



**KILLAM PROPERTIES INC.**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

to be held on December 8, 2015

- and -

**MANAGEMENT INFORMATION CIRCULAR**

with respect to a

**PLAN OF ARRANGEMENT**

**PROVIDING FOR THE CONVERSION OF KILLAM PROPERTIES INC.  
INTO A REAL ESTATE INVESTMENT TRUST,**

**KILLAM APARTMENT REAL ESTATE INVESTMENT TRUST**

November 6, 2015

*This Notice, Information Circular and the accompanying materials require your immediate attention, require you to make important decisions and contain important deadlines. If you are in doubt as to the actions required to be taken by these documents or the matters discussed therein, please consult your professional advisors. Neither the Toronto Stock Exchange nor any securities regulatory authority has in any way passed upon the merits of the Arrangement described in this Information Circular.*



November 6, 2015

Dear Shareholders:

On behalf of the Board of Directors of Killam Properties Inc. ("**Killam**"), I am pleased to invite you to attend Killam's Special Meeting of Shareholders taking place at 11:00 a.m. (Halifax time) on December 8, 2015, at the Courtyard by Marriott, 5120 Salter Street, Halifax, Nova Scotia. This is an important meeting, as shareholders of Killam ("**Shareholders**") are being asked to approve a plan of arrangement under the *Canada Business Corporations Act* (the "**Plan of Arrangement**") to convert Killam from a corporation to a real estate investment trust ("**REIT**").

The proposal to convert Killam to a REIT is the result of an extensive review of the most beneficial structure for the long-term valuation of Killam. The Board of Directors has unanimously agreed that the REIT structure offers the best long-term value for Shareholders. The REIT is expected to maximize long-term cash distributions to investors in the most tax efficient way possible. The Plan of Arrangement, as described in the attached Information Circular, will allow Killam to complete the conversion to a REIT, the structure of the majority of publically traded real estate entities in Canada.

There are a lot of details regarding the Plan of Arrangement included in the Information Circular. I encourage you to read the document prior to voting, either at the meeting