could have a material adverse effect on rental income of the relevant properties or the sale prices of such properties upon a disposition of such properties.

The REIT's ability to acquire properties on satisfactory terms and successfully integrate and operate them is subject to the following additional risks: (a) the REIT may be unable to acquire desired properties because of (i) constraints imposed by the terms of the Strategic Alliance Agreement, or (ii) competition from other real estate investors with more capital, including other real estate operating companies, REITs and investment funds; (b) the REIT may acquire properties that are not accretive to results upon acquisition, and the REIT may not successfully manage and lease those properties to meet its expectations; (c) competition from other potential acquirers may significantly increase the purchase price of a desired property; (d) the REIT may be unable to generate sufficient cash from operations, or obtain the necessary debt or equity financing to consummate an acquisition or, if obtainable, financing may not be on satisfactory terms; (e) the REIT may need to spend more than budgeted amounts to make necessary improvements or renovations to acquired properties; (f) agreements for the acquisition of properties are typically subject to customary conditions to closing, including satisfactory completion of due diligence investigations, and the REIT may spend significant time and money on potential acquisitions that the REIT does not consummate; (g) the process of acquiring or pursuing the acquisition of a new property may divert the attention of the REIT's senior management team from existing business operations; (h) the REIT may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into existing operations; (i) market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and (j) the REIT may acquire properties without any recourse, or with only limited recourse, for liabilities, whether known or unknown, such as clean-up of environmental contamination, claims by tenants, vendors or other persons against the former owners of the properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

In addition, after the acquisition of a property, the market in which the acquired property is located may experience unexpected changes that materially adversely affect the property's value. The occupancy of properties that are acquired may decline during the REIT's ownership, and rents that are in effect at the time a property is acquired may decline thereafter.

If the REIT cannot complete property acquisitions on favourable terms, or operate acquired properties to meet the REIT's goals or expectations, the REIT's business, financial condition, results of operations and cash flow, the per Unit trading price and the REIT's ability to satisfy debt service obligations and to make distributions to Unitholders could be materially and adversely affected.

### ***Natural Disasters***

While the REIT will have insurance to cover a substantial portion of the cost of natural disasters, the REIT's insurance includes customary deductible amounts and certain items may not be covered by insurance. Future natural disasters may materially adversely affect the REIT's operations and properties and, more specifically, may cause the REIT to experience reduced rental revenue (including from increased vacancy), incur clean-up costs or otherwise incur costs in connection with such events. Any of these events may have a material

adverse effect on the REIT's business, cash flows, financial condition and results of operations and its ability to make distributions to Unitholders.

### ***Lack of Operating History***

The Initial Properties that the REIT is acquiring on Closing have been assets of Loblaw for a number of years. Prior to the date of Closing, however, the REIT will not have conducted any business activities. Although the REIT expects to benefit from the experience that its management team has gained while working at Loblaw and elsewhere, the REIT may be less successful in implementing its business strategy than a more seasoned real estate entity. As a result, the REIT may experience significant fluctuations in its operating results and rate of growth, which may vary from those projected by management. In addition, the forward-looking statements contained in this prospectus about expected future operating results or the assumptions reflected in the historical carve-out financial statements for the Third-Party Tenant Portfolio included elsewhere in this prospectus and under the heading "Financial Forecast" are subject to uncertainties that are due, in part, to the REIT's lack of an operating history. No assurance can be given that the REIT will be successful in implementing its business strategy or that it will achieve expected future operating results which could have a material adverse effect on the REIT's cash flows, financial condition or results of operations and its ability to make distributions to Unitholders.

### ***Operational Risk***

Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed technology, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulatory proceedings. Management will endeavour to minimize losses in this area by ensuring that effective infrastructure and controls exist. These controls will be constantly reviewed and if deemed necessary improvements will be implemented.

### ***Access to Capital***

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties, refinance its indebtedness as well as to fund its growth strategy and certain capital expenditures from time to time. Although the REIT expects to have access to the Credit Facility, there can be no assurance that the REIT will otherwise have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, refinancing its indebtedness, financing or refinancing of properties, funding operating expenses or other purposes. Further, in certain circumstances, the REIT may not be able to borrow funds due to limitations set forth in the Declaration of Trust and the Indenture, as supplemented. Failure by the REIT to access required capital could have a material adverse effect on the REIT's financial condition or results of operations and its ability to make distributions to Unitholders.

### ***Geographic Concentration***

The Initial Properties are all located in Canada, the majority of which are located in Ontario, Quebec and Alberta. Currently, Ontario contains 38.2% of the Initial Properties' GLA and 43.2% of forecast NOI for the Forecast Period. Quebec contains 17.5% of the Initial Properties' GLA and 17.8% of forecast NOI and Alberta contains 13.6% of the Initial Properties' GLA and 13.1% of forecast NOI for the same period. As a result, the REIT's performance, 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 Ontario, Quebec and Alberta. Adverse changes in the economic condition or regulatory environment of Ontario, Quebec or Alberta may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and its ability to make distributions to Unitholders. See "Assets of the REIT — Composition of the Initial Properties — Geographic Concentration".

### ***Tenant Concentration***

At Closing, the REIT will derive the large majority (approximately 91.2%) of its annual base minimum rent from Loblaw. Consequently, revenues will be dependent on the ability of Loblaw to meet its rent obligations and

the REIT's ability to collect rent from Loblaw. If Loblaw were to terminate its tenancies, default on or cease to satisfy its payment obligations, it would have a material adverse effect on the REIT's financial condition or results of operations and its ability to make distributions to Unitholders.

### ***Reliance on the Partnership***

The REIT is dependent on the business of the Partnership for NOI. The cash distributions made to Unitholders are dependent on the ability of the Partnership to make distributions in respect of the limited partnership units of the Partnership, including the Class C LP Units which are entitled to distributions in priority to the Class A LP Units held by the REIT (subject to certain exceptions). The ability of the Partnership to make distributions or make other payments or advances to the REIT will depend on the Partnership's results of operations and may be restricted by, among other things, applicable tax and other laws and regulations and may be subject to contractual restrictions contained in any instruments governing the indebtedness of the Partnership, any priority distribution contained in the Limited Partnership Agreement and any other agreements governing the Partnership. If the Partnership is unable to make distributions or other payments or advances to the REIT, such failure could have a material adverse effect on the REIT's financial condition or results of operations and its ability to make distributions to Unitholders.

### ***Interest Rate Risk***

The REIT will require extensive financial resources to complete the Acquisition and to implement its future investment and growth strategy. When concluding financing agreements or extending such agreements, the REIT will depend on its ability to agree on terms, including in respect of interest payments and, if applicable, amortization that will not impair the REIT's desired AFFO and that do not restrict its ability to make distributions to Unitholders. In addition to the Credit Facility, the REIT may enter into future financing agreements with variable interest rates if the current historical low level of interest rates continue. Given the historically low interest rates, there is a risk that interest rates will increase. An increase in interest rates could result in a significant increase in the amount paid by the REIT to service debt, resulting in a decrease in or the elimination of distributions to Unitholders, which could materially adversely affect the trading price of the Units. In addition, increasing interest rates may put competitive pressure on the levels of distributable income made by the REIT to Unitholders, increasing the level of competition for capital faced by the REIT, which could have a material adverse effect on the trading price of the Units.

The REIT may implement hedging programs in order to offset the risk of revenue losses and to provide more certainty regarding the payment of distributions to Unitholders should current variable interest rates increase. However, to the extent that the REIT fails to adequately manage these risks, its financial results, and its ability to pay distributions to Unitholders and interest payments under the Credit Facility, the Transferor Notes, the Debentures and future financings, may be materially adversely affected. Increases in interest rates generally cause a decrease in demand for real property. Higher interest rates and more stringent borrowing requirements, whether mandated by law or required by lenders, could have a material adverse effect on the REIT's ability to sell any of its properties.

### ***Potential Conflicts of Interest***

The Trustees will, from time to time, in their individual capacities, deal with parties with whom the REIT may be dealing, or may be seeking investments similar to those desired by the REIT. The interests of these persons could conflict with those of the REIT. Pursuant to the Declaration of Trust, all decisions to be made by the Board which involve the REIT are required to be made in accordance with the Trustee's duties and obligations to act honestly and in good faith with a view to the best interests of the REIT and the Unitholders. In addition, the Declaration of Trust contains provisions requiring the Trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. Conflicts may also exist as certain Trustees will be affiliated with Loblaw and may be nominated by Loblaw in certain circumstances in the future. There can be no assurance that the provisions of the Declaration of Trust will adequately address potential conflicts of interest or that such actual or potential conflicts of interest will be resolved in favour of the REIT.

## *Appraisals*

The REIT retained the Appraiser to provide independent estimates of the fair market value range in respect of the Initial Properties. See “Assessments and Valuation of the Initial Properties — Independent Valuations”. Caution should be exercised in the evaluation and use of appraisal results, which are estimates of market value at a specific point in time. In general, appraisals such as the 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 this prospectus or that such valuations actually reflect an amount that would be realized upon a current or future sale of any of the Initial Properties or that any projections included in the Appraisals will be attainable. In addition, the Appraisals were each given as at certain effective dates in April and May 2013 and are therefore not current to the date of this prospectus or the Closing Date. As prices in the real estate market fluctuate over time in response to numerous factors, the fair market value of the Initial Properties reflected in the Appraisals 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 and otherwise acceptable to the Board. For 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 twelve 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 and deductibles. The REIT will not carry title insurance on any of the Initial Properties. If a loss occurs resulting from a title defect with respect to a property where there is no title insurance, the REIT could lose all or part of its investment in, and anticipated profits and cash flows from, such property.

## *Risk Related to Insurance Renewals*

Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for catastrophic risks. When the REIT’s current insurance policies expire, the REIT may encounter difficulty in obtaining or renewing property or casualty insurance on its properties at the same levels of coverage and under similar terms. Such insurance may be more limited and, for catastrophic risks (e.g., earthquake, hurricane, flood and terrorism), may not be generally available to fully cover potential losses. Even if the REIT is able to renew its policies at levels and with limitations consistent with its current policies, the REIT cannot be sure that it will be able to obtain such insurance at premiums that are reasonable. If the REIT is unable to obtain adequate insurance on its properties for certain risks, it could cause the REIT to be in default under specific covenants on certain of its indebtedness or other contractual commitments that it has which require the REIT to maintain adequate insurance on its properties to protect against the risk of loss. If this were to occur, or if the REIT were unable to obtain adequate insurance, and its properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the REIT’s business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

## *Financial Forecast*

The forecasted results contained in this prospectus were prepared using assumptions that reflect management’s intended course for the periods covered, given the judgment of management as to the most probable set of economic conditions. There can be no assurance that the assumptions reflected in the forecast will prove to be accurate. Actual results for the Forecast Period may vary significantly from the forecasted results and those variations may be material. There is no representation by the REIT that actual results achieved during

the Forecast Period will be the same, in whole or in part, as those forecasted herein. See “Forward-Looking Statements”.

### ***Current Economic Environment***

Continued concerns about the uncertainty over whether the economy will be adversely affected by inflation, deflation or stagflation, and the systemic impact of unemployment, volatile energy costs, geopolitical issues and the availability and cost of credit have contributed to increased market volatility and weakened business and consumer confidence. This difficult operating environment could materially adversely affect the REIT’s ability to generate revenues, thereby reducing its operating income and earnings. It could also have a material adverse effect on the ability of the REIT’s operators to maintain occupancy rates in the REIT’s properties, which could harm the REIT’s financial condition. If these economic conditions continue, the REIT’s tenants may be unable to meet their rental payments and other obligations due to the REIT, which could have a material adverse effect on the REIT.

### ***Reliance on Key Personnel***

The management and governance of the REIT depends on the services of certain key personnel, including certain executive officers and the Trustees. The inability to attract and retain qualified and experienced personnel or the loss of the services of any key personnel could have a material adverse effect on the REIT and materially adversely affect the REIT’s financial condition and results of operations and decrease or eliminate the amount of cash available for distribution to Unitholders. The REIT does not have key man insurance on any of its key employees.

### ***Asset Class Diversification***

The REIT’s investments will not be widely diversified by asset class. Substantially all of the REIT’s investments, including the Initial Properties, will be in retail properties. A lack of asset class diversification increases risk because retail properties are subject to its own set of risks, such as vacancies and rising operating costs.

### ***New Markets***

If the opportunity arises, the REIT may explore acquisitions of properties in new markets, such as the United States and Europe. Each of the risks applicable to the REIT’s ability to acquire and successfully integrate and operate properties in its current markets is also applicable to its ability to acquire and successfully integrate and operate properties in new markets. In addition to these risks, the REIT may not possess the same level of familiarity with the dynamics and market conditions of any new markets, which could materially adversely affect its ability to expand into or operate in those markets. The REIT may be unable to achieve a desired return on its investments in new markets. If the REIT is unsuccessful in expanding into new markets, it could materially adversely affect its business, financial condition, results of operations and cash flow, the per Unit trading price and its ability to satisfy debt service obligations and to make distributions to Unitholders.

### ***Property Development, Redevelopment and Renovation Risks***

The REIT may engage in development, redevelopment or major renovation activities with respect to certain properties. If it does so, it will be subject to certain risks, including: (a) the availability and pricing of financing on satisfactory terms or at all; (b) the availability and timely receipt of zoning and other regulatory approvals; (c) the ability to achieve an acceptable level of occupancy upon completion; (d) the potential that the REIT may fail to recover expenses already incurred if it abandons redevelopment opportunities after commencing to explore them; (e) the potential that the REIT may expend funds on and devote management time to projects which it does not complete; (f) construction or redevelopment costs of a project, including certain fees payable to Loblaw under the Strategic Alliance Agreement, may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable; (g) the time required to complete the construction or redevelopment of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting the REIT’s cash flow and liquidity; (h) the cost and timely completion of

construction (including risks beyond the REIT's control, such as weather, labour conditions or material shortages); (i) contractor and subcontractor disputes, strikes, labour disputes or supply disruptions; (j) delays with respect to obtaining, or the inability to obtain, necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws; (k) occupancy rates and rents of a completed project may not be sufficient to make the project profitable; (l) the REIT's ability to dispose of properties redeveloped with the intent to sell could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and (m) the availability and pricing of financing to fund the REIT's development activities on favourable terms or at all.

The above risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent the initiation of redevelopment activities or the completion of redevelopment activities once undertaken. In addition, redevelopment projects entail risks that investments may not perform in accordance with expectations and can carry an increased risk of litigation (and its attendant risks) with contractors, subcontractors, suppliers, partners and others. Any of these risks could have an adverse effect on the REIT's financial condition, results of operations, cash flow, the trading price of the Units, distributions to Unitholders and ability to satisfy the REIT's principal and interest obligations.

### ***Derivative Risks***

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

### ***Litigation Risks***

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

### ***International Financial Reporting Standards***

In February 2008, the Accounting Standards Board of Canada confirmed its decision to require that all publicly accountable enterprises report under IFRS for interim and annual financial statements. The REIT is required to report under IFRS. There are ongoing projects conducted by the International Accounting Standards Board, and joint projects with the Financial Accounting Standards Board in the United States, that

are expected to result in new pronouncements that continue to evolve, which could adversely impact the manner in which the REIT reports its financial position and operating results.

## **Risk Factors Related to the REIT's Relationship with Loblaw**

### ***Significant Ownership by Loblaw***

On Closing, it is expected that Loblaw will hold an approximate 83.1% effective interest in the REIT on a fully-diluted basis through ownership of 21,500,000 Units and all of the Class B LP Units (or an approximate 81.7% effective interest in the REIT on a fully-diluted basis if the Unit Over-Allotment Option is exercised in full), where each Class B LP Unit will be attached to a Special Voting Unit of the REIT, providing for voting rights in the REIT. Loblaw will also hold all of the Class C LP Units.

The Class C LP Units provide Loblaw with an interest in the Partnership that will entitle Loblaw to distributions, in priority to distributions to holders of the Class A LP Units, Class B LP Units and GP Unit, subject to certain exceptions. The annual distribution rate on the Class C LP Units will be 5%, distributed on a monthly basis. See “The Partnership — Partnership Units” and “The Partnership — Distributions”.

In addition, the Declaration of Trust grants Loblaw the right to nominate certain Trustees of the REIT based on Loblaw's direct and indirect ownership interest in the REIT in the event that Loblaw's effective ownership interest in the REIT on a fully-diluted basis is less than 50%. See “Declaration of Trust and Description of the REIT Units — Nomination of Trustees”. For so long as Loblaw maintains a significant effective interest in the REIT, Loblaw will have the ability to exercise certain influence with respect to the affairs of the REIT and significantly affect the outcome of the votes of Voting Unitholders, and may have the ability to prevent certain fundamental transactions. As a result, Loblaw will have the ability to influence many matters affecting the REIT.

Accordingly, the Units may be less liquid and trade at a relative discount compared to such Units in circumstances where Loblaw did not have the ability to influence or determine matters affecting the REIT. Additionally, Loblaw's significant effective interest in the REIT may discourage transactions involving a change of control of the REIT, including transactions in which an investor, as a holder of the Units, might otherwise receive a premium for its Units over the then-current market price.

Pursuant to the Exchange Agreement, each Class B LP Unit will be exchangeable at the option of the holder for one Unit of the REIT (subject to customary anti-dilution adjustments). If Loblaw exchanges some or all of its Class B LP Units for Units and subsequently sells such Units in the public market (following the expiration of the contractual hold period of 18 months following Closing), the market price of the Units may decrease. Moreover, despite the fact that Loblaw has advised the REIT that its current expectation is that it will continue to own a majority effective interest in the REIT for at least the next 10 years, the perception in the public market that these sales will occur could also produce such an effect.

### ***Acquisition of Future Properties from Loblaw***

The REIT's ability to expand its asset base and increase AFFO per Unit through acquisitions will be significantly affected by the REIT's ability to leverage its relationship with Loblaw to access opportunities to acquire additional properties that satisfy the REIT's investment criteria, all in accordance with the Strategic Alliance Agreement. Loblaw has advised the REIT that its current intention is to offer to sell to the REIT additional properties that it owns from time to time, subject to market conditions, although no assurance can be given in that regard. There can be no assurance that the REIT will be able to access such opportunities and acquire additional properties or do so on terms favourable to the REIT. In addition, there can be no assurance that the right of first offer granted to the REIT by Loblaw to acquire Loblaw's interest in certain properties will be exercised or that Loblaw will dispose of interests in its properties. The inability of the REIT to expand its asset base by virtue of its relationship with Loblaw or pursuant to the right of first offer may have a material adverse effect on the REIT's business, cash flows, financial condition and results of operations and its ability to make distributions to Unitholders.

### ***Leasing Restrictions Under the Strategic Alliance Agreement***

For so long as the Strategic Alliance Agreement is in effect, the REIT will be subject to significant restrictions with respect to Supermarket Tenants other than Loblaw. In certain cases, the REIT will not be able to enter into leases with such prospective tenants without the consent of Loblaw, which may be withheld in Loblaw's absolute discretion, or the REIT may be limited in achieving higher rents or longer term leases with Supermarket Tenants other than Loblaw owing to the operation of the right of first offer to lease in favour of Loblaw. Moreover, Loblaw has a right of first offer to lease any available space within a REIT property that can be used as a supermarket. In any case, these restrictions may result in the inability of the REIT to access otherwise viable commercial Supermarket Lease opportunities and have a material adverse effect on the REIT's business, cash flows, financial conditions and results of operations and its ability to make distributions to Unitholders.

### ***Sale and Financing Provisions Under the Strategic Alliance Agreement***

Pursuant to the Strategic Alliance Agreement, the REIT has granted a right of first offer in favour of Loblaw in the event that the REIT intends to sell any of its properties (other than a sale from one Subsidiary of the REIT to another). In the event that the REIT desires to sell a property, the existence of this right of first offer in favour of Loblaw could limit the number of purchasers of such property, make it more difficult to sell such property and/or decrease the potential purchase price that could be obtained for such property, which, in turn, could have a material adverse effect on the REIT. Further, pursuant to the Strategic Alliance Agreement, the REIT may also, subject to certain exceptions, provide financing to Loblaw at any time Loblaw proposes to obtain certain loans from a non-Loblaw party that are intended to be secured against a property that the REIT could acquire under the terms of its investment guidelines and operating policies. The provision of such financing to Loblaw could divert the time, attention and funds available to the REIT from the REIT's core business and the return to the REIT, if any, generated from such financing activities may not be as attractive as those generated by the REIT's core business.

### ***Potential Conflicts of Interest with Loblaw***

Loblaw will not be limited or restricted in any way from owning, acquiring, constructing, developing or redeveloping Loblaw Associated Properties, and may itself compete with the REIT in seeking tenants and for the purchase, development and operation of desirable commercial properties. In the case of Shopping Centre Properties, although Loblaw will be required in certain circumstances under the Strategic Alliance Agreement to provide the REIT with certain opportunities, including rights of first opportunity to acquire or to participate in construction, development or redevelopment, those circumstances are not comprehensive and exclude circumstances in which Loblaw intends to complete the acquisition, construction or development for strategic purposes and involve more than one property owned by it. In addition, there can be no assurance that the REIT will be able to access such opportunities. As a result, Loblaw may compete with the REIT in seeking tenants for, and in the development and operation of, Shopping Centre Properties.

Loblaw's continuing businesses may lead to other conflicts of interest between Loblaw and the REIT. The REIT may not be able to resolve any such conflicts and, even if it does, the resolution may be less favourable to the REIT than if it were dealing with a party that was not a holder of a significant interest in the REIT. The agreements that the REIT will enter into with Loblaw on Closing may be amended upon agreement between the parties, subject to applicable law and approval of the Independent Trustees. Because of Loblaw's significant holdings in the REIT, the REIT may not have the leverage to negotiate any required amendments to these agreements on terms as favourable to the REIT as those the REIT could secure with a party that was not a significant effective Unitholder.

### ***Assumption of Liabilities***

The REIT will assume liabilities arising out of or related to the REIT's business, operations or assets, including the assumption of severance and other employment-related obligations with respect to employees transferred from Loblaw to the REIT in connection with Closing, and will agree to indemnify the vendors of the Initial Properties for, among other matters, such liabilities. The REIT may assume unknown liabilities that could

be significant. The allocation of value for assets and liabilities between the vendors of the Initial Properties and the REIT may not reflect the allocation that would have been reached between the REIT and a party that was not in a position to exercise significant influence over it. See “Acquisition of the Initial Properties” and “Arrangements with Loblaw”.

#### ***Risks Associated with Service Arrangements***

The REIT will rely on Loblaw with respect to the provision of certain services, as described under “Arrangements with Loblaw — Services Agreement”. This means that certain of the REIT’s day-to-day operational matters will be dependent upon Loblaw’s ability to successfully hire, train, supervise and manage its personnel and its ability to maintain its operating systems. If the REIT were to lose the services provided by Loblaw, or if Loblaw fails to perform its obligations under the Services Agreement, the REIT may experience a material adverse impact on its business operations. The REIT may be unable to duplicate the quality and depth of the services available to it by handling such services internally or by retaining another service provider. Prospective investors should not purchase any Units unless they are prepared to rely on Loblaw, as the initial servicer.

The Services 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 Loblaw’s services. If Loblaw should cease for whatever reason to provide such services, the cost of obtaining substitute services will likely be greater than the cost-recovery fee basis that the REIT will pay Loblaw under the Services Agreement, and this may materially adversely affect the REIT’s ability to meet its objectives and execute its strategy which could materially and adversely affect the REIT’s cash flows, operating results and financial condition and its ability to make distributions to Unitholders.

#### ***Indemnities Provided by Loblaw***

Pursuant to the Master Acquisition Agreement, Loblaw will make certain representations and warranties to the REIT. The Master Acquisition Agreement will include indemnities by Loblaw in favour of the REIT and its 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 Loblaw or their representatives and included in this prospectus containing or being alleged to contain a misrepresentation as well as Loblaw’s non-compliance with any requirement of applicable securities laws in connection with the Offering. 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 Loblaw will be in a position to satisfy a successful claim by the REIT in the event any such breach occurs. The Master Acquisition Agreement will also contain an indemnity by Loblaw in favour of the REIT in respect of certain environmental liabilities relating to the Initial Properties. Loblaw has also agreed to provide the REIT with certain indemnities in respect of certain tax matters relating to the transfer and ownership of the Initial Properties and the issuance of the Transferor Notes. The REIT may not be able to successfully enforce an indemnity against Loblaw or such indemnity may not be sufficient to fully indemnify the REIT from third party claims or remediation costs that the REIT otherwise undertakes or any taxes subsequently assessed against the REIT arising from the transfer and ownership of the Initial Properties. Loblaw has not provided any security for its obligations and is not required to maintain any cash for this purpose. The REIT may also be subject to undisclosed liability and such liability may be material, which could negatively impact the REIT’s financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

#### ***Registered Title and Nominee Arrangements***

Upon Closing, registered title to the Initial Properties located in British Columbia (subject to certain exceptions), Saskatchewan, Manitoba, Quebec and Prince Edward Island will be held by nominee corporations that will remain controlled, directly or indirectly, by Loblaw. Such nominee corporations will be contractually required to deal with registered title to these properties only in accordance with the REIT’s instructions. Non-compliance with such instructions (whether due to bankruptcy, insolvency or otherwise), while considered remote, could adversely affect the REIT’s business and cash flow. Further, if the REIT subsequently instructs any of these nominee corporations to transfer registered title to any of these properties to the REIT or to a nominee controlled by the REIT, it would result in additional costs to the REIT.

## **Risk Factors Related to the Business of the REIT's Key Tenant**

### ***Food Safety and Public Health***

Loblaw is subject to risks associated with food safety and general merchandise product defects. These risks could arise as part of the procurement, distribution, preparation or display of products, including Loblaw's control brand products. Loblaw could be adversely affected in the event of a significant outbreak of food-borne illness or other public health concerns related to food products. The occurrence of such events or incidents could result in harm to Loblaw's customers, negative publicity or damage to Loblaw's brands and could lead to unforeseen liabilities from legal claims or otherwise. In addition, failure to trace or locate any contaminated or defective products could affect Loblaw's ability to be effective in a recall situation. Any of these events, as well as the failure to maintain the cleanliness and health standards at store level, could negatively affect the reputation, operations and financial performance of Loblaw which, consequently, could materially adversely affect the REIT and its ability to make distributions to Unitholders.

Loblaw has an incident management process in place to manage such events, should they occur. The existence of these procedures does not mean that Loblaw will, in all circumstances, be able to mitigate the underlying risks, and any event related to these matters has the potential to negatively affect the reputation, operations and financial performance of Loblaw which, consequently, could materially adversely affect the REIT and its ability to make distributions to Unitholders.

### ***Competitive Environment***

The retail industry in Canada is highly competitive. If Loblaw is ineffective in responding to consumer trends or in executing its strategic plans, its financial performance could be negatively affected. Loblaw's competitors include traditional supermarket operators, as well as mass merchandisers, warehouse clubs, drugstores, limited assortment stores, discount stores, convenience stores and specialty stores. Many of these competitors now offer a selection of food, drugstore and general merchandise. Others remain focused on supermarket-type merchandise. Loblaw is subject to competitive pressures from new entrants into the marketplace and from the expansion or renovation of existing competitors, particularly those expanding into the grocery market. Loblaw's inability to effectively predict market activity or compete effectively with its current or future competitors could result in, among other things, reduced market share and lower pricing in response to its competitors' pricing activities. Failure by Loblaw to sustain its competitive position could negatively affect the financial performance of Loblaw which, consequently, could materially adversely affect the financial performance of the REIT and its ability to make distributions to Unitholders.

### ***Economic Environment***

Economic factors that impact consumer spending patterns could deteriorate or remain unpredictable due to global, national or regional economic volatility. These factors include high levels of unemployment and household debt, increased interest rates, inflation, foreign exchange rates and commodity prices and access to consumer credit. Any of these factors could negatively affect Loblaw's revenue and margins. Inflationary trends are unpredictable and changes in the rate of inflation or deflation will affect consumer prices, which in turn could negatively affect the financial performance of Loblaw which, consequently, could materially adversely affect the financial performance of the REIT and its ability to make distributions to Unitholders.

### ***Franchisee Independence and Relationships***

A substantial portion of Loblaw's revenues and earnings comes from amounts paid to it by franchisees. Franchisees are independent businesses and, as a result, their operations may be negatively affected by factors beyond Loblaw's control which, in turn, could negatively affect Loblaw's reputation, operations and financial performance. Revenues and earnings could also be negatively affected, and Loblaw's reputation could be harmed, if a significant number of franchisees were to experience operational failures, health and safety exposures or were unable to pay Loblaw for products, rent or fees. Loblaw's franchise system is also subject to franchise legislation enacted by a number of provinces. Any new legislation or failure to comply with existing legislation could negatively affect operations and could add administrative costs and burdens, any of which could affect Loblaw's relationship with its franchisees. Loblaw provides various services to the franchisees to assist with

management of store operations and dedicated personnel manage Loblaw's obligations to its franchisees. Despite these efforts, relationships with franchisees could pose significant risks if they are disrupted, which could negatively affect the reputation, operations and financial performance of Loblaw. Supply chain or system changes by Loblaw could cause or be perceived to cause disruptions to franchise operations and could result in negative effects on franchisee financial performance. Reputational damage or adverse consequences for Loblaw, including litigation and disruption to revenue from franchise stores could result. Any of the aforementioned adverse impacts on Loblaw could, in turn, materially adversely affect the financial performance of the REIT and its ability to make distributions to Unitholders.

#### ***Trademark and Brand Protection***

A decrease in value of Loblaw's trademarks, banners or control brands, as a result of adverse events, changes to the branding strategies or otherwise, could negatively affect the reputation, operations and financial performance of Loblaw which, consequently, could negatively impact the reputation, operations and financial performance of the REIT and its ability to make distributions to Unitholders.

#### **Risk Factors Related to the Offering**

##### ***Credit Ratings and Credit Risk***

There can be no assurance that the credit ratings assigned to the Debentures will remain in effect for any given period of time or that the ratings will not be lowered, withdrawn or revised by one or more of the Specified Rating Agencies at any time. Real or anticipated changes in credit ratings on the Debentures may affect the market value of the Debentures, and may also affect the cost at which the REIT can access the capital markets. See "Credit Ratings".

The likelihood that purchasers of the Debentures will receive payments owing to them under the terms of the Debentures will depend on the financial health of the REIT and its creditworthiness. In addition, the Debentures will be unsecured obligations of the REIT, ranking behind any secured indebtedness that the REIT may incur. As of the Closing Date, the REIT will have no outstanding secured indebtedness.

##### ***Structural Subordination of the Debentures***

Liabilities of a parent entity with assets held by various Subsidiaries may result in the structural subordination of the lenders to the parent entity. The parent entity is entitled only to the residual equity of its Subsidiaries after all debt obligations of its Subsidiaries are discharged. Absent the guarantee arrangements referenced below, in the event of a bankruptcy, liquidation or reorganization of the REIT, holders of indebtedness of the REIT (including holders of the Debentures) would be structurally subordinated to lenders to the Subsidiaries of the REIT.

The Guarantors (at Closing, being the General Partner and the Partnership) will each provide a guarantee pursuant to which the Indenture Trustee will, subject to the Indenture, be entitled to seek redress from each such Guarantor for the guaranteed indebtedness. These guarantees are intended to eliminate structural subordination which would otherwise arise as a consequence of the REIT's assets being held in the Partnership and other Subsidiaries of the REIT. There can be no assurance, however, that the Indenture Trustee will, or will be able to, effectively enforce the guarantees. See "Details of the Offering — Guarantee".

##### ***Coverage Ratios***

The REIT may be unable to pay interest or principal on the Debentures when due. In order to assess this risk, please see "Earnings Coverage Ratio".

##### ***Market Value Fluctuation***

Prevailing interest rates will affect the market value of the Debentures, as they carry a fixed interest rate. Assuming all other factors remain unchanged, the market value of the Debentures, which carry a fixed interest rate, will decline as prevailing interest rates for comparable debt instruments rise, and increase as prevailing interest rates for comparable debt instruments decline.

### ***Market for the Debentures and Trading Prices of the Debentures***

There is currently no trading market for the Debentures. No assurance can be given that an active or liquid trading market for the Debentures will develop or be sustained. If an active or liquid market for the Debentures fails to develop or be sustained, the liquidity and prices at which the Debentures trade may be adversely affected. Whether or not the Debentures will trade at lower prices depends on many factors, including liquidity of the Debentures, prevailing interest rates and the markets for similar securities, general economic conditions and the REIT's financial condition and future prospects. Moreover, the Debentures will not be publicly listed for trading on any stock exchange. The Agents may, but are not obligated to, make a market for the Debentures, subject to applicable laws and regulations and any market making may be discontinued at any time.

### ***Inability of the REIT to Purchase Debentures on a Change of Control Triggering Event***

The REIT may be required to purchase all outstanding Debentures upon the occurrence of a Change of Control Triggering Event. However, it is possible that following a Change of Control Triggering Event, the REIT will not have sufficient funds at that time to make any required purchase of outstanding Debentures or that restrictions contained in other present or future indebtedness or agreements will restrict those purchases. The REIT's failure to purchase the Debentures would constitute an Event of Default under the Indenture, which may also constitute a default under the terms of the REIT's other indebtedness at that time. See "Description of the Debentures — Repurchase upon a Change of Control Triggering Event".

### ***Redemption Prior to Maturity***

The Debentures may be redeemed, at the option of the REIT, in whole at any time or in part from time to time on or after the Closing Date, subject to certain conditions for redemptions prior to the maturity date, at a price equal to the greater of the applicable Canada Yield Price and par plus, in each case, accrued and unpaid interest. Debentureholders should assume that this redemption option will be exercised if the REIT is able to refinance at a lower interest rate or if it is otherwise in the interest of the REIT to redeem the Debentures. Debentureholders whose Debentures are redeemed would not be entitled to participate in any future growth in the market price of the Debentures and may not be able to reinvest their redemption proceeds in securities providing a comparable expected rate of return to maturity as the Debentures for a comparable level of risk. See "Description of the Debentures — Redemption and Purchase".

### ***Tax Related Risks***

The Tax Act contains specific provisions relating to the taxation of specified investment flow-through trusts or partnerships ("SIFTs") and their investors (the "SIFT Rules"). If the SIFT Rules were to apply to the REIT, they may have an adverse impact on the taxation of the REIT and on the taxation of distributions to unitholders. In particular, pursuant to the SIFT Rules, a SIFT trust cannot deduct any part of the amounts payable to unitholders in respect of (i) aggregate net income from business it carries on in Canada; (ii) aggregate net income (other than taxable dividends received by the SIFT trust) from its non-portfolio properties; and (iii) aggregate net taxable capital gains from dispositions of non-portfolio properties. Distributions which a SIFT trust is unable to deduct will be taxed in the SIFT trust at rates of tax designed to emulate the combined federal and provincial corporate tax rates. The REIT will not be considered to be a SIFT trust for 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"). Based on a review of its assets and revenues, management believes that the REIT will meet the requirements of the REIT Exception throughout 2013 and beyond. However, there can be no assurance that the REIT will be able to qualify for the REIT Exception such that the REIT will not be subject to the SIFT Rules in 2013 or in future years.

The REIT intends to comply with the requirements under the Tax Act at all relevant times such that it maintains its status as a "unit trust" and a "mutual fund trust" for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting mutual fund trusts will not be changed in a manner that adversely affects Unitholders. If the REIT ceases to qualify as a mutual fund trust under the Tax Act, or if Units cease to be listed on a designated

stock exchange in Canada, the Debentures may cease to be qualified investments for Deferred Income Plans. There may be adverse tax consequences if a Deferred Income Plan acquires or holds non-qualified investments.

### ***Historical Financial Information***

The historical financial information relating to the Third-Party Tenant Portfolio included in this prospectus has been derived from Loblaw's historical accounting records. The REIT believes that the assumptions underlying such combined financial statements are reasonable. However, such combined financial statements do not reflect what the REIT's financial position, results of operations or cash flows would have been had the REIT owned the Third-Party Tenant Portfolio during the historical periods presented or what the REIT's financial position, results of operations or cash flows will be in the future. Moreover, the Third-Party Tenant Portfolio is expected to represent only 7.1% of the REIT's NOI during the Forecast Period. Accordingly, the historical financial information relating to the Third-Party Tenant Portfolio included in this prospectus is not representative of the REIT's overall portfolio of the Initial Properties and purchasers should exercise significant caution in relying upon such historical financial statements when making an investment decision in respect of the Debentures. See "About this Prospectus".

Expense allocations used to prepare the historical financial information relating to the Third-Party Tenant Portfolio were based on what Loblaw considered to be reasonable allocations of the costs incurred in respect of the Third-Party Tenant Portfolio. The REIT has not made adjustments to such historical financial information to reflect differences that will exist or changes that may occur in its legal structure, cost structure, financing and operations as a result of the ownership and operation of the Third-Party Tenant Portfolio by the REIT.

### ***Financial Reporting and Other Public Company Requirements***

As a result of the Offering and the Unit Offering, the REIT will become subject to reporting and other obligations under applicable Canadian securities laws and rules of the stock exchange on which the Units are listed, including National Instrument 52-109 — *Certification of Disclosure in Issuers' Annual and Interim Filings*. These reporting and other obligations will place significant demands on the REIT's 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 reduction in the trading price of the Debentures.

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 an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all.

## **MATERIAL CONTRACTS**

The following are the only material agreements of the REIT that will be in effect on Closing (other than certain agreements entered into in the ordinary course of business):

- (a) the Agency Agreement;
- (b) the Credit Facility;
- (c) the Declaration of Trust;
- (d) the Equity Underwriting Agreement;
- (e) the Exchange Agreement;
- (f) the Indenture, the First Supplemental Indenture and the Second Supplemental Indenture;
- (g) the Limited Partnership Agreement;
- (h) the Master Acquisition Agreement;
- (i) the Services Agreement; and
- (j) the Strategic Alliance Agreement.

Copies of the foregoing documents will be available following Closing on SEDAR.

## **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as noted below, there are no material interests, direct or indirect, of any Trustee or executive officer of the REIT, any Unitholder that beneficially owns, or controls or directs (directly or indirectly), more than 10% of the Units or Special Voting Units, or any associate or affiliate of any of the foregoing persons, in any transaction within the three years before the date hereof that has materially affected or is reasonably expected to materially affect the REIT or any of its Subsidiaries.

Jane Marshall (Chief Operating Officer of the REIT) is currently an employee of Loblaw. In connection with the Closing, the REIT will indirectly acquire the Initial Properties from the Transferors and Loblaw will enter into certain agreements with the REIT and the Partnership. In addition, Loblaw will hold a significant effective interest in the REIT following Closing. See “Acquisition of the Initial Properties”, “Arrangements with Loblaw”, “Trustees and Management of the REIT”, “Plan of Distribution”, “Risk Factors — Risks Related to the REIT’s Relationship with Loblaw” and “Promoter”.

## **PROMOTER**

Loblaw has taken the initiative in founding and organizing the REIT and may therefore be considered a promoter of the REIT for the purposes of applicable securities legislation. The number of Units (and percentage outstanding) that will be held by Loblaw following Closing is set forth below under “Principal Unitholder”. Neither Loblaw nor any of its Subsidiaries will purchase any Debentures in connection with the Offering. See “Use of Proceeds”, “Acquisition of the Initial Properties”, “Arrangements with Loblaw” and “Key Investors — Retained Interest of Loblaw”, together with certain other sections of this prospectus including “Trustees and Management of the REIT”, “Plan of Distribution”, “Risk Factors — Risks Related to the REIT’s Relationship with Loblaw” and “Interests of Management and Others in Material Transactions”.

## **PRINCIPAL UNITHOLDER**

On Closing, it is expected that Loblaw will hold an approximate 83.1% effective interest in the REIT on a fully-diluted basis through ownership of 21,500,000 Units and all of the issued and outstanding Class B LP Units (or an approximate 81.7% effective interest in the REIT on a fully-diluted basis if the Unit Over-Allotment Option is exercised in full). On Closing, Loblaw will also hold all of the outstanding Class C LP Units and all of the Special Voting Units. See “Acquisition of the Initial Properties”, “Key Investors — Retained Interest of Loblaw” and “Plan of Distribution”. To the knowledge of the Trustees and management of the REIT, no person or company other than Loblaw will own, directly or indirectly, more than 10% of the Units on Closing. Neither Loblaw nor any of its Subsidiaries will purchase any Debentures in connection with the Offering.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS  
OF THE THIRD-PARTY TENANT PORTFOLIO**

**Overview**

The following Management's Discussion and Analysis ("MD&A") discusses the financial condition and results of operations relating to the Third-Party Tenant Portfolio. The Third-Party Portfolio represents a component of real estate assets owned by Loblaw with third party income producing components and does not include the components of the assets being used by Loblaw in its food distribution, drugstore, general merchandise and financial products and services businesses that are also intended to be indirectly acquired by the REIT in connection with the Closing.

The combined carve-out financial statements and accompanying notes for the interim periods ended March 31, 2013 and March 31, 2012 and the fiscal years ended December 31, 2012, December 31, 2011 and December 31, 2010 of the Third-Party Tenant Portfolio are prepared in accordance with IFRS and are reported in thousands of Canadian dollars, except where otherwise indicated. This MD&A of Financial Condition and Results of Operations section should be read in conjunction with the combined carve-out financial statements.

The Third-Party Tenant Portfolio includes 150 properties with third party income producing components. Included in these properties are 2 warehouses and the component of 148 commercial properties located in Canada that are owned directly or indirectly by Loblaw and have historically been used by Loblaw in connection with its retail business. Loblaw is a Canadian public company incorporated in 1956 and is Canada's largest food retailer and a leading provider of drugstore, general merchandise and financial products and services.

The objective of this discussion is to provide a prospective purchaser of securities of the REIT with an analysis of the historical assets, liabilities, revenues and operating expenses of the Third-Party Tenant Portfolio for the above-mentioned periods. This discussion does not include the components of the assets being used by Loblaw in its food distribution, drugstore, general merchandise and financial products and services businesses that are also intended to be acquired by the REIT on Closing. Less emphasis has been placed on analyzing the impact of current and deferred income taxes as the Third-Party Tenant Portfolio is not a taxable legal entity, however current and deferred income taxes have been provided for in the combined carve-out financial statements as the assets have been carved out of entities that are taxable entities.

**Selected Financial and Operating Information**

The following table highlights selected financial and operating information for the Third-Party Tenant Portfolio:

<u>(\$ thousands except where otherwise indicated)</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
Number of properties . . . . .	<b>149</b>	148	148
Fair value of investment properties . . . . .	<b>483,754</b>	448,568	431,008
Net property income . . . . .	<b>31,807</b>	30,234	27,689
Average rent per square foot (\$/ft <sup>2</sup> ) . . . . .	<b>11.96</b>	12.08	11.47
Occupancy rate . . . . .	<b>83.8%</b>	80.7%	78.9%

Under IFRS, certain expenses and income must be recognized that are not necessarily reflective of the underlying operating performance of the Third-Party Tenant Portfolio. Certain non-GAAP financial measures exclude the impact of certain items and are used internally when analyzing underlying operating performance. These non-GAAP financial measures are also helpful in assessing underlying operating performance on a consistent basis. NOI is a non-GAAP measure used by management and represents rental revenue from the properties less property operating costs as presented in the combined carve-out statements of net earnings and comprehensive income.

Management believes NOI is useful in assessing the Third-Party Tenant Portfolio's underlying operating performance and in making decisions regarding the ongoing operations. This measure does not have a

standardized meaning prescribed by GAAP and therefore it may not be comparable to similarly titled measures presented by other businesses, and should not be construed as an alternative to other financial measures determined in accordance with GAAP.

### Financial Statement Analysis

The following table highlights selected financial information for the Third-Party Tenant Portfolio as at and for the years ended December 31, 2012, December 31, 2011 and December 31, 2010, and as at and for the three months ended March 31, 2013. This information has been compiled from the combined carve-out financial statements and notes thereto and should be read in conjunction with those combined carve-out financial statements and notes included elsewhere in this prospectus.

(\$ thousands of Canadian dollars)	Three months	Years		
	March 31, 2013	December 31, 2012	December 31, 2011	December 31, 2010
<b>Financial Condition</b>				
Investment properties . . . . .	\$497,885	\$483,754	\$448,568	\$431,008
Accounts receivable . . . . .	3,592	3,856	3,218	3,391
Trade payables and other liabilities . . . . .	7,034	9,422	7,987	8,963
<b>Results of Operations</b>				
Rental revenue . . . . .	\$ 16,152	\$ 60,451	\$ 59,522	\$ 55,130
Property costs . . . . .	8,072	28,644	29,288	27,441
Net property income . . . . .	8,080	31,807	30,234	27,689
General and administrative expenses . . . . .	152	569	569	526
Fair value changes of investment properties . . . . .	(1,194)	11,025	(589)	11,582
Income tax . . . . .	1,775	11,124	8,000	10,731
<b>Net earnings</b> . . . . .	<b>\$ 4,959</b>	<b>\$ 31,139</b>	<b>\$ 21,076</b>	<b>\$ 28,014</b>

### Financial Condition

#### *Investment properties*

The fair value of the investment properties was determined by undertaking a direct capitalization approach whereby a capitalization rate is applied to estimated stabilized cash flows. In determining the appropriateness of the methodology applied, the relative uncertainty of the timing and amount of expected cash flows and the impact such uncertainty would have in arriving at a reliable estimate of fair value was considered.

As at March 31, 2013, the properties were valued using a weighted average capitalization rate of 7.1% applied to stabilized cash flows compared to 7.3% as at December 31, 2012 (December 31, 2011 — 7.6%, December 31, 2010 — 7.9%).

The fair value of investment properties has increased each period primarily due to higher net property income and declining capitalization rates. The acquisition of investment property including costs that are directly attributable to the acquisition of \$10,605 and decreases in capitalization rates in the first quarter of 2013 resulted in an increase in the fair value of investment properties compared to year end 2012. Higher net property income and declining capitalization rates also resulted in an overall increase in the fair value of investment properties in 2012 compared to 2011 and 2010.

#### *Accounts receivable*

Accounts receivable were \$3,592 as at March 31, 2013 compared to \$3,856 as at December 31, 2012, \$3,218 as at December 31, 2011 and \$3,391 as at December 31, 2010.

The decrease of \$264 in the first quarter of 2013 from December 31, 2012 was primarily driven by the timing of collection of rent receivables.

The increase of \$638 in 2012 from 2011 was primarily driven by an increase in other receivables as a result of increases in vacancy tax rebates receivable.

The decrease of \$173 in 2011 from 2010 was as a result of a decrease in rent receivables primarily driven by an increase in the allowance for doubtful accounts related to balances greater than 90 days. The allowance for doubtful accounts for each period presented primarily relates to amounts in dispute for one tenant with leases on multiple properties included in the Third-Party Tenant Portfolio. Management expects to successfully recover these disputed amounts.

#### ***Trade payables and other liabilities***

Trade payables and other liabilities consist primarily of property operating costs payable, realty taxes payable, deferred revenue, and capital expenditure and other related accruals. Trade payables and other liabilities were \$7,034 as at March 31, 2013 compared to \$9,422 as at December 31, 2012, \$7,987 as at December 31, 2011 and \$8,963 as at December 31, 2010.

The decrease of \$2,388 in the first quarter of 2013 from December 31, 2012 was primarily driven by decreases in realty taxes payable, deferred revenue and capital expenditure and other related accruals. Realty taxes payable decreased due to the timing of quarterly realty tax installment payments. Deferred revenues decreased as a result of decreases in tenant deferred common area maintenance recoveries due to recoverable tenant expenses incurred in the first quarter of 2013. Capital expenditure and other decreased mainly as a result of the payment of fixed asset additions accrued for as at year end 2012.

The increase of \$1,435 in 2012 from 2011 was primarily as a result of a higher capital expenditure and other related accruals. Capital expenditure and other related accruals increased due to an increased number of building improvements.

The decrease of \$976 in 2011 from 2010 was primarily as a result of a lower capital expenditure and other related accruals. Capital expenditure and other related accruals decreased as a result of a decrease in the number of building improvements.

### **Results of Operations — Annual Information**

#### ***Rental revenue***

Rental revenues for 2012 increased 1.6% to \$60,451 compared to \$59,522 in 2011. The increase was primarily due to a 3.1% increase in occupancy rates.

Rental revenues for 2011 increased 8.0% to \$59,522 compared to \$55,130 in 2010. The increase was primarily due to a 1.8% increase in occupancy rates in combination with step-ups from lease renewals and increased revenue from property acquisitions acquired in the second half of 2010 for which a full year of rental revenue was realized. During 2010 the Third-Party Tenant Portfolio acquired six investment properties of which five were acquired during the second half of the year.

#### ***Net property income***

As mentioned above, NOI represents rental revenue from investment properties less property operating costs.

NOI in 2012 increased by 5.2% to \$31,807 compared to \$30,234 in 2011. The increase was driven by increased rental revenue and reduced property operating costs. Property operating costs decreased 2.2% in 2012 to \$28,644 compared to \$29,288 in 2011 primarily due to increased realty tax rebates, a decline in non-recoverable common area maintenance expenses and a decline in bad debt expense due to a reduction in accounts receivable greater than 90 days.

NOI in 2011 increased by 9.2% to \$30,234 compared to \$27,689 in 2010. The increase was driven by increased rental revenue, partially offset by higher property operating costs. Property operating costs increased

6.7% in 2011 to \$29,288 compared to \$27,441 in 2010. The increase was primarily due to a full year of operating costs for six investment property acquisitions completed in the second half of 2010.

#### *Fair value changes of investment properties*

The fair value of each investment property is based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the applicable balance sheet dates, less future cash outflows in respect of such leases. Valuations are completed by undertaking a direct capitalization approach whereby a capitalization rate is applied to estimated stabilized cash flows, with related fair value gains and losses recorded in the combined carve-out statements of net earnings and comprehensive income.

The Third-Party Tenant Portfolio recognized fair value gains of \$11,025 in 2012, losses of (\$589) in 2011, and gains of \$11,582 in 2010. Fair value gains in 2012 were recognized primarily due to higher net property income and declining capitalization rates. The fair value losses in 2011 primarily resulted from capital expenditures on investment properties more than offsetting increases in fair values. Fair value gains in 2010 were recognized due to declining capitalization rates during the year.

#### *Income taxes*

Total income tax expense increased by 39.1% to \$11,124 in 2012 compared to \$8,000 in 2011. The increase was primarily driven by an increase in deferred income taxes related to the fair value gains on investment properties.

Total income tax expense decreased by 25.4% to \$8,000 in 2011 compared to \$10,731 in 2010, primarily driven by decreases in deferred income taxes related to the fair value losses on investment properties.

#### **Results of Operations — Interim Periods**

The following table highlights the financial results for the Third-Party Tenant Portfolio for the three months ended March 31, 2013 and March 31, 2012. This information has been compiled from the combined carve-out financial statements and notes thereto and should be read in conjunction with those combined carve-out financial statements and notes included elsewhere in this prospectus.

(\$ thousands of Canadian dollars)	Three Months Ended March 31	
	2013	2012
Rental revenue . . . . .	<b>\$16,152</b>	\$15,348
Property costs . . . . .	<b>8,072</b>	7,735
Net property income . . . . .	<b>8,080</b>	7,613
General and administrative expense . . . . .	<b>152</b>	142
Fair value changes of investment properties . . . . .	<b>(1,194)</b>	4,365
Income tax . . . . .	<b>1,775</b>	3,125
<b>Net earnings</b> . . . . .	<b>\$ 4,959</b>	<b>\$ 8,711</b>

#### *Rental revenue*

Rental revenues increased by 5.2% in the first quarter of 2013 to \$16,152 compared to \$15,348 in the same period in 2012 primarily as a result of higher occupancy rates.

#### *Net property income*

NOI increased by 6.1% to \$8,080 in the first quarter of 2013 from \$7,613 in the same period in 2012. The increase was driven by increased rental revenue partially offset by increased property operating costs. Total property operating costs increased by 4.4% to \$8,072 in the first quarter of 2013 from \$7,735 in the same period

in 2012 due to increases in both realty taxes and common area maintenance costs for the period, primarily driven by higher occupancy rates.

***Fair value changes of investment properties***

The Third-Party Tenant Portfolio recognized fair value losses of (\$1,194) in the first quarter of 2013 and gains of \$4,365 in the same period in 2012. Fair value losses recognized in the first quarter of 2013 primarily resulted from capital expenditures on investment properties more than offsetting increases in fair values. Fair value gains were recognized in the first quarter of 2012 primarily due to higher net property income and declining capitalization rates.

***Income taxes***

Income tax expense decreased by 43.2% to \$1,775 in the first quarter of 2013 from \$3,125 in the same period in 2012. The increase was primarily driven by decreases in deferred income taxes related to the fair value adjustment on investment properties.

**Cash Flows**

The following table summarizes cash flows by activity:

(\$ thousands of Canadian dollars)	For the years ended December 31		
	2012	2011	2010
Operating activities . . . . .	\$ 27,311	\$ 23,462	\$ 27,681
Investing activities . . . . .	\$(24,047)	\$(17,911)	\$(34,105)
Financing activities . . . . .	\$ (3,264)	\$ (5,551)	\$ 6,424

***Operating activities***

Cash flows from operating activities in 2012 increased by \$3,849 compared to 2011 primarily due to higher net property income and increases in trade payables partially offset by increases in accounts receivable.

Cash flows from operating activities in 2011 decreased by \$4,219 compared to 2010 primarily due a year-over-year decrease in trade payables and other liabilities partially offset by higher net property income.

***Investing activities***

Cash flows used in investing activities in 2012 increased by \$6,136 compared to 2011 primarily due to increased additions to investment properties and the acquisition of an additional investment property during the year.

Cash flows used in investing activities in 2011 decreased by \$16,194 compared to 2010 due to fewer investment property acquisitions in 2011, partially offset by increased additions to investment properties in 2011.

***Financing activities***

Fluctuations in cash flows used in financing activities are driven by changes to the amount of distributions made to Loblaw. Distributions to Loblaw were made based on the residual cash available from the Third-Party Tenant Portfolio.

**Sources of Liquidity and Capital Resources**

The Third-Party Tenant Portfolio expects to meet all of its obligations as they become due. The Third-Party Tenant Portfolio does not have any debt or equity and obtains its financing and capital from Loblaw, therefore all cash transactions are considered to be paid or received by Loblaw.

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 Unit issuances and the amounts available to be drawn against the Credit Facility that will be available following Closing for acquisitions and for general business purposes. In addition to the Credit Facility, on or shortly following Closing, the REIT expects to enter into an uncommitted letter of credit facility of up to \$40 million with a Schedule I Canadian chartered bank.

## Commitments

The significant contractual commitments of the Third-Party Tenant Portfolio as at December 31, 2012 were as follows:

(\$ thousands of Canadian dollars)	Total	Year 1	Year 2	Year 3	Year 4	Year 5	Thereafter
Obligations as lessor . . . . .	\$ 2,399	\$ 2,399	\$ —	\$—	\$—	\$—	\$—
Obligations as lessee . . . . .	1,310	119	119	119	119	119	715
Construction costs <sup>(1)</sup> . . . . .	4,827	4,827	—	—	—	—	—
Other financial liabilities <sup>(2)</sup> . . . . .	6,753	5,674	1,079	—	—	—	—
<b>Total obligations . . . . .</b>	<b>\$15,289</b>	<b>\$13,019</b>	<b>\$1,198</b>	<b>\$119</b>	<b>\$119</b>	<b>\$119</b>	<b>\$715</b>

(1) Included in this amount are non-cancellable purchase orders and amounts incurred in connection with construction contracts.

(2) Other financial liabilities include trade payables and other liabilities.

## Guarantees and Off-Balance Sheet Arrangements

The Third-Party Tenant Portfolio has not provided any financial or non-financial guarantees to Loblaw, its tenants or any other entities with whom it transacts.

The Third-Party Tenant Portfolio has not created, and is not party to, any special purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating its business. The Third-Party Tenant Portfolio does not have any relationships or arrangements with entities that are not consolidated into its combined carve-out financial statements that are reasonably likely to materially affect liquidity or the availability of capital resources.

## Risks and Uncertainties

There are operating risks associated with the Third-Party Tenant Portfolio. See “Risk Factors”.

### Financial Risks

It is management’s opinion that the Third-Party Tenant Portfolio is not exposed to significant currency, market or interest rate risk arising from financial instruments. The Third-Party Tenant Portfolio’s financial instruments expose it to liquidity and credit risk.

### Liquidity Risk

Liquidity risk refers to the risk that the Third-Party Tenant Portfolio will have insufficient funds to satisfy its obligations related to its operating and investing activities. The Third-Party Tenant Portfolio manages its liquidity risk through contributions from Loblaw to the extent cash flows from property operations are not sufficient. The Third-Party Tenant Portfolio’s capital is comprised of equity in net assets and is funded by Loblaw primarily for additions to the investment properties and leasing activities, to the extent not available from cash flows from operations.

### Credit Risk

Credit risk is the risk that counterparties to financial assets will default. Credit risk arises from the possibility that the Third-Party Tenant Portfolio’s tenants may experience financial difficulty and be unable to meet their lease obligations. The Third-Party Tenant Portfolio mitigates the risk of credit loss with respect to

tenants by evaluating the creditworthiness of new tenants and obtaining security deposits wherever permitted by legislation. Receivables are substantially comprised of rent receivables and vacancy rebates.

### **Related Party Transactions**

The immediate parent of Loblaw is GWL which owns 63% of Loblaw, with the ultimate parent being Wittington Investments, Limited. The remaining common shares of Loblaw are widely held.

A subsidiary of the ultimate parent has entered into an agreement to rent a property from the Third-Party Tenant Portfolio. The rental revenue earned from the subsidiary of the ultimate parent for the years ended December 31, 2012, 2011 and 2010 was \$48 in each year. The lease commenced November 1, 2003 and expires on October 31, 2013, with no annual rent increases.

Related party transactions are in the normal course of operations and the Third-Party Tenant Portfolio's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions.

### **Critical Accounting Estimates and Judgments**

#### *Accounting estimates*

Estimates have been made that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings. The Third-Party Tenant Portfolio continually evaluates the estimates it uses. Actual results could differ from estimates. The following are the estimates that are critical to the determination of the amounts reported in the combined carve-out financial statements:

#### *Property Costs*

Property costs have been allocated to the Third-Party Tenant Portfolio based on reasonable methods such as gross leasable area, property assessments, and other drivers specific to the cost. The allocation of these costs includes estimates of the total administration fees charged and the allocation of realty tax refunds.

#### *Fair value of investment properties*

At each reporting period, the fair value of investment properties is remeasured by the Third-Party Tenant Portfolio using certain inputs provided by qualified independent external valuation experts, with any change in fair value recorded in the combined carve-out statement of net earnings and comprehensive income. This determination of fair value includes estimates of future rentals, cash outflows required to maintain and to earn rentals from the properties and capitalization rates.

#### *General and administrative expenses*

General and administrative expenses have been allocated for personnel directly involved in the management of the Third-Party Tenant Portfolio. The allocation of these costs includes estimates of the number of personnel and time dedicated to the Third-Party Tenant Portfolio.

#### *Critical judgments in applying accounting policies*

The following are the critical judgments that have been made in applying the accounting policies that have the most significant effect on the amounts and disclosures in the combined carve-out financial statements:

#### *Investment properties*

Judgment is applied in determining whether certain costs are additions to the carrying amount of the property and, for properties under development, identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying value of the development property.

### *Leases*

The Third-Party Tenant Portfolio uses judgment in assessing the classification of its leases with tenants as operating leases, in particular with long-term leases in single tenant properties. The Third-Party Tenant Portfolio has determined that all of its leases are operating leases.

In applying the accounting policy for revenue recognition from leases, judgments are made with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased properties, which determines whether such amounts are treated as additions to investment properties, as well as the point in time at which revenue recognition under the lease commences. In addition, where a lease allows a tenant to elect to take all or a portion of any unused tenant improvement allowance as a rent abatement, judgment is required in determining the extent to which the allowance represents an inducement that is amortized as a reduction of lease revenue over the term of the lease.

### *General and administrative expenses*

In applying this policy, judgments are made as to whether expenditures incurred in the ownership and management of Loblaw's real property assets are attributable to the Third-Party Tenant Portfolio or Loblaw's other businesses.

### *Income taxes*

In determining the amount of current and deferred income taxes requires the Third-Party Tenant Portfolio to make certain judgments regarding the tax rules in jurisdictions where activities are performed. Application of judgments is required regarding classification of transactions and in assessing probable outcomes of claimed deductions including expectations about future operating results, the timing and reversal of temporary differences and possible audits of income tax and other tax filings by the relevant tax authorities.

### **Accounting Standards Implemented in 2013**

The Third-Party Tenant Portfolio implemented the following standards and amendments effective January 1, 2013: IFRS 13, "Fair Value Measurement"; IAS 19 (2011), "Employee Benefits"; IFRS 10, "Consolidated Financial Statements"; IFRS 11, "Joint Arrangements"; IFRS 12, "Disclosure of Interests in Other Entities"; IAS 28, "Investments in Associates"; and IAS 1, "Presentation of Financial Statements". There was no significant impact on the combined carve-out financial statements as a result of the implementation of these standards.

### **Future Accounting Policy Changes**

The IASB issued amendments to IFRS 7, "Financial Instruments: Disclosures" and IAS 32, "Financial Instruments: Presentation", which are required to be applied for periods beginning on or after January 1, 2014. It is not expected that there will be any significant impact on the combined carve-out financial statements as a result of these amendments.

The IASB issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 is the first phase of the project, which provides guidance on the classification and measurement of financial assets and financial liabilities. This standard becomes effective on January 1, 2015, with early adoption permitted. The Third-Party Tenant Portfolio is currently assessing the impact of the new standard on the combined carve-out financial statements.

### **Subsequent Events**

In connection with the Closing and the transactions contemplated thereby, the REIT will indirectly acquire from Loblaw real estate assets including the Third-Party Tenant Portfolio.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

### Legal Proceedings

The REIT is not aware of any existing or contemplated legal proceedings to which it is or was a party to, or to which any of the Initial Properties is or was the subject of, since January 1, 2013.

### Regulatory Actions

The REIT is not aware of any penalties or sanctions imposed by a court or securities regulatory authority or other regulatory body against the REIT, nor has the REIT entered into any settlement agreements before a court or with a securities regulatory authority.

## LEGAL MATTERS

The matters referred to under “Eligibility for Investment” and “Certain Canadian Federal Income Tax Considerations”, as well as certain other legal matters relating to the issue and sale of the Debentures, will be passed upon on behalf of the REIT by Torys LLP and on behalf of the Agents by Blake, Cassels & Graydon LLP. As at the date of this prospectus, the partners and associates of Torys LLP beneficially own, directly and indirectly, less than 1% of the outstanding securities or other property of the REIT, its associates or its affiliates. As at the date of this prospectus, the partners and associates of Blake, Cassels & Graydon LLP beneficially own, directly and indirectly, less than 1% of the outstanding securities or other property of the REIT, its associates or its affiliates.

## EXPERTS

Certain information relating to the Appraisals has been based upon a portfolio report prepared by Cushman & Wakefield Ltd. As at the date of this prospectus, the “designated professionals” of Cushman & Wakefield Ltd. beneficially own, directly and indirectly, less than 1% of the outstanding securities or other property of the REIT, its associates or its affiliates.

KPMG LLP are the auditors of the REIT and have confirmed that they are independent with respect to the REIT within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

## AUDITORS, TRANSFER AGENT, REGISTRAR AND INDENTURE TRUSTEE

The auditors of the REIT are KPMG LLP, Chartered Accountants, located in Toronto, Ontario.

The transfer agent and registrar for the Units is CIBC Mellon Trust Company at its principal office in Toronto, Ontario, and the indenture trustee for the Debentures is BNY Trust Company of Canada.

## AGENTS FOR SERVICE OF PROCESS

Michelle Felman, a Trustee of the REIT, resides outside of Canada and has appointed the following agent for service of process:

	<u>Name and Address of Agent</u>
Michelle Felman . . . . .	Choice Properties Real Estate Investment Trust 22 St. Clair Avenue East, Suite 800 Toronto, Ontario M4T 2S5

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

## **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.

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## INDEPENDENT AUDITORS' REPORT

To the Trustees of Choice Properties Real Estate Investment Trust

We have audited the accompanying financial statements of Choice Properties Real Estate Investment Trust, which comprise the balance sheet as at May 21, 2013 (date of formation), the statements of changes in unitholders' equity and cash flows for the one day period ended May 21, 2013 (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 Choice Properties Real Estate Investment Trust as at May 21, 2013 (date of formation), and its financial performance and its cash flows for the one day period ended May 21, 2013 (date of formation) in accordance with International Financial Reporting Standards.

(Signed) KPMG LLP  
Chartered Accountants,  
Licensed Public Accountants

Toronto, Canada  
June 26, 2013

Financial statements of

**Choice Properties Real Estate  
Investment Trust**

One day period ended May 21, 2013  
*(date of formation)*

**CHOICE PROPERTIES REAL ESTATE INVESTMENT TRUST**

**BALANCE SHEET**

**As at May 21, 2013 (date of formation)**  
**(Canadian dollars)**

	<u>\$</u>
<b>ASSETS</b>	
Cash . . . . .	<u>10</u>
<b>UNITHOLDER'S EQUITY</b>	
Unitholder's equity . . . . .	<u>10</u>

*See accompanying notes to financial statements.*

**CHOICE PROPERTIES REAL ESTATE INVESTMENT TRUST**  
**STATEMENT OF CHANGES IN UNITHOLDERS' EQUITY**  
**One day period ended May 21, 2013 (date of formation)**  
**(Canadian dollars)**

	\$
<b>UNITHOLDER'S EQUITY, BEGINNING OF PERIOD</b> .....	—
Issuance of unit on formation .....	<u>10</u>
<b>UNITHOLDER'S EQUITY, END OF PERIOD</b> .....	<u><u>10</u></u>

*See accompanying notes to financial statements.*

**CHOICE PROPERTIES REAL ESTATE INVESTMENT TRUST**  
**STATEMENT OF CASH FLOWS**  
**One day period ended May 21, 2013 (date of formation)**  
**(Canadian dollars)**

	<u>\$</u>
<b>FINANCING ACTIVITY</b>	
Issuance of unit on formation . . . . .	<u>10</u>
Increase in cash . . . . .	<u>10</u>
Cash, beginning of period . . . . .	<u>—</u>
<b>CASH, END OF PERIOD . . . . .</b>	<b><u><u>10</u></u></b>

*See accompanying notes to financial statements.*

**CHOICE PROPERTIES REAL ESTATE INVESTMENT TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**One day period ended May 21, 2013 (date of formation)**  
**(Canadian dollars)**

**1. ORGANIZATION AND NATURE OF THE BUSINESS**

Choice Properties Real Estate Investment Trust (the “REIT”) is an unincorporated open-ended real estate investment trust established pursuant to a declaration of trust dated May 21, 2013 (the “Declaration of Trust”) where one unit of the REIT was issued for \$10.00 in cash. The REIT was established under the laws of the Province of Ontario. The principal, registered and head office of the REIT is located at 22 St. Clair Avenue East, Suite 800, Toronto, Ontario, M4T 2S5.

The REIT has been formed primarily to own income-producing commercial properties located in Canada. In connection with the completion of the Offering (as defined below), the REIT will indirectly acquire a portfolio of 425 properties, comprising 415 retail properties, one office complex and nine warehouse properties (collectively, the “Initial Properties”). The retail properties will be made up of (i) 267 properties with a stand-alone retail store operating under a Loblaw-owned banner, (ii) 143 properties anchored by a retail store operating under a Loblaw-owned banner that also contain one or more third-party tenants, and (iii) 5 properties containing only third-party tenants. The office complex consists of two office buildings and the warehouse properties include two properties that host three warehouses each.

On closing of the acquisition, the immediate parent of the REIT is Loblaw Companies Limited (“Loblaw”). Loblaw’s immediate parent is George Weston Limited which owns 63% of Loblaw, with the ultimate parent being Wittington Investments, Limited. The remaining common shares of Loblaw are widely held.

**2. BASIS OF PRESENTATION**

The financial statements of the REIT are expressed in Canadian dollars.

**3. STATEMENT OF COMPLIANCE**

The financial statements of the REIT have been prepared in accordance International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and using the accounting policies described herein.

These financial statements were approved by the Board of Trustees of the REIT and authorized for issue on June 25, 2013.

**4. SIGNIFICANT ACCOUNTING POLICIES**

*Cash and cash equivalents*

Cash consists of cash on hand and unrestricted cash. Cash equivalents consist of highly liquid marketable investments with an original maturity date of 90 days or less from the date of acquisition. As at May 21, 2013 there were no cash equivalents.

*Unitholders’ equity*

Trust Units are redeemable at the holder’s option subject to certain limitations and restrictions. As a result, the units of the REIT (“Trust Units”) are liabilities by definition but qualify for presentation as equity under certain limited exceptions within International Accounting Standards 32 — Financial Instruments: Presentation (“IAS 32”).

**5. UNITHOLDER’S EQUITY**

Unitholder’s equity of the REIT is as follows:

	<b>Trust Units</b>	<b>\$</b>
Authorized . . . . .	Unlimited	
Issued and outstanding		
Trust Units . . . . .	One	10
Retained earnings . . . . .		—
		10

**CHOICE PROPERTIES REAL ESTATE INVESTMENT TRUST**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**One day period ended May 21, 2013 (date of formation)**  
**(Canadian dollars)**

**6. SUBSEQUENT EVENTS**

*Initial Public Offering*

On June 26, 2013, the REIT entered into an underwriting agreement and filed a long form prospectus for purposes of completing an initial public offering of Trust Units (the "Offering"), which is expected to close on July 5, 2013 (the "Closing Date"). The REIT expects to raise gross proceeds of approximately \$400,000,000 through the issuance of 40,000,000 Trust Units at a price of \$10.00 per Trust Unit (excluding any Trust Units that may be issued pursuant to any over-allotment option). Costs relating to the Offering are expected to be \$39,526,000 and will be applied against the gross proceeds of the Offering and charged against unitholders' equity.

*Acquisition of the Initial Properties*

Through a newly created limited partnership (the "Partnership") the REIT entered into an agreement to purchase the Initial Properties from certain subsidiaries of Loblaw (the "Transferors") in exchange for the issuance or assignment, as the case may be, of: (i) Class A LP Notes of the Partnership; (ii) Class B LP Units of the Partnership (accompanied by an equivalent number of Special Voting Units); (iii) Class B LP Notes of the Partnership, (iv) Class C LP Units of the Partnership; and (v) interest bearing notes payable by the Transferors ("Transferor Trust Notes"). The purchase price of the Initial Properties is \$6,923,039,000. The purchase of the Initial Properties will be accounted for as an asset acquisition.

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

	\$
Investment properties . . . . .	6,924,639,000
Fixed assets . . . . .	5,354,000
	<u>6,929,993,000</u>

Consideration provided for the acquisition and related acquisition costs of the Initial Properties was as follows:

	\$
Class A LP Notes <sup>(1)</sup> . . . . .	544,821,000
Transferor Notes <sup>(2)</sup> . . . . .	2,561,976,000
Class C LP Units . . . . .	876,263,000
Class B LP Units . . . . .	2,724,979,000
Class B LP Notes <sup>(3)</sup> . . . . .	215,000,000
	<u>6,923,039,000</u>
Cost of fixed assets . . . . .	5,354,000
Cash transaction costs . . . . .	1,600,000
Total cost of the acquisitions . . . . .	<u>6,929,993,000</u>

- (1) On the Closing Date, the REIT will redeem all of the outstanding Class A LP Notes for \$544,821,000 of cash from proceeds of the Offering
- (2) On the Closing Date, the REIT used the proceeds of the issuance of the Debentures (as defined below) to repay \$600,000,000 of the Transferor Notes, reducing the amount of Transferor Notes outstanding from \$2,600,000,000 to \$2,000,000,000.
- (3) On the Closing Date, Loblaw will exchange all of the Class B LP Notes for 21,500,000 Trust Units.

*Transferor Notes*

Transferor Notes are issued to the Transferor Trust (which is a trust created pursuant to a declaration of trust which will initially be established for the benefit of the Transferors) in exchange for all of the Transferor Trust Notes and range in maturities from 2014 to 2022. The weighted average coupon rate and effective interest rate of the Transferor Notes are 3.24% and 3.32%, respectively. The Transferor Trust Notes will be assigned by the Partnership to the Transferors as partial consideration for the Initial Properties.

**CHOICE PROPERTIES REAL ESTATE INVESTMENT TRUST**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**One day period ended May 21, 2013 (date of formation)**  
**(Canadian dollars)**

**6. SUBSEQUENT EVENTS (Continued)**

*Issuance of unsecured debentures*

On June 26, 2013, the REIT entered into an agency agreement to issue \$400,000,000 aggregate principal amount of Series A Debentures and \$200,000,000 aggregate principal amount of Series B Debentures (collectively, the “Debentures”). The Series A Debentures and Series B Debentures are due July 5, 2018 and July 5, 2023, respectively. Costs relating to the issuance of the Debentures are expected to be \$2,950,000 and will be applied against the gross proceeds thereof. The Series A Debentures and Series B Debentures will pay interest semi-annually at a rate of 3.554% and 4.903% per annum, respectively.

*Class C LP Units*

The Class C LP Units entitle the holder to a fixed cumulative monthly distribution in priority to distributions made to holders of Class B LP Units, subject to certain exceptions. The annual distribution rate on the Class C LP Units will be 5%, distributed on a monthly basis.

*Class B LP Units*

Class B LP Units are economically equivalent to Trust Units, receive distributions equal to the distributions paid on the Trust Units and are exchangeable at the holder’s option into Trust Units.

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Loblaw Companies Limited

We have audited the accompanying combined carve-out financial statements of the Third-Party Tenant Portfolio of Loblaw Companies Limited, which comprise the combined carve-out balance sheets as at December 31, 2012, December 31, 2011 and December 31, 2010, the combined carve-out statements of net earnings and comprehensive income, changes in net assets and cash flows for the years ended December 31, 2012, December 31, 2011 and December 31, 2010, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Combined Carve-out Financial Statements*

Management is responsible for the preparation and fair presentation of these combined carve-out financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of combined carve-out financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these combined carve-out financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined carve-out financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined carve-out financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the combined carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined carve-out financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the combined carve-out financial statements present fairly, in all material respects, the combined carve-out financial position of the Third-Party Tenant Portfolio of Loblaw Companies Limited as at December 31, 2012, December 31, 2011 and December 31, 2010, and its combined carve-out financial performance and its combined carve-out cash flows for the years ended December 31, 2012, December 31, 2011 and December 31, 2010 in accordance with International Financial Reporting Standards.

### *Emphasis of Matter*

Without qualifying our opinion, we draw attention to Note 3 to the combined carve-out financial statements which describes the basis of presentation. The combined carve-out financial statements have been prepared for purposes of compliance with Items 32.1 and 32.5 of Form 41-101F1 under National Instrument 41-101 — *General Prospectus Requirements*.

(Signed) KPMG LLP  
Chartered Accountants,  
Licensed Public Accountants  
Toronto, Canada  
June 26, 2013

Audited Combined Carve-out Financial Statements of

**Third-Party Tenant Portfolio  
of Loblaw Companies Limited**

As at and for the years ended December 31, 2012, 2011 and 2010  
and unaudited interim financial statements as at and for the periods ended March 31, 2013 and 2012  
(In thousands of Canadian dollars)

**THIRD-PARTY TENANT PORTFOLIO OF LOBLAW COMPANIES LIMITED**  
**COMBINED CARVE-OUT BALANCE SHEETS**  
(In thousands of Canadian dollars)

	<u>Note</u>	<u>March 31, 2013</u> (Unaudited)	<u>December 31, 2012</u>	<u>December 31, 2011</u>	<u>December 31, 2010</u>
<b>ASSETS</b>					
Non-current assets					
Investment properties . . . . .	8	\$497,885	\$483,754	\$448,568	\$431,008
		<u>497,885</u>	<u>483,754</u>	<u>448,568</u>	<u>431,008</u>
Current assets					
Accounts receivable . . . . .	7	3,592	3,856	3,218	3,391
Prepaid expenses . . . . .		734	391	506	431
		<u>4,326</u>	<u>4,247</u>	<u>3,724</u>	<u>3,822</u>
Total assets . . . . .		<u>\$502,211</u>	<u>\$488,001</u>	<u>\$452,292</u>	<u>\$434,830</u>
<b>LIABILITIES</b>					
Non-current liabilities					
Tenant rental deposits . . . . .		\$ 1,609	\$ 1,555	\$ 1,531	\$ 1,549
Deferred tax liabilities . . . . .	15	24,616	24,061	17,686	14,755
		<u>26,225</u>	<u>25,616</u>	<u>19,217</u>	<u>16,304</u>
Current liabilities					
Trade payables and other liabilities . . . . .	9	7,034	9,422	7,987	8,963
Total liabilities . . . . .		<u>\$ 33,259</u>	<u>\$ 35,038</u>	<u>\$ 27,204</u>	<u>\$ 25,267</u>
EQUITY IN NET ASSETS . . . . .		468,952	452,963	425,088	409,563
Total liabilities and equity in net assets . . . . .		<u>\$502,211</u>	<u>\$488,001</u>	<u>\$452,292</u>	<u>\$434,830</u>

*See accompanying notes to the combined carve-out financial statements.*

**THIRD-PARTY TENANT PORTFOLIO OF LOBLAW COMPANIES LIMITED**  
**COMBINED CARVE-OUT STATEMENTS OF NET EARNINGS AND COMPREHENSIVE INCOME**  
(In thousands of Canadian dollars)

	Note	Three months ended March 31		Years ended December 31		
		2013 (Unaudited)	2012 (Unaudited)	2012	2011	2010
Property revenue and costs						
Rental revenue . . . . .	12	\$16,152	\$15,348	\$60,451	\$59,522	\$55,130
Property costs . . . . .	14	8,072	7,735	28,644	29,288	27,441
		\$ 8,080	\$ 7,613	\$31,807	\$30,234	\$27,689
General and administrative expenses . . . .		152	142	569	569	526
Net earnings before fair value changes and income taxes . . . . .		\$ 7,928	\$ 7,471	\$31,238	\$29,665	\$27,163
Fair value changes of investment properties . . . . .	8	(1,194)	4,365	11,025	(589)	11,582
Net earnings before income taxes . . . . .		\$ 6,734	\$11,836	\$42,263	\$29,076	\$38,745
Income taxes . . . . .	15	1,775	3,125	11,124	8,000	10,731
Net earnings and comprehensive income .		\$ 4,959	\$ 8,711	\$31,139	\$21,076	\$28,014

*See accompanying notes to the combined carve-out financial statements.*

**THIRD-PARTY TENANT PORTFOLIO OF LOBLAW COMPANIES LIMITED**  
**COMBINED CARVE-OUT STATEMENTS OF CHANGES IN NET ASSETS**  
(In thousands of Canadian dollars)

	<u>Equity in net assets</u>
Balance as at Jan. 1, 2010 . . . . .	\$375,125
Net earnings and comprehensive income . . . . .	28,014
Contributions from (distributions to) parent, net . . . . .	6,424
Balance as at Dec. 31, 2010 . . . . .	<u>\$409,563</u>
Net earnings and comprehensive income . . . . .	21,076
Contributions from (distributions to) parent, net . . . . .	(5,551)
Balance as at Dec. 31, 2011 . . . . .	<u>\$425,088</u>
Net earnings and comprehensive income . . . . .	31,139
Contributions from (distributions to) parent, net . . . . .	(3,264)
Balance as at Dec. 31, 2012 . . . . .	<u><u>\$452,963</u></u>
 <b>(Unaudited)</b>	
Balance as at Dec. 31, 2011 . . . . .	<u>\$425,088</u>
Net earnings and comprehensive income . . . . .	8,711
Contributions from (distributions to) parent, net . . . . .	(435)
Balance as at Mar. 31, 2012 . . . . .	<u><u>\$433,364</u></u>
 <b>(Unaudited)</b>	
Balance as at Dec. 31, 2012 . . . . .	<u>\$452,963</u>
Net earnings and comprehensive income . . . . .	4,959
Contributions from (distributions to) parent, net . . . . .	11,030
Balance as at Mar. 31, 2013 . . . . .	<u><u>\$468,952</u></u>

*See accompanying notes to the combined carve-out financial statements.*

**THIRD-PARTY TENANT PORTFOLIO OF LOBLAW COMPANIES LIMITED**  
**COMBINED CARVE-OUT STATEMENTS OF CASH FLOWS**  
(In thousands of Canadian dollars)

	Note	Three months ended March 31		Years ended December 31		
		2013 (Unaudited)	2012 (Unaudited)	2012	2011	2010
Operating activities						
Net earnings . . . . .		\$ 4,959	\$ 8,711	\$ 31,139	\$ 21,076	\$ 28,014
Adjustments for:						
Fair value changes on investment properties . . . . .	8	1,194	(4,365)	(11,025)	589	(11,582)
Straight line rent . . . . .	8,12	(19)	(15)	(114)	(238)	(100)
Change in non-cash working capital . . . . .		(1,858)	(554)	7,311	2,035	11,349
Cash flows from operating activities . . .		<u>4,276</u>	<u>3,777</u>	<u>27,311</u>	<u>23,462</u>	<u>27,681</u>
Investing activities						
Acquisitions of investment properties	6	(10,605)	—	(1,221)	—	(19,601)
Additions to investment properties . .	8	(4,701)	(3,342)	(22,826)	(17,911)	(14,504)
Cash flows used in investing activities .		<u>(15,306)</u>	<u>(3,342)</u>	<u>(24,047)</u>	<u>(17,911)</u>	<u>(34,105)</u>
Financing activities						
Contributions from (distributions to) parent, net . . . . .		<u>11,030</u>	<u>(435)</u>	<u>(3,264)</u>	<u>(5,551)</u>	<u>6,424</u>
Cash flows (used in) from financing activities . . . . .		<u>11,030</u>	<u>(435)</u>	<u>(3,264)</u>	<u>(5,551)</u>	<u>6,424</u>
Change in cash and cash equivalents . .		—	—	—	—	—
Cash and cash equivalents, beginning of period . . . . .		—	—	—	—	—
Cash and cash equivalents, end of period . . . . .		<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

*See accompanying notes to the combined carve-out financial statements.*

**THIRD-PARTY TENANT PORTFOLIO OF LOBLAW COMPANIES LIMITED**  
**NOTES TO THE COMBINED CARVE-OUT FINANCIAL STATEMENTS**

**For the years ended December 31, 2012, 2011 and 2010**  
**and for the interim periods ended March 31, 2013 and 2012**  
**(In thousands of Canadian dollars)**

**1. NATURE OF OPERATIONS**

The Third-Party Tenant Portfolio of Loblaw Companies Limited (“Loblaw” or “Parent”) as presented in these combined carve-out financial statements is not a legal entity. Choice Properties Real Estate Investment Trust (the “REIT”) will acquire real estate assets from Loblaw in conjunction with its initial public offering (the “Offering”). Of the total real estate assets acquired, certain properties have rental income from third parties. These combined carve-out financial statements represent Loblaw’s interest in 150 properties with third party income producing components (collectively the “Third-Party Tenant Portfolio of Loblaw”) and do not include the components of the assets being used by Loblaw in its food distribution, drugstore, general merchandise and financial products and services businesses that are also intended to be acquired by the REIT in conjunction with the closing (the “Closing”). These financial statements combine the Third-Party Tenant Portfolio of Loblaw which is held in certain legal entities controlled by Loblaw, and have been prepared in compliance with Items 32.1 and 32.5 of Form 41-101F1 under National Instrument 41-101 — *General Prospectus Requirements*.

Loblaw’s registered office is located at 22 St. Clair Avenue East, Toronto, Ontario, M4T 2S7.

The immediate parent of Loblaw is George Weston Limited which owns 63% of Loblaw, with the ultimate parent being Wittington Investments, Limited. The remaining common shares of Loblaw are widely held.

**2. STATEMENT OF COMPLIANCE**

These combined carve-out financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). As these are the first set of IFRS financial statements prepared for the Third-Party Tenant Portfolio of Loblaw, they have been prepared in accordance with IFRS 1, First-Time Adoption of IFRS. A reconciliation of how the transition to IFRS has affected the Third-Party Tenant Portfolio of Loblaw has not been presented as combined carve-out financial statements have not been prepared in previous years. The date of transition to IFRS was January 1, 2010.

These combined carve-out financial statements were approved and authorized for issuance by the Board of Directors of Loblaw on June 25, 2013.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of presentation**

These combined carve-out financial statements have been prepared to present the financial position, results of operations and cash flows of the Third-Party Tenant Portfolio of Loblaw, that will be indirectly acquired by the REIT, had it been accounted for on a stand-alone basis during the periods presented, and do not include the components of the assets being used by Loblaw in its food distribution, drugstore, general merchandise and financial products and services businesses that are also intended to be indirectly acquired by the REIT in connection with the Closing. These combined carve-out financial statements have been prepared based on the historical books and records of Loblaw with estimates used, when necessary, for certain allocations.

Due to the inherent limitations of carving out the assets, liabilities, operations and cash flows from several entities, these combined carve-out financial statements are not necessarily indicative of the results that would have been attained if the Third-Party Tenant Portfolio of Loblaw had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results.

These combined carve-out financial statements present equity in the net assets of the Third-Party Tenant Portfolio of Loblaw rather than shareholders’ equity as the properties included in the Third-Party Tenant Portfolio of Loblaw are owned in more than one legal entity and represent only certain of the interests therein. As a result, these combined carve-out financial statements combine the interests in the Third-Party Tenant Portfolio of Loblaw and from legal entities controlled by Loblaw. In addition, while the Third-Party Tenant Portfolio of Loblaw is not a taxable legal entity, current and deferred income taxes have been provided for in these combined carve-out financial statements as if it were.

The significant accounting policies set out below have been applied consistently in the preparation of these combined carve-out financial statements for all periods presented. Standards and interpretations effective for future accounting periods are described in Note 5. These combined carve-out financial statements have been prepared on a going concern basis and have been presented in Canadian dollars rounded to the nearest thousand unless otherwise indicated.

**THIRD-PARTY TENANT PORTFOLIO OF LOBLAW COMPANIES LIMITED**  
**NOTES TO THE COMBINED CARVE-OUT FINANCIAL STATEMENTS (Continued)**

**For the years ended December 31, 2012, 2011 and 2010**  
**and for the interim periods ended March 31, 2013 and 2012**  
**(In thousands of Canadian dollars)**

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(b) Investment properties**

Investment properties include operating properties or properties being constructed or held for development with the primary purpose of earning rental income or for capital appreciation, or both. Investment properties are initially measured at cost and include all costs that are directly attributable to the acquisition of the investment properties.

Subsequent to initial recognition, investment properties are measured at fair value, determined based on available market evidence. Related fair value gains and losses are recorded in the combined carve-out statements of net earnings and comprehensive income in the period in which they arise.

Subsequent expenditures are capitalized to the carrying amount of investment property only when it is probable that future economic benefits associated with the expenditure will flow to the property and the cost can be measured reliably. Direct leasing costs incurred in negotiating and arranging tenant leases are added to the carrying amount of investment properties.

**(c) Contributions and distributions**

As these combined carve-out financial statements present the financial position, results of operations and cash flows of the Third-Party Tenant Portfolio of Loblaw, for which there are no bank accounts specific to such operations, no amount for cash or cash equivalents have been recorded herein. All cash transactions are considered to be paid or received by Loblaw on behalf of the Third-Party Tenant Portfolio of Loblaw and are recorded as contributions and distributions, respectively, in equity in the net assets of the Third-Party Tenant Portfolio of Loblaw.

**(d) Revenue recognition**

The Third-Party Tenant Portfolio of Loblaw has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. Generally, this occurs on the lease inception date or, where the Third-Party Tenant Portfolio of Loblaw is required to make additions to the property in the form of tenant improvements which enhance the value of the property, upon substantial completion of those improvements. The total amount of contractual rent to be received from operating leases is recognized on a straight-line basis over the term of the lease; a straight-line rent receivable, which is included in the carrying amount of investment property, is recorded for the difference between the rental revenue recorded and the contractual amount received.

Rental revenue also includes percentage participating rents and recoveries of operating expenses, including property taxes. Percentage participating rents are recognized when tenants' specified sales targets have been met. Operating expense recoveries are recognized in the period that recoverable costs are chargeable to tenants.

**(e) Financial instruments**

Financial assets and liabilities are recognized when the Third-Party Tenant Portfolio of Loblaw becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognized when the contractual rights to receive cash flows and benefits from the financial asset expire, or if the control or substantially all the risks and rewards of ownership of the financial asset are transferred to another party. Financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. Financial instruments upon initial recognition are measured at fair value and classified as either financial assets or financial liabilities as fair value through profit or loss, held-to-maturity investments, loans and receivables or other financial liabilities. Financial instruments are included on the combined carve-out balance sheets and measured after initial recognition at fair value, except for loans and receivables, held-to-maturity financial assets and other financial liabilities, which are measured at amortized cost. Fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated using valuation methodologies, primarily discounted cash flows taking into account external market inputs where possible.

Gains and losses on fair value through profit or loss financial assets and financial liabilities are recognized in earnings before income taxes in the period in which they are incurred. Transaction costs other than those related to financial instruments classified as fair value through profit or loss, which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(f) Property Costs**

Certain property costs, including common area maintenance and property taxes, incurred in the ownership and management of Loblaw's real estate assets are not directly attributable to the Third-Party Tenant Portfolio of Loblaw. Property costs have been allocated to Third-Party Tenant Portfolio of Loblaw based on reasonable methods such as gross leasable area, property assessments, and other drivers specific to the cost.

**(g) General and administrative expenses**

Certain general and administrative expenditures incurred in the ownership and management of Loblaw's real estate assets are not directly attributable to the Third-Party Tenant Portfolio of Loblaw or Loblaw's other businesses. General and administrative expenses have been allocated for personnel directly involved in the management of the Third-Party Tenant Portfolio of Loblaw and recorded in the period they were incurred.

**(h) Income taxes**

The asset and liability method of accounting is used for income taxes. Under the asset and liability method, deferred income tax assets and liabilities are recognized for the deferred income tax consequences attributable to temporary differences between the financial statement carrying values of existing assets and liabilities and their respective income tax bases. Current and deferred taxes are charged to or credited in the combined carve-out statements of net earnings and comprehensive income. Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

As noted in 3(a), while the Third-Party Tenant Portfolio of Loblaw is not a taxable legal entity, current and deferred income taxes have been recorded in these combined carve-out financial statements as if it were. Deferred taxes have been calculated using an undepreciated capital cost amount for each property based on an allocation of the book value of the income producing properties of the Third-Party Tenant Portfolio of Loblaw relative to the total book value of Loblaw's real estate assets.

**(i) Accounting estimates**

Estimates have been made that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings. The Third-Party Tenant Portfolio of Loblaw continually evaluates the estimates it uses. Actual results could differ from estimates. The following are the estimates that are critical to the determination of the amounts reported in the combined carve-out financial statements:

***Property Costs***

Property costs have been allocated to the Third-Party Tenant Portfolio of Loblaw based on reasonable methods such as gross leasable area, property assessments, and other drivers specific to the cost. The allocation of these costs includes estimates of the total administration fees charged and the allocation of realty tax refunds.

***Fair value of investment properties***

At each reporting period, the fair value of investment properties is remeasured by the Third-Party Tenant Portfolio of Loblaw using certain inputs provided by qualified independent external valuation experts, with any change in fair value recorded in the combined carve-out statements of net earnings and comprehensive income. This determination of fair value includes estimates of future rentals, cash outflows required to maintain and to earn rentals from the properties and capitalization rates (see Note 8).

***General and administrative expenses***

General and administrative expenses have been allocated for personnel directly involved in the management of the Third-Party Tenant Portfolio of Loblaw. The allocation of these costs includes estimates of the number of personnel and time dedicated to the Third-Party Tenant Portfolio of Loblaw.

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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**(j) Critical judgments in applying accounting policies**

The following are the critical judgments that have been made in applying the accounting policies that have the most significant effect on the amounts and disclosures in these combined carve-out financial statements:

*Investment properties*

The accounting policies relating to investment properties are described in Note 3(b). In applying this policy, judgment is applied in determining whether certain costs are additions to the carrying amount of the property and, for properties under development, identifying the point at which practical completion of the property occurs and identifying the directly attributable borrowing costs to be included in the carrying value of the development property.

*Leases*

The Third-Party Tenant Portfolio of Loblaw uses judgment in assessing the classification of its leases with tenants as operating leases, in particular with long-term leases in single tenant properties. The Third-Party Tenant Portfolio of Loblaw has determined that all of its leases are operating leases.

The accounting policy for revenue recognition from leases is described in Note 3(d). In applying this policy, judgments are made with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased properties, which determines whether such amounts are treated as additions to investment properties, as well as the point in time at which revenue recognition under the lease commences. In addition, where a lease allows a tenant to elect to take all or a portion of any unused tenant improvement allowance as a rent abatement, judgment is required in determining the extent to which the allowance represents an inducement that is amortized as a reduction of lease revenue over the term of the lease.

*General and administrative expenses*

The accounting policy for measuring and recognizing general and administrative expenses is described in Note 3(g). In applying this policy, judgments are made as to whether expenditures incurred in the ownership and management of Loblaw's real property assets are attributable to the Third-Party Tenant Portfolio of Loblaw or Loblaw's other businesses.

*Income taxes*

The accounting policy for income taxes is described in Note 3(h). In applying this policy the calculation of current and deferred income taxes requires the Third-Party Tenant Portfolio of Loblaw to make certain judgments regarding the tax rules in jurisdictions where activities are performed. Application of judgments is required regarding classification of transactions and in assessing probable outcomes of claimed deductions including expectations about future operating results, the timing and reversal of temporary differences and possible audits of income tax and other tax filings by the relevant tax authorities.

**4. ACCOUNTING STANDARDS IMPLEMENTED IN 2013**

The Third-Party Tenant Portfolio of Loblaw implemented the following standards and amendments effective January 1, 2013: IFRS 13, "Fair Value Measurement"; IAS 19 (2011), "Employee Benefits"; IFRS 10, "Consolidated Financial Statements"; IFRS 11, "Joint Arrangements"; IFRS 12, "Disclosure of Interests in Other Entities"; IAS 28, "Investments in Associates"; and IAS 1, "Presentation of Financial Statements". There was no significant impact on the combined carve-out financial statements as a result of the implementation of these standards.

**5. FUTURE ACCOUNTING POLICIES**

The IASB issued amendments to IFRS 7, "Financial Instruments: Disclosures" and IAS 32, "Financial Instruments: Presentation", which are required to be applied for periods beginning on or after January 1, 2014. It is not expected that there will be any significant impact on the combined carve-out financial statements as a result of these amendments.

The IASB issued a new standard, IFRS 9, "Financial Instruments" ("IFRS 9"), which will ultimately replace IAS 39, "Financial Instruments: Recognition and Measurement" ("IAS 39"). The replacement of IAS 39 is a three-phase project with the objective of improving and simplifying the reporting for financial instruments. The issuance of IFRS 9 is the first phase of the project, which provides guidance on the classification and measurement of financial assets and financial liabilities. This standard becomes effective on January 1, 2015, with early adoption permitted. The Third-Party Tenant Portfolio of Loblaw is currently assessing the impact of the new standard on the combined carve-out financial statements.

**THIRD-PARTY TENANT PORTFOLIO OF LOBLAW COMPANIES LIMITED**  
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**6. ACQUISITIONS**

During the periods presented in these combined carve-out financial statements, Loblaw acquired a number of retail properties which have rental income from third parties. The total cost of the acquisitions represents the allocation from Loblaw of the initial cost of the property included in the Third-Party Tenant Portfolio of Loblaw, including costs that are directly attributable to the acquisition. All properties acquired are subsequently measured at fair value (see Note 8). The following properties, which have rental income from third parties, were acquired during the periods presented in these combined carve-out financial statements:

	<u>Date of Acquisition</u>	<u>Location</u>	<u>Purchase price</u>	<u>Acquisition costs</u>	<u>Total cost of acquisition</u>
<b>2013 (Unaudited)</b>					
13598 Tecumseh Road East . . . . .	March 28, 2013	Windsor, ON	\$10,450	\$155	\$10,605
			<u>\$10,450</u>	<u>\$155</u>	<u>\$10,605</u>
<b>2012</b>					
2 Johnson Street . . . . .	December 14, 2012	Chatham, NB	\$ 1,221	—	\$ 1,221
			<u>\$ 1,221</u>	<u>—</u>	<u>\$ 1,221</u>
<b>2010</b>					
375 Chemin D'Aylmer . . . . .	April 20, 2010	Aylmer, QC	\$ 2,228	\$ 56	\$ 2,284
11541 Kingsway Avenue . . . . .	August 16, 2010	Edmonton, AB	3,716	59	3,775
306-316 Main Street . . . . .	August 26, 2010	Middleton, NS	80	2	82
211 Duke Street . . . . .	September 14, 2010	Chester, NS	250	3	253
3555 Thickson Road . . . . .	September 29, 2010	Whitby, ON	3,604	171	3,775
Highway 27 and Langstaff Road . . . . .	December 29, 2010	Vaughan, ON	9,221	211	9,432
			<u>\$19,099</u>	<u>\$502</u>	<u>\$19,601</u>

**7. ACCOUNTS RECEIVABLE**

The components of accounts receivable were as follows:

	<u>As at</u>			
	<u>Mar. 31, 2013</u>	<u>Dec. 31, 2012</u>	<u>Dec. 31, 2011</u>	<u>Dec. 31, 2010</u>
	(Unaudited)			
Rent receivables . . . . .	\$1,677	\$ 2,212	\$1,990	\$2,138
Allowance for doubtful accounts . . . . .	(993)	(1,011)	(912)	(675)
	\$ 684	\$ 1,201	\$1,078	\$1,463
Other receivables . . . . .	<u>2,908</u>	<u>2,655</u>	<u>2,140</u>	<u>1,928</u>
	<u>\$3,592</u>	<u>\$ 3,856</u>	<u>\$3,218</u>	<u>\$3,391</u>

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**7. ACCOUNTS RECEIVABLE (Continued)**

Accounts receivable are presented net of allowances on the combined carve-out balance sheets. The allowance for accounts receivable is maintained at a level which is considered adequate to absorb losses. The following are continuities of the allowances for uncollectable accounts receivable:

	<b>Three months ended March 31</b>	<b>Years ended December 31</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	(Unaudited)			
Balance, beginning of period . . . . .	\$1,011	\$ 912	\$ 675	\$557
Impairment losses . . . . .	63	246	343	238
Amounts written off . . . . .	(63)	(122)	(100)	(98)
Amounts recovered . . . . .	(18)	(25)	(6)	(22)
Balance, end of period . . . . .	<u>\$ 993</u>	<u>\$1,011</u>	<u>\$ 912</u>	<u>\$675</u>

The following is an aging of rent receivables:

	<b>As at</b>			
	<b>Mar. 31, 2013</b>	<b>Dec. 31, 2012</b>	<b>Dec. 31, 2011</b>	<b>Dec. 31, 2010</b>
	(Unaudited)			
1 to 60 days . . . . .	\$ 6	\$ 630	\$ 533	\$ 514
61 to 90 days . . . . .	360	13	6	2
> 90 days . . . . .	1,311	1,569	1,451	1,622
	<u>\$1,677</u>	<u>\$2,212</u>	<u>\$1,990</u>	<u>\$2,138</u>

Rent receivables of \$684 that were past due as at March 31, 2013 (December 31, 2012 — \$1,201) were not classified as impaired as their past due status was reasonably expected to be remedied.

**8. INVESTMENT PROPERTIES**

The following is a continuity of investment properties (see Note 6):

	<b>Three months ended March 31</b>	<b>Years ended December 31</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	(Unaudited)			
Balance, beginning of period . . . . .	\$483,754	\$448,568	\$431,008	\$385,221
Acquisitions (Note 6) . . . . .	10,605	1,221	—	19,601
Additions . . . . .	4,701	22,826	17,911	14,504
Straight-line rent (Note 12) . . . . .	19	114	238	100
Changes in fair value . . . . .	(1,194)	11,025	(589)	11,582
Balance, end of period . . . . .	<u>\$497,885</u>	<u>\$483,754</u>	<u>\$448,568</u>	<u>\$431,008</u>

The fair value of each investment property is based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the applicable balance sheet dates, less future cash outflows in respect of such leases. Where comparable properties do not exist, information from a variety of sources is considered, including; (i) current prices in an active market for properties of a different nature, condition or location, including differences in leasing and other contracts;

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**8. INVESTMENT PROPERTIES (Continued)**

and (ii) recent prices of similar properties in less active markets, with adjustments to reflect any change in economic conditions since the date of the observed transactions that occurred at those prices, including market rents and capitalization rates.

Valuations are completed by undertaking a direct capitalization approach whereby a capitalization rate is applied to estimated stabilized cash flows. In determining the appropriateness of the methodology applied the relative uncertainty of the timing and amount of expected cash flows and the impact such uncertainty would have in arriving at a reliable estimate of fair value is considered.

The fair value of investment properties included in these combined carve-out financial statements is calculated by the Third-Party Tenant Portfolio of Loblaw using certain inputs, including capitalization rates, provided by qualified independent external valuation experts.

The following were the valuation parameters used in estimating the fair value of investment properties:

	As at				
	Mar. 31, 2013	Mar. 31, 2012	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
	(Unaudited)	(Unaudited)			
Weighted average capitalization rate . . . . .	7.1%	7.5%	7.3%	7.6%	7.9%
Capitalization rate range . . . . .	6.0 - 10.0%	6.3 - 10.5%	6.0 - 10.0%	6.4 - 10.6%	6.7 - 11.0%
Sensitivity of 25 bps change in capitalization rate . . . . .	\$ 16,600	\$ 14,200	\$ 15,800	\$ 13,800	\$ 11,900

**9. TRADE PAYABLES AND OTHER LIABILITIES**

Trade payables and other liabilities were comprised of the following:

	As at			
	Mar. 31, 2013	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
	(Unaudited)			
Property operating costs . . . . .	\$1,167	\$1,431	\$1,211	\$1,139
Realty taxes . . . . .	550	642	735	856
Deferred revenue . . . . .	787	1,427	1,463	1,666
Indirect taxes payable . . . . .	291	296	285	274
Capital expenditures and other . . . . .	4,239	5,626	4,293	5,028
	<u>\$7,034</u>	<u>\$9,422</u>	<u>\$7,987</u>	<u>\$8,963</u>

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**10. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The Third-Party Tenant Portfolio of Loblaw's financial assets and liabilities are comprised of accounts receivable, trade payables and other liabilities and tenant rental deposits which are classified as loans and receivables and other financial liabilities and carried at amortized cost. Fair values of financial assets and liabilities and discussion of the risks associated with financial assets and liabilities are presented as follows:

**Fair value of financial assets and liabilities**

The fair values of accounts receivable, trade payables and other liabilities and tenant rental deposits approximate their carrying value due to the short-term maturity of those instruments.

**Risks associated with financial assets and liabilities**

The Third-Party Tenant Portfolio of Loblaw is not exposed to significant currency, market or interest rate risk arising from financial instruments. The Third-Party Tenant Portfolio of Loblaw's financial instruments expose it to liquidity and credit risk.

**Liquidity risk**

Liquidity risk refers to the risk that the Third-Party Tenant Portfolio of Loblaw will have insufficient funds to satisfy its obligations related to its operating and investing activities. The Third-Party Tenant Portfolio of Loblaw manages its liquidity risk through contributions from Loblaw to the extent cash flows from property operations are not sufficient. The Third-Party Tenant Portfolio of Loblaw's capital is comprised of equity in net assets and is funded by Loblaw primarily for additions to investment properties and leasing activities, to the extent not available from cash flows from operations.

**Credit risk**

Credit risk is the risk that counterparties to financial assets will default. Credit risk arises from the possibility that the Third-Party Tenant Portfolio of Loblaw's tenants may experience financial difficulty and be unable to meet their lease obligations. The Third-Party Tenant Portfolio of Loblaw mitigates the risk of credit loss with respect to tenants by evaluating the creditworthiness of new tenants and obtaining security deposits wherever permitted by legislation. Receivables are substantially comprised of rent receivables, recoveries and vacancy rebates. The provision for doubtful accounts is reviewed at each balance sheet date and updated based on significant past due balances on accounts receivable (see Note 7). Subsequent recoveries of amounts previously written-off are recorded in the combined carve-out statements of net earnings and comprehensive income when received.

**11. CONTINGENT LIABILITIES, COMMITMENTS OR GUARANTEES**

**Contingent liabilities**

Loblaw is involved in, and potentially subject to, various claims by third parties arising out of the normal course of business related to the Third-Party Tenant Portfolio of Loblaw. Although such matters cannot be predicted with certainty, the Third-Party Tenant Portfolio of Loblaw currently considers its exposure to such claims and litigation, to the extent not covered by insurance policies or otherwise provided for, not to be material to the combined carve-out financial statements.

**Legal proceedings**

Loblaw is the subject of various legal and other claims related to the Third-Party Tenant Portfolio of Loblaw that arise in the ordinary course of business. The outcome of all of these proceedings and claims is uncertain. However, based on information currently available, these proceedings and claims, individually and in the aggregate, are not expected to have a material impact to the combined carve-out financial statements.

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**11. CONTINGENT LIABILITIES, COMITMENTS OR GUARANTEES (Continued)**

**Commitments**

Contractual commitments as at March 31, 2013 were as follows:

<u>(Unaudited)</u>	<u>Obligations as lessor</u>	<u>Obligations as lessee</u>	<u>Construction costs</u>	<u>Other financial liabilities</u>	<u>Total</u>
Remainder of 2013 . . . . .	\$1,339	\$ 89	\$2,048	\$5,700	\$ 9,176
2014 . . . . .	—	119	—	1,079	1,198
2015 . . . . .	—	119	—	—	119
2016 . . . . .	—	119	—	—	119
2017 . . . . .	—	119	—	—	119
Thereafter . . . . .	—	715	—	—	715
	<u>\$1,339</u>	<u>\$1,280</u>	<u>\$2,048</u>	<u>\$6,779</u>	<u>\$11,446</u>

Contractual commitments as at December 31, 2012 were as follows:

	<u>Obligations as lessor</u>	<u>Obligations as lessee</u>	<u>Construction costs</u>	<u>Other financial liabilities</u>	<u>Total</u>
2013 . . . . .	\$2,399	\$ 119	\$4,827	\$5,674	\$13,019
2014 . . . . .	—	119	—	1,079	1,198
2015 . . . . .	—	119	—	—	119
2016 . . . . .	—	119	—	—	119
2017 . . . . .	—	119	—	—	119
Thereafter . . . . .	—	715	—	—	715
	<u>\$2,399</u>	<u>\$1,310</u>	<u>\$4,827</u>	<u>\$6,753</u>	<u>\$15,289</u>

**12. REVENUE**

Rental revenue was comprised of the following:

	<u>Three months ended March 31</u>		<u>Years ended December 31</u>		
	<u>2013</u>	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
	(Unaudited)	(Unaudited)			
Base rent . . . . .	\$10,579	\$10,247	\$40,994	\$40,226	\$38,142
Straight-line rent . . . . .	19	15	114	238	100
	10,598	10,262	41,108	40,464	38,242
Common area recoveries . . . . .	2,306	2,107	7,950	7,646	6,138
Realty tax recoveries . . . . .	3,248	2,979	11,390	11,323	10,437
Lease cancellation fees . . . . .	—	—	3	89	313
	<u>\$16,152</u>	<u>\$15,348</u>	<u>\$60,451</u>	<u>\$59,522</u>	<u>\$55,130</u>

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**13. LEASES**

The business of the Third-Party Tenant Portfolio of Loblaw includes leasing commercial real estate. Contractual cash flows under non-cancellable operating leases as lessor for base minimum rent were as follows:

	As at	
	Mar. 31, 2013	Dec. 31, 2012
	(Unaudited)	
Not later than 1 year . . . . .	\$ 37,778	\$ 38,969
Later than 1 year and not longer than 5 years . . . . .	101,796	106,241
Later than 5 years . . . . .	68,119	72,226
	<u>\$207,693</u>	<u>\$217,436</u>

Contractual lease commitments under non-cancellable operating leases as lessee were as follows:

	As at	
	Mar. 31, 2013	Dec. 31, 2012
	(Unaudited)	
Not later than 1 year . . . . .	\$ 119	\$ 119
Later than 1 year and not longer than 5 years . . . . .	446	476
Later than 5 years . . . . .	715	715
	<u>\$1,280</u>	<u>\$1,310</u>

**14. PROPERTY COSTS**

Property costs were comprised of the following:

	Three months ended March 31		Years ended December 31		
	2013	2012	2012	2011	2010
	(Unaudited)		(Unaudited)		
Realty taxes . . . . .	\$4,292	\$4,117	\$15,064	\$15,295	\$14,679
Common area maintenance . . . . .	3,735	3,571	13,359	13,656	12,546
Bad debt expense . . . . .	45	47	221	337	216
	<u>\$8,072</u>	<u>\$7,735</u>	<u>\$28,644</u>	<u>\$29,288</u>	<u>\$27,441</u>

**15. INCOME TAXES**

The components of income taxes were as follows:

	As at				
	Mar. 31, 2013	Mar. 31, 2012	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
	(Unaudited)		(Unaudited)		
Current income taxes . . . . .	\$1,220	\$1,207	\$ 4,749	\$5,069	\$ 4,664
Deferred income taxes . . . . .	555	1,918	6,375	2,931	6,067
Income taxes . . . . .	<u>\$1,775</u>	<u>\$3,125</u>	<u>\$11,124</u>	<u>\$8,000</u>	<u>\$10,731</u>

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**15. INCOME TAXES (Continued)**

The effective income tax rates in the combined carve-out statements of net earnings and comprehensive income were consistent with the statutory income tax rates applicable to the Third-Party Tenant Portfolio of Loblaw. The effective income tax rates were as follows:

	As at				
	Mar. 31, 2013	Mar. 31, 2012	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
	(Unaudited)	(Unaudited)			
Effective income tax rate applicable to earnings before income taxes . . . . .	26.4%	26.4%	26.3%	27.5%	27.7%

Deferred income tax liabilities recognized on the combined carve-out balance sheets were attributable to investment properties.

**16. RELATED PARTY TRANSACTIONS**

A subsidiary of the ultimate parent has entered into an agreement to rent a property from the Third-Party Tenant Portfolio of Loblaw. The rental revenue earned from the subsidiary of the ultimate parent for the years ended December 31, 2012, 2011 and 2010 was \$48 in each year. The lease commenced November 1, 2003 and expires on October 31, 2013, with no annual rent increases.

Related party transactions are in the normal course of operations and the Third-Party Tenant Portfolio of Loblaw's policy is to conduct all transactions and settle all balances with related parties on market terms and conditions.

**17. SUBSEQUENT EVENTS**

On June 26, 2013, Loblaw entered into an underwriting agreement in connection with the transactions contemplated by this prospectus. In connection with Closing, the REIT will indirectly acquire from Loblaw certain real estate assets including the Third-Party Tenant Portfolio of Loblaw.

## APPENDIX A — INITIAL PROPERTIES

The tables below set forth information concerning the Initial Properties as of the Closing Date. The first table, “Stand-Alone Properties” summarizes all of the Initial Properties that have a stand-alone store, warehouse or office building operating under a Loblaw-Owned Banner with no additional third-party tenants. The second table, “Properties With One or More Additional Third-Party Tenants”, summarizes each of the Initial Properties that is anchored by a store or warehouse operating under a Loblaw-Owned Banner and also contains one or more additional third-party tenants, as well as five properties that are not anchored by a store operating under a Loblaw-Owned Banner.

### Stand-Alone Properties

Property	Property Class	Banner	Year Built	Year Last Renovated	Loblaw GLA	Year of Expiry of Loblaw Lease
<b>British Columbia</b>						
3185, 3189 & 3191 Grandview Hwy., Vancouver . . . . .	Retail	Real Canadian Superstore	1990	2012	136,570	2027
7550 King George Blvd., Surrey . . . . .	Retail	Real Canadian Superstore	1990	2012	139,332	2028
757 & 801 Ryan Rd., Courtenay . . . . .	Retail	Real Canadian Superstore	1993	2012	102,025	2027
2100–17th St. N., Cranbrook . . . . .	Retail	Real Canadian Superstore	2003	NA	132,090	2027
6435 Metral Dr., Nanaimo . . . . .	Retail	Real Canadian Superstore	2002	NA	141,616	2026
45779 Luckakuck Way, Chilliwack . . . . .	Retail	Real Canadian Superstore	1997	2010	130,022	2026
32136 Lougheed Hwy., Mission . . . . .	Retail	Real Canadian Superstore	1997	2011	130,531	2024
2755–190th St., 2456–188 St. & 18917–24th Ave., Surrey . . . . .	Warehouse	N/A	2009	NA	407,000	2030
<b>Alberta</b>						
10702–83rd Ave., Grande Prairie . . . . .	Retail	no frills, West	2010	NA	33,375	2030
5858 Signal Hill Cntr SW, Calgary . . . . .	Retail	Real Canadian Superstore	1997	2009	122,147	2030
4431–4th Ave., Edson . . . . .	Retail	Extra Foods	1993	2003	39,123	2029
9 Sandstone Gate, Okotoks . . . . .	Retail	no frills, West	1998	2008	31,084	2029
1–110 Campsite Rd., Spruce Grove . . . . .	Retail	Real Canadian Superstore	2000	2010	134,941	2028
2601–14th Ave., Wainwright . . . . .	Retail	no frills, West	2001	2007	39,922	2028
5031–44th St., Lloydminster . . . . .	Retail	Real Canadian Superstore	1991	2012	108,529	2028
1103–18 St. SE, High River . . . . .	Retail	Extra Foods	1995	2000	39,401	2028
4734–50 Ave., Vegreville . . . . .	Retail	no frills, West	2002	2007	40,093	2028
100–410 Baseline Rd., Sherwood Park . . . . .	Retail	Real Canadian Superstore	1998	2010	136,180	2027
5561 Hwy. #53, Ponoka . . . . .	Retail	Extra Foods	1995	2000	38,942	2027
7005–48th Ave., Camrose . . . . .	Retail	Real Canadian Superstore	2001	NA	139,498	2026
3633 Westwinds Dr. NE, Calgary . . . . .	Retail	Real Canadian Superstore	2005	2009	161,951	2025
4821 Calgary Trail NW, Edmonton . . . . .	Retail	Real Canadian Superstore	1984	2012	151,647	2030
15915 Macleod Trail SE, Calgary . . . . .	Retail	Real Canadian Superstore	1998	2012	144,531	2029
12225–99th St., Grande Prairie . . . . .	Retail	Real Canadian Superstore	1993	2011	142,108	2028
4700–130th Ave. SE, Calgary . . . . .	Retail	Real Canadian Superstore	2002	2012	151,559	2028
100 Country Village Rd. NE, Calgary . . . . .	Retail	Real Canadian Superstore	2004	2009	154,077	2028
2928–23rd St. NE, Calgary . . . . .	Retail	The Real Canadian Wholesale Club	1996	NA	50,000	2028
15–6350–67th St., Red Deer . . . . .	Retail	The Real Canadian Wholesale Club	1997	NA	53,089	2027
9711–23rd Ave. NW, Edmonton . . . . .	Retail	The Real Canadian Superstore	2000	2012	147,280	2026
3 Clearview Market Way, Red Deer . . . . .	Retail	Your Independent Grocer, West	2012	NA	32,617	2024
1792 Trans Canada Way SE, Medicine Hat . . . . .	Retail	Real Canadian Superstore	1993	2010	135,169	2024
4410–17th St. NW, Edmonton . . . . .	Retail	Real Canadian Superstore	2009	NA	131,460	2023
300 Veterans Blvd. NE, Airdrie . . . . .	Retail	Real Canadian Superstore	2005	2009	158,398	2025
3515 Mayor McGrath Dr. S., Lethbridge . . . . .	Retail	Real Canadian Superstore	2005	2009	164,227	2024

<u>Property</u>	<u>Property Class</u>	<u>Banner</u>	<u>Year Built</u>	<u>Year Last Renovated</u>	<u>Loblaws GLA</u>	<u>Year of Expiry of Loblaws Lease</u>
55 Freeport Blvd. NE, Calgary . . . . .	Warehouse	N/A	2003	2009	499,837	2029
<b>Saskatchewan</b>						
115 Souris Ave. NW, Weyburn . . . . .	Retail	The Real Canadian Wholesale Club	1999	NA	51,321	2031
921 Broad St., Regina . . . . .	Retail	The Real Canadian Wholesale Club	1992	NA	55,792	2027
1501 North Service Rd. E., Swift Current	Retail	The Real Canadian Wholesale Club	1999	NA	51,241	2027
591-15th St. E., Prince Albert . . . . .	Retail	Real Canadian Superstore	1992	2012	100,954	2029
2055 Prince of Wales Dr., Regina . . . . .	Retail	Real Canadian Superstore	2000	2011	142,021	2029
4450 Rochdale Blvd., Regina . . . . .	Retail	Real Canadian Superstore	2000	2011	142,021	2028
30 Thatcher Dr. E., Moose Jaw . . . . .	Retail	Real Canadian Superstore	1995	2005	127,792	2027
2101 Fleming Rd., Regina . . . . .	Warehouse	N/A	2011	2012	1,029,675	2028
<b>Manitoba</b>						
920 Victoria Ave., Brandon . . . . .	Retail	Real Canadian Superstore	1992	2012	102,717	2027
550 Kenaston Blvd., Winnipeg . . . . .	Retail	Real Canadian Superstore	1983	2012	86,240	2027
215 St. Anne's Rd., Winnipeg . . . . .	Retail	Real Canadian Superstore	1981	2007	146,164	2027
1035 Gateway Rd., Winnipeg . . . . .	Retail	Real Canadian Superstore	1981	2012	103,553	2027
80 Bison Dr., Winnipeg . . . . .	Retail	Real Canadian Superstore	1999	2012	144,723	2029
15-1st Ave. NE, Dauphin . . . . .	Retail	Extra Foods	1998	2006	28,351	2024
1445 Main St., Winnipeg . . . . .	Retail	Extra Foods	1981	2013	21,130	2023
<b>Ontario</b>						
1 President's Choice Circle & 55 Hereford St., Brampton . . . . .	Office	N/A	2005	2013	609,000	2031
75 Deep River Rd., Deep River . . . . .	Retail	Valu-mart	1990	NA	17,023	2031
1836 Regent St., Sudbury . . . . .	Retail	Your Independent Grocer, Ontario	1995	2008	46,080	2031
1251 Main St., Stittsville . . . . .	Retail	Your Independent Grocer, Ontario	2003	2009	68,924	2031
82 Lorne St., Sudbury . . . . .	Retail	Your Independent Grocer, Ontario	2001	2012	48,653	2031
1740 Richmond St. N, London . . . . .	Retail	Loblaws, Ontario	1998	2008	80,838	2031
130 Queen St., Niagara on the Lake . . .	Retail	Valu-mart	1999	NA	6,000	2031
301 Moore Ave., Toronto . . . . .	Retail	Loblaws, Ontario	1990	2009	31,164	2031
50 Musgrave St., Toronto . . . . .	Retail	Loblaws, Ontario	2000	2011	80,988	2031
612 Main St., Sauble Beach . . . . .	Retail	Valu-mart	2009	NA	19,511	2031
5200 Hwy. #69 N, Hanmer . . . . .	Retail	Your Independent Grocer, Ontario	1990	2002	45,029	2031
620 Yonge St., Barrie . . . . .	Retail	Zehrs Markets	2002	2009	83,640	2031
1 Laurentian Ave., North Bay . . . . .	Retail	Your Independent Grocer, Ontario	1995	2009	50,143	2031
372 Pacific Ave., Toronto . . . . .	Retail	no frills, Ontario	1991	2008	23,289	2031
131 Howland Dr., Huntsville . . . . .	Retail	Your Independent Grocer, Ontario	2004	2009	69,013	2031
400 Dundas St. E, Belleville . . . . .	Retail	Your Independent Grocer, Ontario	1993	2012	50,430	2030
1048 Midland Ave., Kingston . . . . .	Retail	Loblaws, Ontario	1999	2009	80,766	2030
270 Wellington St., Bracebridge . . . . .	Retail	Your Independent Grocer, Ontario	1980	2010	60,007	2030
25 Ferrara Dr., Smiths Falls . . . . .	Retail	Your Independent Grocer, Ontario	1995	2009	40,637	2030
3201 Greenbank Rd., Ottawa . . . . .	Retail	Loblaws, Ontario	2002	2007	115,193	2030
380 The East Mall, Etobicoke . . . . .	Retail	Loblaws, Ontario	1999	2008	81,914	2030
3940 Hwy. #7, Vaughan . . . . .	Retail	Fortinos	1999	2011	81,753	2030
455 McNeely Ave., Carleton Place . . . . .	Retail	Your Independent Grocer, Ontario	2000	2004	71,924	2030
1560 Cameron St., Hawkesbury . . . . .	Retail	Your Independent Grocer, Ontario	2003	2009	60,928	2030
319 Blake St., Barrie . . . . .	Retail	no frills, Ontario	1996	2004	15,824	2030
220 Royal York Rd., Etobicoke . . . . .	Retail	no frills, Ontario	1990	2004	20,182	2030
5 Main St., Morrisburg . . . . .	Retail	Valu-mart	1990	NA	18,703	2030
277 King St., Midland . . . . .	Retail	Valu-mart	1990	2006	15,617	2029
472 Bayfield St., Barrie . . . . .	Retail	Zehrs Markets	2001	2010	83,812	2029

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3671 Dundas St. W, Etobicoke . . . . .	Retail	Loblaws, Ontario	1998	2008	53,352	2029
20 Jocelyn Rd., Port Hope . . . . .	Retail	Your Independent Grocer, Ontario	1999	2010	49,773	2029
650 Dupont St., Toronto . . . . .	Retail	Loblaws, Ontario	1996	2008	52,025	2028
44 Great Northern Rd., Sault Ste. Marie .	Retail	Your Independent Grocer, Ontario	1999	2009	72,095	2028
745 Centre St., Espanola . . . . .	Retail	Your Independent Grocer, Ontario	1995	2006	50,503	2027
1205 Oxford St., London . . . . .	Retail	Real Canadian Superstore, Ontario	1999	2012	102,982	2027
18120 Yonge St., Newmarket . . . . .	Retail	Real Canadian Superstore, Ontario	2005	2012	148,922	2026
4270 Innes Rd., Ottawa . . . . .	Retail	Real Canadian Superstore, Ontario	2005	2012	150,368	2026
4371 Walker Rd., Windsor . . . . .	Retail	Real Canadian Superstore, Ontario	2004	2012	123,730	2026
1135 Thompson Rd., Fort Erie . . . . .	Retail	no frills, Ontario	2002	2006	31,784	2026
411 Louth St., St. Catharines . . . . .	Retail	Real Canadian Superstore, Ontario	2004	2012	107,233	2026
821 Niagara St., Welland . . . . .	Retail	Zehrs Markets	1998	2011	62,892	2025
801 St Clair St. N, Chatham . . . . .	Retail	Real Canadian Superstore, Ontario	2005	2012	91,230	2025
70 Hope St. W, Tavistock . . . . .	Retail	Valu-mart	2006	NA	11,429	2025
25-45th St. S, Wasaga Beach . . . . .	Retail	Real Canadian Superstore, Ontario	2005	2012	81,748	2025
2375 Hwy. #2, Bowmanville . . . . .	Retail	Loblaws, Ontario	1998	2010	46,312	2024
3050 Argentia Rd., Mississauga . . . . .	Retail	Real Canadian Superstore, Ontario	2004	2012	118,244	2024
165 Bunker Ave., Corunna . . . . .	Retail	no frills, Ontario	2005	NA	28,126	2023
51 Gerry Fitzgerald Dr., Toronto . . . . .	Retail	Real Canadian Superstore, Ontario	2004	2010	149,542	2023
681 Silver Star Blvd., Scarborough . . . .	Retail	no frills, Ontario	2002	2005	55,476	2023
865 Ontario St., Stratford . . . . .	Retail	Zehrs Markets	2001	2009	82,094	2031
1244 Hwy. #21, Port Elgin . . . . .	Retail	Your Independent Grocer, Ontario	2004	NA	48,020	2031
920 Dundas St. W, Whitby . . . . .	Retail	no frills, Ontario	2000	2007	30,251	2031
750 Ottawa St. S, Kitchener . . . . .	Retail	Zehrs Markets	2002	2010	115,000	2031
1150-16th St. E, Owen Sound . . . . .	Retail	Zehrs Markets	1997	2009	63,737	2031
12035 Hwy. #17 E, Sturgeon Falls . . . . .	Retail	no frills, Ontario	2004	NA	43,648	2031
300 Main St. E, Kingsville . . . . .	Retail	Zehrs Markets	1990	2009	60,646	2031
2911 Major MacKenzie Dr., Vaughan . . .	Retail	Fortinos	2001	2010	89,666	2031
330 Queen's Plate Dr., Etobicoke . . . . .	Retail	Fortinos	2003	2011	91,821	2031
657 John St. N, Aylmer . . . . .	Retail	no frills, Ontario	2000	2004	43,651	2031
400 Kent St. W, Lindsay . . . . .	Retail	Loblaws, Ontario	2002	2011	60,024	2031
285 Geneva St., St. Catharines . . . . .	Retail	Zehrs Markets	1997	2011	72,735	2030
400 Conestoga Blvd., Cambridge . . . . .	Retail	Zehrs Markets	1999	2012	82,422	2030
504 Main St. N, Mount Forest . . . . .	Retail	no frills, Ontario	2003	2010	35,313	2030
13311 Loyalist Parkway, Picton . . . . .	Retail	no frills, Ontario	2000	2008	26,771	2030
363 Rideau St., Ottawa . . . . .	Retail	Loblaws, Ontario	1994	2010	46,876	2029
30 Beaver Ave., Beaverton . . . . .	Retail	Your Independent Grocer, Ontario	1999	2007	50,516	2029
211 Bell Blvd., Belleville . . . . .	Retail	no frills, Ontario	1997	2007	45,112	2029
Hwy. #8, Goderich . . . . .	Retail	Zehrs Markets	1995	2010	59,773	2028
1030 Coverdale Dr., Kingston . . . . .	Retail	no frills, Ontario	1995	2010	37,762	2028
21 Upper Centennial Pkwy. S, Stoney Creek . . . . .	Retail	Fortinos	2000	2010	88,087	2028
232 Arthur St. S, Elmira . . . . .	Retail	no frills, Ontario	2006	2008	31,495	2027
25 Photography Dr., Toronto . . . . .	Retail	no frills, Ontario	2005	NA	56,747	2027
400 Simcoe St., Tillsonburg . . . . .	Retail	Zehrs Markets	1996	2010	61,158	2027
101 Second Line, Shelburne . . . . .	Retail	no frills, Ontario	2003	NA	31,711	2027
20895 Dalton Rd., Sutton West . . . . .	Retail	no frills, Ontario	1998	2010	19,296	2027
3045 Mavis Rd., Mississauga . . . . .	Retail	Real Canadian Superstore, Ontario	2000	2008	80,869	2027
200 Taunton Rd. W, Whitby . . . . .	Retail	Real Canadian Superstore, Ontario	2005	2012	149,048	2027
487 Queen St. S, Bolton . . . . .	Retail	Zehrs Markets	1998	2012	59,827	2027
15900 Bayview Ave., Aurora . . . . .	Retail	Real Canadian Superstore, Ontario	2004	2012	106,665	2026

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1540 Haysville Rd., New Hamburg . . . .	Retail	no frills, Ontario	2008	NA	33,838	2026
2 Warwick Dr., Wallaceburg . . . . .	Retail	no frills, Ontario	1996	2007	24,017	2026
290 First St. N, Gravenhurst . . . . .	Retail	Your Independent Grocer, Ontario	2000	2004	49,932	2026
825 Oxford St. E, London . . . . .	Retail	Real Canadian Superstore, Ontario	2004	2012	106,903	2026
150 Prescott Centre Dr., Prescott . . . . .	Retail	Your Independent Grocer, Ontario	2002	2010	44,600	2026
400 Glen Hill Dr., Whitby . . . . .	Retail	The Real Canadian Wholesale Club	2003	NA	39,109	2026
481 Gibb St., Oshawa . . . . .	Retail	Real Canadian Superstore, Ontario	1999	2008	80,783	2026
5121 Country Rd. #21, Haliburton . . . .	Retail	Your Independent Grocer, Ontario	2004	2012	35,702	2025
98 Ontario Str. S, Grand Bend . . . . .	Retail	no frills, Ontario	2004	NA	16,390	2025
200 Bullock Dr., Markham . . . . .	Retail	Loblaws, Ontario	2001	2009	116,462	2025
155 Elizabeth St., RR#3, Brighton . . . .	Retail	no frills, Ontario	2005	NA	43,787	2025
285 Mill Street RR#1, Angus . . . . .	Retail	no frills, Ontario	2006	NA	27,025	2025
9292 County Rd. #93, Midland . . . . .	Retail	Real Canadian Superstore, Ontario	2003	2009	84,011	2024
820 Main St. E, Milton . . . . .	Retail	Real Canadian Superstore, Ontario	2003	2012	117,753	2024
1124 Main St. E, Hamilton . . . . .	Retail	no frills, Ontario	1997	2006	19,065	2024
286 Chatham St. N, Blenheim . . . . .	Retail	no frills, Ontario	2002	NA	31,683	2024
2742 Eglinton Ave. E, Scarborough . . . .	Retail	no frills, Ontario	2000	2006	34,222	2024
2399 Lake Shore Rd., Etobicoke . . . . .	Retail	Valu-mart	2007	NA	10,791	2024
90 C-Line, Orangeville . . . . .	Retail	no frills, Ontario	2004	NA	25,139	2024
181 Sandwich St. S, Amherstburg . . . . .	Retail	no frills, Ontario	2002	NA	31,676	2024
680 O'Brien Rd., Renfrew . . . . .	Retail	no frills, Ontario	2004	2012	74,227	2024
125 Queensway E, Simcoe . . . . .	Retail	Real Canadian Superstore, Ontario	2000	2012	102,735	2024
1063 Talbot St., St. Thomas . . . . .	Retail	Real Canadian Superstore, Ontario	2004	2012	106,911	2024
2211–20th Sideroad Rd., Innisfil . . . . .	Retail	no frills, Ontario	2009	2010	33,705	2023
361 South Service Rd., Grimsby . . . . .	Retail	Real Canadian Superstore, Ontario	2002	2012	90,229	2023
30 Kingston Rd. W, Ajax . . . . .	Retail	Real Canadian Superstore, Ontario	2003	2012	98,590	2023
2430 Eglinton Ave. E, Scarborough . . . .	Retail	no frills, Ontario	1991	2011	19,906	2023
1485 Lasalle Blvd., Sudbury . . . . .	Retail	Real Canadian Superstore, Ontario	1980	2009	116,345	2023
2515 Appleby Line, Burlington . . . . .	Retail	Fortinos	2011	NA	79,710	2023
500 Holland St. W, Bradford . . . . .	Retail	Zehrs Markets	2012	NA	50,075	2023
1972 Parkdale Ave., Brockville . . . . .	Retail	Real Canadian Superstore, Ontario	2005	2012	91,721	2023
2549 Weston Rd., Toronto . . . . .	Retail	Real Canadian Superstore, Ontario	2003	2009	149,066	2023
1105 Fountain St., Cambridge . . . . .	Warehouse	N/A	2001	2011	911,670	2031
<b>Québec</b>						
100 rue Des Oblats N, Ville-Marie . . . .	Retail	Provigo — Franchise	2005	NA	24,483	2031
169 rue Queen & 2 rue Speid, Sherbrooke . . . . .	Retail	Provigo — Franchise	1999	NA	16,383	2030
3025 boul. De Portland, Sherbrooke . . . .	Retail	Maxi & Cie	2000	2010	87,914	2030
50 Ave. du Mont-Royal O, Montréal . . . .	Retail	Provigo — Corporate	2002	2009	36,234	2030
1 boul. Du Plateau, Gatineau . . . . .	Retail	Loblaws, Québec	1997	2009	127,582	2030
53–57 Place Quevillon, Lebel-Sur-Quevillon . . . . .	Retail	Provigo — Franchise	1996	NA	10,879	2029
885–3E rue, Chibougamau . . . . .	Retail	Maxi	2005	2006	36,774	2029
472–4 <sup>ième</sup> rue E, Amos . . . . .	Retail	Maxi	2003	2008	43,521	2028
200 boul. Omer-Marcel, Saint-Jean-Richelieu . . . . .	Retail	Maxi & Cie	1998	2010	79,806	2027
150 rue Des Grandes-Fourches S, Sherbrooke . . . . .	Retail	Maxi	2001	2012	47,452	2027
355 & 367 rue Principale, Lachute . . . . .	Retail	Maxi	2003	2010	45,668	2027
8475 rue Chartrand, Laval . . . . .	Retail	Maxi	2003	2006	35,339	2027
300 boul. Saint-Joseph, Gatineau . . . . .	Retail	Maxi	1994	2010	55,770	2026

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224 boul. Saint-Michel, Dolbeau-Mistassini . . . . .	Retail	Provigo — Franchise	2000	NA	27,849	2026
8200 boul. Lacroix, St-Georges . . . . .	Retail	Maxi	2002	2012	52,133	2026
6767 boul. Newman, Montréal . . . . .	Retail	Loblaws, Québec	1999	2010	79,880	2025
2090 boul. Des Laurentides, Laval . . . . .	Retail	Maxi & Cie	2000	2010	97,344	2025
1757 boul. Marcel-Laurin, Montréal . . . . .	Retail	Maxi & Cie	1998	2010	80,331	2025
2000 boul. Casavant O, Saint-Hyacinthe . . . . .	Retail	Loblaws, Québec	2001	2004	64,303	2025
325–335 boul. Saint-Joseph, Drummondville . . . . .	Retail	Loblaws, Québec	2003	2007	67,491	2024
2225–2235 1 <sup>ère</sup> Ave., Québec . . . . .	Retail	Provigo — Corporate	1990	2002	18,348	2024
235 Route 338, Coteau-du-Lac . . . . .	Retail	Provigo — Franchise	2007	NA	24,316	2024
1400 rue Roberval, Saint-Bruno-de- Montarville . . . . .	Retail	Loblaws, Québec	1986	2004	53,610	2024
2260 Chemin Gascon, Terrebonne . . . . .	Retail	Maxi	1992	2003	24,816	2024
390 Route 117, Mont-Tremblant . . . . .	Retail	Maxi	1996	2007	33,822	2024
60 rue Carignan, Victoriaville . . . . .	Retail	Loblaws, Québec	1986	2002	67,079	2024
7605 Maurice-Duplessis, Montréal . . . . .	Retail	Maxi & Cie	2002	2010	75,856	2024
4535–4545 boul. Henri-Bourassa, Québec	Retail	Loblaws, Québec	2002	2009	104,718	2023
375 rue Jean-Talon O, Montréal . . . . .	Retail	Loblaws, Québec	1999	2012	64,600	2023
390 Montée des Pionniers, Terrebonne . . . . .	Retail	Maxi	2004	2007	34,885	2023
1122–1128 rue du Sud, Cowansville . . . . .	Retail	Loblaws, Québec	2002	2005	51,998	2023
1950 boul. De La Concorde E, Laval . . . . .	Retail	Loblaws, Québec	1997	2002	82,223	2023
3725 boul. Des Forges, Trois-Rivières . . . . .	Retail	Loblaws, Québec	2003	NA	66,279	2023
1074 Ave. Larivière, Rouyn-Noranda . . . . .	Retail	Maxi	2005	2008	36,629	2023
130 Ave. Lépine, Gatineau . . . . .	Retail	Maxi & Cie	1997	2010	58,518	2031
815–819 Ave. Myrand, Québec . . . . .	Retail	Provigo — Corporate	1986	2004	14,312	2028
170 rue Principale S, Maniwaki . . . . .	Retail	Maxi	2004	2012	42,979	2028
301 Chemin Kipawa, Temiscaming . . . . .	Retail	Provigo — Corporate	1996	NA	8,112	2028
2535 rue Masson, Montréal . . . . .	Retail	Maxi	1995	2006	29,638	2028
90–92 boul. Cardinal-Léger, Pincourt . . . . .	Retail	Maxi & Cie	2000	2010	97,502	2028
1100–13E Ave. N, Sherbrooke . . . . .	Retail	Provigo — Franchise	1987	2007	28,447	2027
7201 boul. Laurier, Terrebonne . . . . .	Retail	Maxi	2002	2012	35,572	2027
118–120 boul. Arthabaska O, Victoriaville	Retail	Maxi	2004	2010	42,910	2027
114 boul. Saint Jean-Baptiste, Chateauguay . . . . .	Retail	Maxi	1984	2010	54,218	2027
1350 rue Sherbrooke, Magog . . . . .	Retail	Loblaws, Québec	1996	2004	71,918	2026
3000–3100 rue Wellington, Montréal . . . . .	Retail	Maxi	1998	2010	35,279	2026
175 boul. Sir-Wilfrid-Laurier, Beloeil . . . . .	Retail	Maxi	1997	2006	36,433	2026
350 rue Bouvier, Québec . . . . .	Retail	Maxi	2001	2012	46,718	2026
845 Ave. du Pont N, Alma . . . . .	Retail	Maxi	1992	2006	26,734	2026
295 rue Saint-Georges, Windsor . . . . .	Retail	Provigo — Franchise	2006	NA	24,146	2026
150 Ave. Saint-Alphonse, Roberval . . . . .	Retail	Maxi	2004	2006	43,378	2025
1601 boul. de Pèrigny & 248 & 250 Ostiguy, Chambly . . . . .	Retail	Maxi	2001	2012	47,944	2025
180 boul. Barrette, Saguenay . . . . .	Retail	Maxi	1995	2010	52,674	2025
16900 Aut. Trans-Canada, Kirkland . . . . .	Retail	Loblaws, Québec	2000	2009	82,680	2025
85 rue Adrien-Robert, Gatineau . . . . .	Retail	Presto	2000	2002	22,523	2025
1877 rue Bilodeau, Plessisville . . . . .	Retail	Maxi	1996	2006	24,995	2025
50 rue Victoria, Sorel-Tracy . . . . .	Retail	Provigo — Franchise	1999	NA	15,523	2025
2840 boul. Des Promenades, Sainte-Marthe-Sur-Le-Lac . . . . .	Retail	Maxi	2000	2006	35,552	2025
2460 rue Cantin, Saguenay . . . . .	Retail	Presto	2000	2003	24,175	2025

<b>Property</b>	<b>Property Class</b>	<b>Banner</b>	<b>Year Built</b>	<b>Year Last Renovated</b>	<b>Loblaws GLA</b>	<b>Year of Expiry of Loblaws Lease</b>
491 rue Seigneuriale, Québec . . . . .	Retail	Provigo — Franchise	2001	2002	21,303	2024
2332 boul. Barette, Val D'Or . . . . .	Retail	Loblaws, Québec	2001	2004	51,978	2024
3500 Saint-Martin O, Laval . . . . .	Retail	Maxi & Cie	1999	2009	73,740	2024
1095 rue Saint-Isidore, Saint-Lin-Laurentides . . . . .	Retail	Provigo — Franchise	2002	NA	44,085	2024
482 Route 138, Donnacona . . . . .	Retail	Maxi	2005	2010	37,756	2024
8570 boul. Saint-Laurent, Montréal . . . .	Retail	Provigo — Corporate	1990	2001	17,930	2024
2501 boul. Du Millénaire, Saint-Basile-le-Grand . . . . .	Retail	Maxi	2005	NA	34,807	2024
3500 rue Laval, Lac-Mégantic . . . . .	Retail	Maxi	2003	2010	43,506	2024
6600 rue Saint-Jacques, Montréal . . . . .	Retail	Loblaws, Québec	2002	2012	81,492	2024
6825 Chemin de la Côte-des-Neiges, Montréal . . . . .	Retail	Maxi & Cie	1998	2012	83,030	2024
1150 rue King-George, Longueuil . . . . .	Retail	Loblaws, Québec	1998	2010	78,219	2023
3397-3399 rue Queen, Rawdon . . . . .	Retail	Maxi	2006	NA	30,465	2023
30 rue Racine, Baie-Saint-Paul . . . . .	Retail	Maxi	1997	2003	14,033	2023
3175-3185 rue Beaubien E, Montréal . . .	Retail	Provigo — Corporate	2001	2002	14,939	2023
800 boul. Henri-Bourassa O, Montréal . .	Retail	Loblaws, Québec	2002	2004	81,307	2023
86 boul. Brien, Repentigny . . . . .	Retail	Loblaws, Québec	2001	2004	101,295	2023
<b>New Brunswick</b>						
52 rue Rochette, Petit Rocher . . . . .	Retail	Save Easy	2002	2007	10,800	2030
89 Trinity Dr., Moncton . . . . .	Retail	Atlantic Superstore	2001	2011	89,134	2030
116 Main St., Fredericton . . . . .	Retail	Atlantic Superstore	1995	2011	45,000	2029
232 Water St. & 49 Frederick St., St. Andrew . . . . .	Retail	Save Easy	2000	2008	13,984	2029
220 Main St., Plaster Rock . . . . .	Retail	Save Easy	1999	NA	6,500	2028
25 Savoie Ave., Atholville . . . . .	Retail	Atlantic Superstore	2003	NA	69,541	2031
408 King George Hwy., Miramichi . . . . .	Retail	Atlantic Superstore	1994	2007	48,535	2026
3455 rue Principale, Tracadie . . . . .	Retail	Atlantic Superstore	2004	2012	68,594	2026
417, 425 & 429 Coverdale Rd., Riverview	Retail	Atlantic Superstore	1994	2011	87,799	2025
44 Lansdowne Ave. S, Sussex . . . . .	Retail	Atlantic Superstore	2006	NA	73,771	2025
168 Renfrew St., Dalhousie . . . . .	Retail	Save Easy	2000	2007	13,800	2024
520 St. George Blvd., Moncton . . . . .	Retail	Cash & Carry	1998	2009	20,035	2024
680 Somerset St., Saint John . . . . .	Retail	Atlantic Superstore	1998	2010	51,076	2024
307 & 313 Main St. E, Shediac . . . . .	Retail	no frills, Atlantic	2000	2009	18,067	2023
775 Frenette Ave., Moncton . . . . .	Warehouse	N/A	2010	NA	124,655	2031
85 Commerce St., RR#4, Moncton . . . .	Warehouse	N/A	1995	2001	189,385	2025
<b>Nova Scotia</b>						
21 Davidson Dr., Bridgewater . . . . .	Retail	Atlantic Superstore	1995	2012	70,342	2029
396 Main St., Wolfville . . . . .	Retail	Save Easy	1999	2007	9,378	2029
9064 Commercial St., New Minas . . . . .	Retail	Atlantic Superstore	1995	2012	59,845	2029
9 Braemar Dr., Dartmouth . . . . .	Retail	Atlantic Superstore	2001	2011	61,445	2029
543 Main St., Mahone Bay . . . . .	Retail	Save Easy	1993	2010	7,796	2027
43, 45 & 47 Main St., Hantsport . . . . .	Retail	Save Easy	2000	NA	6,803	2026
394 Westville Rd., New Glasgow . . . . .	Retail	Atlantic Superstore	1999	2008	90,801	2026
330-390 Welton St., Sydney . . . . .	Retail	Cash & Carry	1998	NA	21,413	2025
197 Commercial St., Berwick . . . . .	Retail	Save Easy	1996	2006	8,400	2024
451 Main St., Kentville . . . . .	Retail	Save Easy	1999	2007	13,933	2031
1225 Kings Rd., Sydney . . . . .	Retail	Atlantic Superstore	1999	2012	47,189	2027
7111 Chebucto Rd., Halifax . . . . .	Retail	The Real Canadian Wholesale Club	1998	2005	45,227	2025

<u>Property</u>	<u>Property Class</u>	<u>Banner</u>	<u>Year Built</u>	<u>Year Last Renovated</u>	<u>Loblaw GLA</u>	<u>Year of Expiry of Loblaw Lease</u>
5175 St. Margaret's Bay Rd., Upper Tantallon . . . . .	Retail	Atlantic Superstore	2002	2012	63,878	2025
50 Paint St., Port Hawkesbury . . . . .	Retail	Atlantic Superstore	2000	NA	47,273	2025
<b>Prince Edward Island</b>						
461-465 University Ave., Charlottetown . . . . .	Retail	Atlantic Superstore	2000	2011	83,113	2029
535 Granville St., Summerside . . . . .	Retail	Atlantic Superstore	2002	2011	80,146	2029
509 Main St., Montague . . . . .	Retail	Atlantic Superstore	2000	2007	39,310	2029
<b>Newfoundland</b>						
166 Main Hwy., CBS . . . . .	Retail	Dominion	1994	2007	59,580	2027
5 Murphy Square, Corner Brook . . . . .	Retail	Dominion	2001	2009	61,087	2027
20 Lake Ave., St. John's . . . . .	Retail	Dominion	2007	NA	69,426	2024
17 Cromer Ave., Grand Falls . . . . .	Retail	Dominion	1999	2003	44,672	2025
35 Clyde Avenue, Mount Pearl . . . . .	Warehouse	N/A	1960	2007	151,221	2023
<b>Grand Total</b> . . . . .					<b><u>21,009,370</u></b>	

## Properties with One or More Additional Third-Party Tenants

Property	Property Class	Banner	Type of Third Party Tenant(s)	Year Built	Year Last Renovated	Loblaw GLA	Third Party GLA	% Occupied (including Loblaw)	Year of Expiry of Loblaw Lease
<b>British Columbia</b>									
8195-120th St., Delta . . . . .	Retail	Real Canadian Superstore	Retail	2003	2012	145,369	7,704	100%	2025
910 Columbia St. W, Kamloops . . . . .	Retail	Real Canadian Superstore	Retail and Medical	2000	2012	117,268	11,177	100%	2029
3455 Johnston Rd., Port Alberni . . . . .	Retail	no frills, West	Vacant	2004	2011	33,968	24,257	58%	2024
4651 No.3 Rd., Richmond . . . . .	Retail	Real Canadian Superstore	Retail and Medical	2000	NA	145,370	25,974	99%	2024
1301 Lougheed Highway, Coquitlam . . . . .	Retail	Real Canadian Superstore	Retail and Office	1989	2004	154,841	27,378	100%	2027
439 North Rd., Coquitlam . . . . .	Retail	Extra Foods	Retail and Medical	2002	NA	35,633	50,390	99%	2025
3000 & 3064 Lougheed Hwy., Coquitlam . . . . .	Retail	Real Canadian Superstore	Retail and Medical	2001	2012	140,725	138,649	98%	2027
<b>Alberta</b>									
7020-4th St. NW, Calgary . . . . .	Retail	Real Canadian Superstore	Retail	2006	2008	147,680	2,194	100%	2026
70 Hewlett Park Landing, Sylvan Lake . . . . .	Retail	no frills, West	Medical	2001	2008	34,486	5,286	94%	2028
1050 Yankee Valley Rd., Airdrie . . . . .	Retail	no frills, West	Retail	2000	2008	34,481	5,444	100%	2029
12350-137 Ave., Edmonton . . . . .	Retail	Real Canadian Superstore	Retail	1984	2012	158,840	5,984	100%	2023
4950-137 Ave., Edmonton . . . . .	Retail	Real Canadian Superstore	Retail	1993	2012	146,381	7,257	100%	2025
3575-20th Ave. NE, Calgary . . . . .	Retail	Real Canadian Superstore	Retail	1990	2011	161,455	8,199	100%	2023
101 St. Albert Rd., St. Albert . . . . .	Retail	Real Canadian Superstore	Retail	1999	2007	109,122	8,745	100%	2028
4420-52nd Ave., Whitecourt . . . . .	Retail	no frills, West	Vacant	1998	2009	28,392	9,351	75%	2031
210-5th Ave. SW, Cochrane . . . . .	Retail	no frills, West	Retail	1997	2012	28,665	9,635	100%	2026
8901-100th St., Morinville . . . . .	Retail	no frills, West	Vacant	2004	2009	29,711	11,027	73%	2030
5080-43rd Ave., Innisfail . . . . .	Retail	no frills, West	Vacant	2005	2011	31,334	11,033	74%	2028
5201-30 Ave., Beaumont . . . . .	Retail	no frills, West	Vacant	2005	2009	31,186	11,263	73%	2029
5700 Hwy. 2A, Lacombe . . . . .	Retail	no frills, West	Retail	2002	2009	27,968	12,007	100%	2031
17303 Stony Plain Rd., Edmonton . . . . .	Retail	Real Canadian Superstore	Retail	1986	2012	154,319	17,389	100%	2029
#100, 8802-100th St., Fort Saskatchewan . . . . .	Retail	no frills, West	Retail	2004	2008	44,665	18,355	100%	2026
11443-11625 Kingsway NW, Edmonton . . . . .	Retail	Real Canadian Superstore	Retail and Medical	2011	NA	95,353	18,412	97%	2023
101-900 Pine Rd., Strathmore . . . . .	Retail	no frills, West	Vacant	2003	2008	43,561	20,148	68%	2029
14740-111th Ave., Edmonton . . . . .	Retail	The Real Canadian Wholesale Club	Retail and Industrial	1994	NA	48,365	20,220	100%	2027
222-58th Ave. SE, Calgary . . . . .	Retail	The Real Canadian Wholesale Club	Retail	1994	NA	53,114	0	100%	2027
<b>Saskatchewan</b>									
2901 & 2921-8th St. E, Saskatoon . . . . .	Retail	Real Canadian Superstore	Retail	1991	2012	141,752	8,123	100%	2030
411 Confederation Dr., Saskatoon . . . . .	Retail	Real Canadian Superstore	Retail and Office	1979	2012	144,664	9,437	100%	2027
137 King St., Estevan . . . . .	Retail	no frills, West	Retail	2010	NA	36,134	15,747	100%	2031
620 Saskatchewan Ave., Melfort . . . . .	Retail	Extra Foods	Retail	1985	2011	40,678	18,328	92%	2029
<b>Manitoba</b>									
130 Pth Hwy. 12 N, Steinbach . . . . .	Retail	Real Canadian Superstore	Retail	2003	2008	97,421	5,900	100%	2027
2132 & 2136 McPhillips St., Winnipeg . . . . .	Retail	Real Canadian Superstore	Retail and Medical	1986	2012	141,765	27,301	100%	2025

<u>Property</u>	<u>Property Class</u>	<u>Banner</u>	<u>Type of Third Party Tenant(s)</u>	<u>Year Built</u>	<u>Year Last Renovated</u>	<u>Loblaws GLA</u>	<u>Third Party GLA</u>	<u>% Occupied (including Loblaws)</u>	<u>Year of Expiry of Loblaws Lease</u>
<b>Ontario</b>									
1951 Eglinton Ave. W, Toronto . . . . .	Retail	no frills, Ontario	Office	1990	NA	14,347	1,280	100%	2030
1547-1551 Hwy. #55, Virgil . . . . .	Retail	Valu-mart	Retail	2004	NA	21,204	3,149	100%	2031
2737 Laurier St., Rockland . . . . .	Retail	Your Independent Grocer, Ontario	Retail	1999	2008	48,341	4,542	98%	2029
222 Lansdowne Ave., Toronto . . . . .	Retail	no frills, Ontario	Retail and Medical	2003	NA	57,059	4,605	100%	2030
1893 Scugog St., Port Perry . . . . .	Retail	Your Independent Grocer, Ontario	Retail	1980	2009	50,725	5,390	100%	2028
626 Victoria St., Strathroy . . . . .	Retail	Real Canadian Superstore, Ontario	Office	1996	2012	98,787	7,250	100%	2025
22 & 64 Isabella St., Ottawa . . . . .	Retail	Loblaws, Ontario	Retail	1990	2012	14,059	8,100	100%	2031
293 Dundas St. E, Trenton . . . . .	Retail	Your Independent Grocer, Ontario	Retail and Medical	2000	2010	48,296	9,000	93%	2023
59 Mill St., Tilbury . . . . .	Retail	no frills, Ontario	Retail and Medical	1990	2008	29,424	9,278	97%	2026
190 Richmond Rd., Ottawa . . . . .	Retail	Real Canadian Superstore, Ontario	Retail	2003	2009	84,880	10,183	100%	2029
54 Wilson St. W, Ancaster . . . . .	Retail	Fortinos	Retail and Medical	1999	2011	62,641	10,998	100%	2029
65 Mall Rd., Hamilton . . . . .	Retail	Fortinos	Retail and Medical	1999	2010	91,084	11,909	100%	2028
60 Joseph St., Parry Sound . . . . .	Retail	no frills, Ontario	Retail	2002	2008	21,954	12,284	100%	2030
100 Rorke Ave., Haileybury . . . . .	Retail	Valu-mart	Retail	2008	NA	18,358	12,314	65%	2024
1641 & 1675 Jane St., North York . . . . .	Retail	no frills, Ontario	Retail	1999	2007	29,222	14,830	100%	2028
3555 Thickson Rd. N, Whitby . . . . .	Retail	no frills, Ontario	Retail	1993	2011	17,386	15,964	100%	2025
201-211 Cundles Rd. E, Barrie . . . . .	Retail	Zehrs Markets	Retail	1991	2010	48,355	17,411	92%	2028
969 Dundas St., Woodstock . . . . .	Retail	Zehrs Markets	Retail and Office	1998	2010	71,574	19,604	93%	2024
635 Southdale Rd. E, London . . . . .	Retail	no frills, Ontario	Retail	1996	2008	38,942	20,093	100%	2028
420-470 Main St. S, Alexandria . . . . .	Retail	Your Independent Grocer, Ontario	Retail	1999	NA	37,000	20,524	100%	2028
245 Dixon Rd., Rexdale . . . . .	Retail	no frills, Ontario	Medical	2012	NA	44,670	21,124	94%	2023
289-293 Coldwater Rd. W, Orillia . . . . .	Retail	Zehrs Markets	Retail	1999	2012	74,558	21,162	92%	2030
401 Ottawa St., Almonte . . . . .	Retail	Your Independent Grocer, Ontario	Retail	2001	2006	37,746	22,555	90%	2029
180 Holiday Inn Dr., Cambridge . . . . .	Retail	Zehrs Markets	Retail	1990	2010	59,250	22,970	91%	2028
1527-1543 Victoria Park Ave., Toronto . . . . .	Retail	Third Party Tenants Only	Retail and Office	1959	2010	—	23,116	100%	2031
17 Leslie St., Toronto . . . . .	Retail	Loblaws, Ontario	Retail	1990	2007	60,006	24,181	75%	2031
450 Erb St. W, Waterloo . . . . .	Retail	Zehrs Markets	Retail	1990	2010	70,682	26,735	100%	2030
39 Winners Circle Dr., Arnprior . . . . .	Retail	no frills, Ontario	Retail and Office	1999	2004	22,950	26,859	85%	2025
1375 Weber St. E, Kitchener . . . . .	Retail	Zehrs Markets	Retail, Medical and Office	1990	2010	60,058	30,669	92%	2023
8345-8555 & 8585 Hwy. #27, Woodbridge	Retail	Fortinos	Retail	2000	2013	82,851	31,583	92%	2028
173-183 Lakeshore Rd. W, Oakville . . . . .	Retail	Fortinos	Retail	1996	2011	52,508	32,759	100%	2023
24 Forwell Creek, Waterloo . . . . .	Retail	The Real Canadian Wholesale Club	Retail	1998	2008	50,241	32,854	100%	2027
91 King William St., Huntsville . . . . .	Retail	Third Party Tenants Only	Retail	1996	2007	—	33,470	100%	2027
600 Murphy Rd., Sarnia . . . . .	Retail	Real Canadian Superstore, Ontario	Retail	1991	2009	113,818	34,618	99%	2026
5890 Malden Rd, Windsor . . . . .	Retail	Zehrs Markets	Retail and Medical	1994	2008	86,401	37,076	98%	2031
435-447 Main St. E, Hamilton . . . . .	Retail	no frills, Ontario	Retail and Office	1990	2002	20,283	37,385	97%	2030
1792 Liverpool Rd., Pickering . . . . .	Retail	Loblaws, Ontario	Retail and Medical	1990	2010	115,529	37,423	98%	2027

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50-4th Ave., Orangeville . . . . .	Retail	Zehrs Markets	Retail	1990	2011	68,021	46,341	92%	2030
2430 Dougal Ave., Windsor . . . . .	Retail	Real Canadian Superstore, Ontario	Retail	1990	2008	91,046	46,487	98%	2024
123 Pioneer Park, Kitchener . . . . .	Retail	Zehrs Markets	Retail, Medical and Office	1990	NA	23,479	49,764	88%	2030
1220-1226 Place D'Orleans Dr., Orleans .	Retail	no frills, Ontario	Retail and Medical	1993	2009	36,314	54,012	72%	2023
50 Dundurn St., Hamilton . . . . .	Retail	Fortinos	Retail, Medical and Office	1999	2009	71,202	54,216	95%	2031
31-9th St. E, Cornwall . . . . .	Retail	Your Independent Grocer, Ontario	Retail	1992	2009	54,167	56,908	94%	2030
201-215 Talbot St. E, Leamington . . . . .	Retail	Real Canadian Superstore, Ontario	Retail and Office	2003	2009	84,017	58,739	100%	2025
1300 Main St., Stittsville . . . . .	Retail	Third Party Tenants Only	Retail, Medical and Office	1989	2007	—	59,755	85%	2021
7201 Tecumseh Rd. E, Windsor . . . . .	Retail	Zehrs Markets	Retail	1990	2008	88,171	60,489	96%	2025
1025 & 1059 Plains Rd. E, Burlington . . .	Retail	Fortinos	Retail	1999	2010	83,029	70,521	98%	2030
400 Manning Rd. & 13412-13598 Tecumseh Rd. E, Windsor	Retail	Zehrs Markets	Retail, Medical and Office	1996	2008	70,308	76,001	99%	2029
875 Highland Rd. W, Kitchener . . . . .	Retail	Real Canadian Superstore, Ontario	Retail and Medical	1990	2012	153,618	79,473	99%	2023
1040-1100 Princess St., Kingston . . . . .	Retail	Loblaws, Ontario	Retail, Medical and Office	2000	2009	81,332	81,720	99%	2031
2025 Guelph Line, Burlington . . . . .	Retail	Fortinos	Retail and Medical	1999	2009	94,851	84,057	100%	2030
59 Robertson Rd., Nepean . . . . .	Retail	Loblaws, Ontario	Retail	1990	2002	47,615	92,068	100%	2024
800-880-10th St., Hanover . . . . .	Retail	Your Independent Grocer, Ontario	Retail	1995	2010	39,473	104,651	33%	2031
2280-2290 Dundas St. W, Toronto . . . . .	Retail	Loblaws, Ontario	Retail	1990	2009	29,213	106,242	100%	2026
1806-1880 Eglinton Ave. E, Scarborough .	Retail	no frills, Ontario	Retail and Medical	1998	2012	60,848	123,707	95%	2028
<b>Québec</b>									
44 rue Craig & 35 rue du Collège S, Richmond . . . . .	Retail	Maxi	Retail	2004	2006	41,136	1,471	100%	2027
10200 boul. Pie IX, Montréal Nord . . . . .	Retail	Maxi & Cie	Retail	2001	2008	80,917	2,454	100%	2024
1201 & 1211 Aut. Duplessis, L'Ancienne-Lorette . . . . .	Retail	Loblaws, Québec	Retail	2004	2012	71,918	2,635	100%	2023
2925 & 3165 rue Rachel E, Montréal . . .	Retail	Loblaws, Québec	Retail	2000	2009	85,023	3,012	100%	2027
1643 & 1753 boul. D'Youville, Shawinigan	Retail	Maxi	Retail	1986	2010	45,552	3,095	100%	2025
1024-1030 boul. Vachon N, Ste-Marie . . .	Retail	Maxi	Retail	1993	2006	35,536	4,378	100%	2023
501 & 555 Ave. Saint-Charles, Vaudreuil-Dorion . . . . .	Retail	Loblaws, Québec	Retail	2001	2006	63,004	6,908	100%	2024
7600 rue Sherbrooke E, Montréal . . . . .	Retail	Loblaws, Québec	Retail	1998	2010	81,020	7,042	100%	2023
701 & 801 rue Principale, Sainte-Agathe-des-Monts . . . . .	Retail	Provigo-Corporate	Retail	2002	NA	43,780	7,118	100%	2023
4777 & 4849 boul. Saint-Jean, Montréal . .	Retail	Loblaws, Québec	Retail	1998	2004	71,080	7,633	100%	2023
8305 & 8405 Ave. Papineau, Montréal . . .	Retail	Maxi & Cie	Retail	1997	2012	87,812	7,674	100%	2026
2650-6 <sup>ième</sup> Ave., Shawinigan . . . . .	Retail	Maxi	Retail	1986	2010	44,015	7,923	100%	2025
1075 & 1101-1155 boul. Talbot, Saguenay .	Retail	Loblaws, Québec	Retail	2003	NA	65,881	8,557	100%	2023
5585 & 5595 Monkland Ave., Montréal . .	Retail	Provigo-Corporate	Office	1990	2006	9,728	9,001	87%	2031
74 & 80 rue Saint-Judes N, Granby . . . . .	Retail	Loblaws, Québec	Retail	2002	2005	62,042	10,035	100%	2024
470 rue Wellington S, Sherbrooke . . . . .	Retail	Presto	Retail	1982	2002	23,812	11,120	100%	2027
375 Chemin Aylmer, Gatineau . . . . .	Retail	Loblaws, Québec	Retail	1991	2009	63,314	18,686	100%	2027

Property	Property Class	Banner	Type of Third Party Tenant(s)	Year Built	Year Last Renovated	Loblaw GLA	Third Party GLA	% Occupied (including Loblaw)	Year of Expiry of Loblaw Lease
1041, 1065 & 1067 boul. Pie XI, N, Québec . . . . .	Retail	Maxi	Retail and Office	1995	2012	38,432	19,851	96%	2027
6750-6800 rue Jean-Talon E, Montréal . . . . .	Retail	Maxi	Retail	2002	2012	46,369	24,987	100%	2023
125 rue de la Fayette, Repentigny . . . . .	Retail	Third Party Tenants Only	Retail	2003	NA	—	28,197	100%	2018
1850-1870 boul. Saint-Joseph, Drummondville . . . . .	Retail	Maxi	Retail	1992	2012	47,402	32,547	100%	2027
2665 Chemin de Chambly, Longueuil . . . . .	Retail	Maxi & Cie	Retail and Office	1984	2010	97,649	35,417	100%	2025
7701-7749 boul. Maurice-Duplessis, Montréal . . . . .	Retail	Third Party Tenants Only	Retail and Medical	2004	2005	—	42,378	84%	2020
420 & 434-460 boul. Curé-Labelle, Laval . . . . .	Retail	Maxi	Retail and Office	1995	2010	44,663	43,661	83%	2031
2300 & 2600 rue Francis-Hughes, Laval . . . . .	Warehouse	Supply Chain	Supply Chain & Office	1973	NA	584,553	208,374	93%	2023
940 Chemin du Sault, Lévis . . . . .	Retail	Maxi	Retail	1989	2010	42,339	80,328	81%	2027
<b>New Brunswick</b>									
471 Smythe St., Fredericton . . . . .	Retail	Atlantic Superstore	Retail	1996	2010	89,640	4,434	100%	2031
195 & 203 King St., St. Stephen . . . . .	Retail	Atlantic Superstore	Vacant	1999	2012	48,108	5,956	89%	2024
1150 & 1240 Onodago St., Oromocto . . . . .	Retail	Atlantic Superstore	Retail	1994	2010	47,085	6,491	100%	2028
100, 120 & 140 Baig Blvd, Moncton . . . . .	Warehouse	Supply Chain	Office	1960	1998	163,386	7,000	100%	2024
350 Connell St. & 111 Burt St., Woodstock . . . . .	Retail	Atlantic Superstore	Retail	1999	2005	74,043	8,300	90%	2025
240 Madawaska Road, Grand Falls . . . . .	Retail	Atlantic Superstore	Retail	2007	2009	83,859	8,940	100%	2025
577 Victoria St., Edmundston . . . . .	Retail	Atlantic Superstore	Retail	2001	2009	80,357	12,068	100%	2029
2 Johnson St., Chatham . . . . .	Retail	Super Valu	Retail	1998	NA	31,500	31,629	97%	2030
115 Campbell Rd. & 77 & 81 Marr Rd., Rothesay . . . . .	Retail	Atlantic Superstore	Retail	2003	2012	106,656	48,293	100%	2029
105, 165 & 175 Main St., Moncton . . . . .	Retail	Atlantic Superstore	Retail	1993	2011	96,244	89,443	57%	2027
620, 640 & 700 St. Peter Ave., Bathurst . . . . .	Retail	Atlantic Superstore	Retail and Medical	1995	2008	72,283	102,126	85%	2029
<b>Nova Scotia</b>									
490 Hwy. #303, Digby . . . . .	Retail	Atlantic Superstore	Retail	1999	2006	48,060	1,400	100%	2023
306-316 Main St., Middleton . . . . .	Retail	Save Easy	Retail	1997	2007	10,270	3,991	100%	2028
211 Duke St. & 3855 Hwy. No. 3, Chester	Retail	Save Easy	Retail	1999	2006	13,874	6,000	100%	2030
6141 Young St., Halifax . . . . .	Retail	Atlantic Superstore	Retail	1993	2010	44,686	6,873	100%	2028
155 King St. Hwy., North Sydney . . . . .	Retail	Atlantic Superstore	Retail	2006	2012	36,975	7,324	100%	2024
1075 & 1145 Barrington St., Halifax . . . . .	Retail	Atlantic Superstore	Retail	1997	2010	50,311	7,449	100%	2031
11 Cole Dr., Windsor . . . . .	Retail	Atlantic Superstore	Retail	2000	NA	47,750	7,548	100%	2028
50 Milton Rd., Liverpool . . . . .	Retail	Atlantic Superstore	Retail	2001	NA	47,300	7,600	100%	2026
143 Victoria Rd., Lunenburg . . . . .	Retail	Save Easy	Retail	1997	2005	19,125	7,757	100%	2031
470 Main St., Kingston . . . . .	Retail	Atlantic Superstore	Retail	2002	2008	64,228	7,776	100%	2028
21 St. Anthony St., Annapolis Royal . . . . .	Retail	Save Easy	Retail, Medical and Office	2000	NA	14,356	9,634	82%	2028
291-297 Hwy. #214, Elmsdale . . . . .	Retail	Atlantic Superstore	Retail and Office	1999	2012	47,295	11,353	100%	2024
126 Albion St. S, Amherst . . . . .	Retail	Atlantic Superstore	Retail	1997	2009	68,658	12,374	98%	2027
46 Elm St., Truro . . . . .	Retail	Atlantic Superstore	Retail	1997	2011	69,501	12,957	100%	2027
3687 & 3695 Hwy. #3, Barrington Passage	Retail	no frills Atlantic	Retail	2012	NA	28,583	14,538	77%	2023
745 Sackville Dr., Lower Sackville . . . . .	Retail	Atlantic Superstore	Retail and Office	1993	2011	100,303	16,233	100%	2027
26 Market St., Antigonish . . . . .	Retail	Atlantic Superstore	Retail	2004	2008	78,665	17,005	100%	2027
155 Reserve St., Glace Bay . . . . .	Retail	Atlantic Superstore	Retail	2000	NA	47,500	19,110	93%	2023

<u>Property</u>	<u>Property Class</u>	<u>Banner</u>	<u>Type of Third Party Tenant(s)</u>	<u>Year Built</u>	<u>Year Last Renovated</u>	<u>Loblaw GLA</u>	<u>Third Party GLA</u>	<u>% Occupied (including Loblaw)</u>	<u>Year of Expiry of Loblaw Lease</u>
3601, 3609, 3627 & 3711 Joseph Howe Dr., Halifax . . . . .	Retail	Atlantic Superstore	Retail, Medical and Office	2000	2012	156,233	26,503	100%	2028
104-110 Starrs Rd., Yarmouth . . . . .	Retail	Atlantic Superstore	Retail	2005	2006	65,310	51,526	81%	2026
650 Portland St., Dartmouth . . . . .	Retail	Atlantic Superstore	Retail, Medical and Office	1993	2012	135,723	127,734	99%	2027
330-390 Welton St., Sydney . . . . .	Retail	no frills Atlantic	Retail and Medical	1995	2010	36,370	156,953	57%	2024
<b>Newfoundland</b>									
132 Bennett Dr. & 100 Laurell Rd, Gander . . . . .	Retail	Dominion	Retail	2002	NA	44,653	6,940	100%	2026
150 Old Placentia Rd., Mount Pearl . . . . .	Retail	Dominion	Retail	1993	2008	82,986	7,828	100%	2027
260 Blackmarsh Rd., St. John's . . . . .	Retail	Dominion	Retail	2005	2009	106,656	9,000	100%	2027
55 Stavanger Dr., St. John's . . . . .	Retail	Dominion	Retail	1998	2012	92,818	10,000	100%	2027
						<u>10,144,886</u>	<u>4,125,280</u>		

**APPENDIX B — BOARD MANDATE**  
**CHOICE PROPERTIES REAL ESTATE INVESTMENT TRUST**  
**MANDATE OF THE BOARD OF TRUSTEES**

**1. ROLE**

The role of the Board of Trustees (the “Board”) is to provide governance and stewardship to Choice Properties Real Estate Investment Trust (the “REIT”). Its role is to review strategy, assign responsibility to management for achievement of that strategy, establish limitations on the authority delegated to management and monitor performance against approved objectives. In fulfilling this role, the Board regularly reviews management’s strategic plans so that they continue to be responsive to the changing business environment in which the REIT operates. The Board oversees the REIT’s approach to corporate governance, succession planning, risk management activities, internal control over financial reporting, disclosure controls and procedures, and information systems. Through its oversight, the Board ensures that the REIT accurately and fairly reports financial and other information to unitholders, other stakeholders and the public. The Board is required to appoint officers. The Board satisfies itself as to the integrity of senior management, that the REIT engages in ethical and legal conduct and that senior management maintains a culture of integrity throughout the REIT.

**2. RESPONSIBILITIES**

To ensure that it fulfills its role, the Board will:

**(a) Ensure Compliance with the Declaration of Trust**

- Exercise its powers and take whatever actions as may be necessary or desirable in order to carry out the provisions of the Declaration of Trust.
- Ensure that the exercise of such powers or the taking of such actions is not inconsistent with the provisions of the Declaration of Trust.

**(b) Define Unitholder Expectations and Monitor Performance**

- Determine, from time to time, the appropriate criteria against which to evaluate performance, and set strategic goals and objectives within this context.
- Monitor performance against both strategic goals and objectives of the REIT.

**(c) Approve Strategic Goals, Performance Objectives and Operational Policies**

The Board will review and approve broad strategic objectives and values against which the performance of the REIT will be measured. In this regard, the Board will:

- Approve long-term strategies.
- Review and approve management’s strategic and operational plans so that they are consistent with long-term goals.
- Approve strategic and operational policies within which management will operate.
- Approve significant acquisitions, sales of assets or units, and material financing arrangements.
- Review and approve the REIT’s distribution policy and approve the timing and payment of distributions.
- Set targets and budgets against which to measure executive performance and the performance of the REIT.
- Satisfy itself of the appropriateness of all executive and colleague compensation matters and that a portion of executive compensation is linked appropriately to the performance of the REIT.
- Satisfy itself that a process is in place with respect to the appointment, development, evaluation and succession of senior management.

**(d) Delegate Management Authority to the President and Chief Executive Officer**

- Delegate to the President and Chief Executive Officer the authority to manage and supervise the business of the REIT, including making any decisions regarding the REIT's ordinary course of business and operations that are not specifically reserved to the Board under the terms of that delegation of authority.
- Determine what, if any, executive limitations may be required in the exercise of the authority delegated to management.

**(e) Monitor Financial Disclosure**

- Oversee the REIT's financial reporting and disclosure obligations in accordance with applicable law.
- Approve the REIT's financial statements, management's discussion and analysis and related releases.
- Oversee the REIT's compliance with applicable audit, accounting and reporting requirements, including in the areas of internal control over financial reporting and disclosure controls and procedures.

**(f) Monitor Enterprise Risk Management Program**

- Approve management's approach to enterprise risk management, including the identification and assessment of the principal risks with a view to the long-term viability of the REIT and achieving a proper balance between the risks incurred and the potential return for unitholders.
- Satisfy itself as to the effective oversight of risk management of individual risks by the Board or by a Committee delegated by the Board, through the receipt of periodic reports from the Committee Chairs or management, as appropriate.

**(g) Oversee Effective External Communications**

- Satisfy itself that there is effective communication between the Board and the REIT's unitholders, other stakeholders and the public.
- At least annually, with the assistance of the Audit Committee, review and approve any material changes to the REIT's disclosure policy.

**(h) Monitor Governance of the REIT**

- Develop, and monitor compliance with, a set of governance principles and guidelines.
- Appoint a Lead Trustee who is independent to provide leadership to the Board and the independent trustees, including presiding over meetings or sessions of the non-management trustees and consulting with the Chairman of the Board on any matters arising out of such sessions.
- Ensure that independent trustees hold regular meetings without the attendance of management or non-independent trustees.
- Review the Board's mandate on an annual basis and make appropriate revisions.
- Develop, adopt and regularly review position descriptions for the Chairman of the Board, the Lead Trustee and the chair of each committee of the Board.
- Assess the effectiveness and performance of the Board and its committees as well as their individual members.

(i) **Monitor Social Responsibility, Integrity and Ethics of the REIT**

- Ensure that senior executives maintain a culture of integrity throughout the REIT.
- Adopt a written code of conduct which is applicable to employees, officers and trustees of the REIT, and monitor compliance with the code.
- Monitor and receive periodic reports on policies and practices related to social responsibility of the REIT.

3. **COMPOSITION**

The Board shall be comprised of a majority of independent trustees. For this purpose, a trustee is independent if he or she would be Independent within the meaning of National Instrument 58-101 — *Disclosure of Corporate Governance Practices*, as the same may be amended from time to time. The Board is responsible for the composition and organization of the Board, including: the number, qualifications and remuneration of trustees; the number of Board meetings; quorum requirements; and meeting procedures. The Board shall ensure that due notice of meetings is provided as required by applicable law and the Declaration of Trust, subject to any exemptions or relief that may be granted from such requirements.

4. **COMMITTEES**

The Board may establish committees of the Board, where required or prudent. The Board may delegate to such committees matters for which the Board is responsible, including the approval of Board and management compensation, the conduct of performance evaluations and oversight of internal controls, but the Board retains its oversight function and ultimate responsibility for these matters and all other delegated responsibilities. The Board has established the following committees:

- the Audit Committee (comprised entirely of independent trustees); and
- the Governance, Compensation and Nominating Committee (comprised of a majority of independent trustees).

Circumstances may warrant the establishment of new committees, the disbanding of current committees or the reassignment of authority and responsibilities amongst committees. The authority and responsibilities of each committee are set out in a written mandate approved by the Board. At least annually, each mandate shall be reviewed and, on the recommendation of the Governance, Compensation and Nominating Committee, approved by the Board. Each Committee Chair shall provide a report to the Board on material matters considered by the Committee at the next regular Board meeting following such Committee's meeting.

5. **ORIENTATION AND CONTINUING EDUCATION**

With the Governance, Compensation and Nominating Committee, the Board shall ensure that all trustees receive a comprehensive orientation program and continuing education in connection with their role, responsibilities, the business of the REIT, and the skills they must use in their roles as trustees.

6. **EQUITY OWNERSHIP BY TRUSTEES**

The Board shall oversee trustees' compliance with the REIT's Equity Ownership Policy.

**APPENDIX C — AUDIT COMMITTEE CHARTER**  
**CHOICE PROPERTIES REAL ESTATE INVESTMENT TRUST**  
**(the “REIT”)**

**AUDIT COMMITTEE CHARTER**

**1. RESPONSIBILITY**

The Audit Committee is responsible for assisting the Board of Trustees of the REIT (“Board”) in fulfilling its oversight responsibilities in relation to:

- the integrity of the REIT’s financial statements;
- the REIT’s compliance with legal and regulatory requirements as they relate to the REIT’s financial statements;
- the qualifications, independence and performance of the REIT’s external auditor (the “Auditor”);
- the enterprise risk management process;
- internal control over financial reporting and disclosure controls and procedures;
- the performance of the REIT’s internal audit function; and
- performing the additional duties set out in this Charter or otherwise delegated to the Audit Committee by the Board.

**2. MEMBERS**

The Board shall appoint a minimum of three trustees to be members of the Audit Committee, a majority of whom shall be resident Canadians. The members of the Audit Committee shall be selected by the Board on recommendation of the Governance, Compensation and Nominating Committee of the REIT, and shall be selected based upon the following, to the extent that the following are required under applicable law:

- each member shall be an independent trustee; and
- each member shall be financially literate.

For the purpose of this Charter, the terms “independent” and “financially literate” shall have the respective meanings attributed thereto in Multilateral Instrument 52-110 — *Audit Committees*, as the same may be amended from time to time.

**3. CHAIR**

Each year, the Board shall appoint one member to be Chair of the Audit Committee. If, in any year, the Board does not appoint a Chair, the incumbent Chair shall continue in office until a successor is appointed. The Board has adopted and approved a position description for the Chair which sets out his or her role and responsibilities.

**4. TENURE**

Each member shall hold office until his or her term as a member of the Audit Committee expires or is terminated.

**5. QUORUM, REMOVAL AND VACANCIES**

A majority of the Audit Committee’s members shall constitute a quorum. Any member may be removed and replaced at any time by the Board. The Board shall fill vacancies in the Audit Committee by appointment from among the members of the Board. If a vacancy exists on the Audit Committee, the remaining members may exercise all powers so long as a quorum remains in office.

## 6. DUTIES

The Audit Committee shall have the duties set out below as well as any other duties that are specifically delegated to the Audit Committee by the Board.

### (a) Appointment and Review of Auditor

The Auditor is ultimately accountable to the Audit Committee as representatives of the unitholders. The Audit Committee has direct responsibility for overseeing the work of the Auditor. Accordingly, the Audit Committee shall evaluate and be responsible for the REIT's relationship with the Auditor. Specifically, the Audit Committee shall:

- select, evaluate and nominate the Auditor for appointment or reappointment, as the case may be, by the unitholders;
- review the Auditor's engagement letter;
- at least annually, obtain and review a report by the Auditor describing:
  - the Auditor's internal quality-control procedures; and
  - any material issues raised by the most recent internal quality-control review, peer review, review by any independent oversight body such as the Canadian Public Accountability Board or governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the Auditor, and the steps taken to deal with any issues raised in these reviews.

### (b) Confirmation of Independence of Auditor

At least annually, and before the Auditor issues its report on the annual financial statements, the Audit Committee shall:

- ensure that the Auditor submits a formal written statement describing all relationships between the Auditor and the REIT;
- discuss with the Auditor any disclosed relationships or services that may affect the objectivity and independence of the Auditor; and
- obtain written confirmation from the Auditor that it is objective and independent within the meaning of the Rules of Professional Conduct/Code of Ethics adopted by the provincial institute or order of Chartered Accountants to which it belongs.

### (c) Rotation of Engagement Partner/Lead Partners

The Audit Committee shall, after taking into account the opinions of management, evaluate the performance of the Auditor and the engagement partner/lead partners and shall rotate the engagement partner/lead partners when required or necessary.

### (d) Pre-Approval of Non-Audit Services

The Audit Committee shall pre-approve the retaining of the Auditor for any non-audit service, provided that no approval shall be provided for any service that is prohibited under the rules of the Canadian Public Accountability Board or the Independence Standards of the Canadian Institute of Chartered Accountants. Before retaining the Auditor for any non-audit service, the Audit Committee shall consider the compatibility of the service with the Auditor's independence. The Audit Committee may pre-approve retaining the Auditor for the engagement of any non-audit services by establishing policies and procedures to be followed prior to the appointment of the Auditor for the provision of such non-audit services. In addition, the Audit Committee may delegate to one or more members the authority to pre-approve retaining the Auditor for any non-audit service to the extent permitted by applicable law.

**(e) Communications with Auditor**

The Audit Committee shall meet privately with the Auditor as frequently as the Audit Committee feels is appropriate for the Audit Committee to fulfill its responsibilities (which shall not be less frequently than quarterly) and to discuss any concerns of the Audit Committee or the Auditor, such as:

- matters that will be referred to in the Auditor's management letter;
- whether or not the Auditor is satisfied with the quality and effectiveness of the financial reporting procedures and systems;
- the extent to which the Auditor is satisfied with the nature and scope of its examination and management's cooperation and responsiveness to matters arising from such examination.

**(f) Review of Audit Plan**

The Audit Committee shall review a summary of the Auditor's audit plan in advance of each audit.

**(g) Review of Audit Fees**

The Audit Committee has the responsibility for approving the Auditor's fees. In approving the Auditor's fees, the Audit Committee should consider, among other things, the number and nature of reports issued by the Auditors, the quality of the internal controls, the impact of the size, complexity and financial condition of the REIT on the audit work plan, and the extent of internal audit and other support provided by the REIT to the Auditor.

**(h) Review of Annual Audited Financial Statements**

The Audit Committee shall review the annual audited financial statements, together with the Auditor's report thereon and the related MD&A, before recommending them for approval by the Board, to assess whether or not they present fairly in all material respects in accordance with GAAP (which includes International Financial Reporting Standards) the financial condition, results of operations and cash flows of the REIT.

In conducting their review, the Audit Committee should:

- discuss the annual audited financial statements and MD&A with management and the Auditor;
- consider the quality of, and not just the acceptability of, the accounting principles applied, the reasonableness of management's judgments and estimates that have a significant effect upon the financial statements, and the clarity of the disclosures in the financial statements;
- discuss with the Auditor its report which addresses:
  - all critical accounting policies and practices to be used;
  - all alternative treatments of financial information within GAAP that have been discussed with management of the REIT, ramifications of the use of alternative disclosures and treatments, and the treatment preferred by the Auditors; and
  - other material written communication between the Auditor and management of the REIT, such as any management letter or schedule of unadjusted differences;
- discuss any analyses prepared by management and the Auditor that set out significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP;
- discuss the effect of off-balance sheet transactions, arrangements, obligations (including contingent liabilities) and other relationships with unconsolidated entities or other persons that may have a material current or future effect on the REIT's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues and expenses;

- consider any changes in accounting practices or policies and their impact on financial statements of the REIT;
- discuss with management, the Auditor and, if necessary, legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position of the REIT, and the manner in which these matters have been disclosed in the financial statements;
- discuss with management and the Auditor correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the REIT's financial statements or accounting policies;
- discuss with the Auditor any special audit steps taken in light of any material weaknesses in internal control;
- discuss with the Auditor any difficulties encountered in the course of the audit work, including any restrictions on the scope of their procedures and access to requested information, accounting adjustments proposed by the Auditor that were not applied (because they were immaterial or otherwise), and significant disagreements with management;
- consider any other matter which in its judgment should be taken into account in reaching its recommendation to the Board concerning the approval of the financial statements;
- satisfy itself that appropriate accounting policies and practices have been selected and applied consistently; and
- satisfy itself that management has established appropriate procedures to comply with applicable legislation for the remittance of taxes, pension monies and employee remuneration.

**(i) Review of Interim Financial Statements**

The Audit Committee shall also engage the Auditor to review the interim financial statements prior to the Audit Committee's review of such financial statements. The Audit Committee should discuss the interim financial statements and related MD&A with management and the Auditor and, if satisfied that the interim financial statements present fairly in all material respects in accordance with GAAP the financial condition, results of operations and cash flows, recommend the interim financial statements and the related MD&A to the Board for approval.

**(j) Other Financial Information**

The Audit Committee shall review other financial-related releases, as well as the nature of any financial information and earnings guidance provided to analysts and rating agencies in accordance with the REIT's disclosure policy. In addition, the Audit Committee shall satisfy itself that adequate procedures are in place for the review of the public disclosure of information extracted or derived from the REIT's financial statements and must periodically assess the adequacy of those procedures.

**(k) Review of Prospectuses and Other Regulatory Filings**

The Audit Committee shall review all other financial statements of the REIT that require approval by the Board before they are released to the public, including, without limitation, financial statements for use in prospectuses or other offering or public disclosure documents and financial statements required by regulatory authorities. The Audit Committee shall review the Annual Information Form of the REIT prior to its filing.

**(l) Review of Related Party Transactions**

The Audit Committee shall review all material proposed related party transactions that are not dealt with by a "special committee" of "independent trustees" pursuant to securities law rules.

**(m) Review of Internal Audit Services**

The Audit Committee shall review the mandate of Internal Audit Services, the budget, planned activities and organizational structure of Internal Audit Services to ensure that it is independent of management and has sufficient resources to carry out its mandate.

The members shall meet privately with the senior officer in charge of internal audit as frequently as the Audit Committee feels is appropriate for the Audit Committee to fulfill its responsibilities, which shall not be less frequently than quarterly, to discuss any areas of concern to the Audit Committee or to the senior officer in charge of internal audit to confirm that:

- significant resolved and any unresolved issues between auditors and management have been brought to its attention;
- the principal risks of the REIT's businesses have been identified by management and appropriate policies and systems have been implemented to manage these risks; and
- the integrity of the REIT's internal control and management information systems are satisfactory.

**(n) Relations with Management**

The members shall meet privately with management as frequently as the Audit Committee feels is appropriate to fulfill its responsibilities, which shall not be less frequently than quarterly, to discuss any concerns of the Audit Committee or management.

**(o) Oversight of Internal Control over Financial Reporting and Disclosure Controls and Procedures**

The Audit Committee shall, with the assistance of management, review the design and operating effectiveness of (i) the internal control over financial reporting adopted by the REIT, and (ii) the disclosure controls and procedures that have been adopted to ensure the timely disclosure of all material information about the REIT and its subsidiaries as required by applicable law or security exchange rules.

The Audit Committee shall receive regular reports from management with respect to the REIT's system of disclosure controls and procedures and internal control over financial reporting, including annual plans, as applicable.

The Audit Committee shall also review no less than annually the REIT's Disclosure Policy.

**(p) Legal Compliance**

The Audit Committee shall review with legal counsel any legal matters that may have a significant effect on the REIT's financial statements. The Audit Committee should review with legal counsel material inquiries received from regulators and governmental agencies. The Audit Committee shall review any material matters arising from any known or suspected violation of the REIT's Code of Conduct with respect to financial and accounting matters and any material concerns regarding questionable accounting or auditing matters raised through the REIT's ethics response line or otherwise.

**(q) Enterprise Risk Management**

The Audit Committee shall review the REIT's enterprise risk management program, including its policies and processes with respect to risk identification and assessment and the management of the REIT's risk. The Audit Committee shall receive periodic reports from Internal Audit Services and the Chair of the Audit Committee shall periodically report to the Board on any major issues arising from the enterprise risk management program. The Audit Committee shall oversee the process by which the major risks are reviewed by either the Audit Committee, another Committee or the full Board on a periodic basis.

**(r) Taxation Matters**

The Audit Committee shall review the status of taxation matters of the REIT.

(s) **Hiring Policies**

The Audit Committee shall review and approve the REIT's hiring policies with respect to partners and professional employees of present and former external auditors of the REIT.

**7. COMPLAINTS PROCEDURE**

The Audit Committee shall monitor the effectiveness of the REIT's procedures for the receipt, retention and follow-up of complaints received by the REIT regarding accounting, internal controls, disclosure controls or auditing matters and for the confidential, anonymous submission of concerns by employees of the REIT regarding accounting, internal controls, or auditing matters. The Audit Committee shall review and annually approve the REIT's Accounting, Auditing and Internal Controls Complaints Procedures. The Audit Committee shall review with management periodic reports in this regard.

**8. REPORTING**

The Audit Committee shall report to the Board on:

- the Auditor's independence;
- the performance of the Auditor and the Audit Committee's recommendations regarding the reappointment or termination of the Auditor;
- the performance of the internal audit function;
- the design and operating effectiveness of the REIT's internal control over financial reporting and disclosure controls and procedures;
- the Audit Committee's review of the annual and interim financial statements of the REIT and any GAAP reconciliation, including any issues with respect to the quality or integrity of the financial statements, along with the MD&A, and shall recommend whether or not the Board should approve the financial statements and any GAAP reconciliation and the MD&A;
- the Audit Committee's review of the Annual Information Form;
- the REIT's compliance with legal and regulatory matters to the extent they affect the financial statements of the REIT;
- the management of risk identified pursuant to the enterprise risk management program; and
- all other material matters dealt with by the Audit Committee.

**9. REVIEW AND DISCLOSURE**

This Charter should be reviewed by the Audit Committee at least annually and be submitted to the Governance, Compensation and Nominating Committee for consideration with such amendments as the Audit Committee proposes and for recommendation to the Board for approval with such further amendments as the Governance, Compensation and Nominating Committee proposes.

This Charter shall be posted on the REIT's website.

**10. FREQUENCY OF MEETINGS AND *IN CAMERA* SESSIONS**

The Audit Committee shall meet at least four times annually. Following each regularly-scheduled meeting of the Audit Committee, the Audit Committee members shall meet in private session.

**11. RETENTION OF EXPERTS**

The Audit Committee may engage such special legal, accounting or other experts, without Board approval and at the expense of the REIT, as it considers necessary to perform its duties.

**CERTIFICATE OF THE REIT, THE PROMOTER AND THE CREDIT SUPPORTERS**

Date: June 26, 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.

**CHOICE PROPERTIES REAL ESTATE INVESTMENT TRUST**

(Signed) John Morrison  
Chief Executive Officer

(Signed) Bart Munn  
Chief Financial Officer

On behalf of the Board of Trustees

(Signed) Paul R. Weiss  
Trustee

(Signed) Daniel F. Sullivan  
Trustee

**LOBLAW COMPANIES LIMITED**  
(as Promoter)

(Signed) Galen G. Weston  
Executive Chairman

(Signed) Sarah R. Davis  
Chief Financial Officer

**The Credit Supporters**

**CHOICE PROPERTIES GP INC.,**  
in its own capacity and as general partner for and on behalf of  
**CHOICE PROPERTIES LIMITED PARTNERSHIP**

(Signed) John Morrison  
Chief Executive Officer

(Signed) Bart Munn  
Chief Financial Officer

On behalf of the Board of Directors

(Signed) Paul R. Weiss  
Director

(Signed) Daniel F. Sullivan  
Director

## CERTIFICATE OF THE AGENTS

Dated: June 26, 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.

**CIBC WORLD  
MARKETS INC.**

**RBC DOMINION  
SECURITIES INC.**

**TD SECURITIES INC.**

**BMO NESBITT  
BURNS INC.**

(Signed) Amber Choudhry (Signed) David Dulberg (Signed) Andrew Becker (Signed) Jonathan Li

**CITIGROUP  
GLOBAL MARKETS  
CANADA INC.**

**DESJARDINS  
SECURITIES INC.**

**J.P. MORGAN  
SECURITIES  
CANADA INC.**

**MERRILL LYNCH  
CANADA INC.**

**NATIONAL BANK  
FINANCIAL INC.**

**SCOTIA  
CAPITAL INC.**

(Signed) Grant  
Kernaghan

(Signed) Mark  
Edwards

(Signed) Mike Bauer

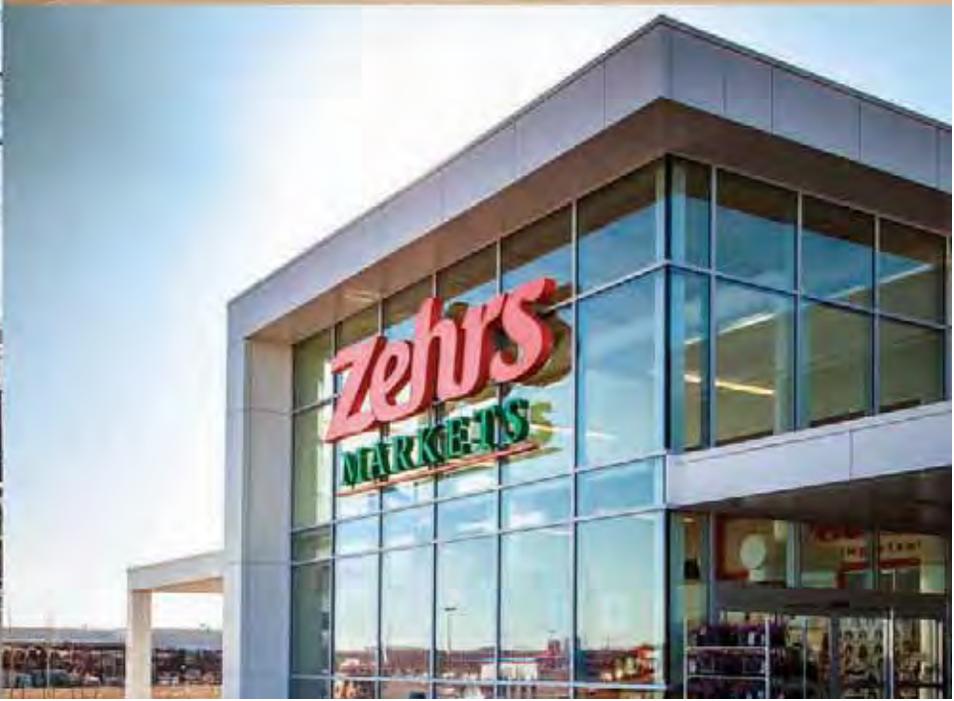
(Signed) Marc  
Daniels

(Signed) John  
Carrique

(Signed) Greg  
Lawrence



**Choice**  
**Properties**<sup>REIT</sup>



# Choice Properties<sup>REIT</sup><sup>TM</sup>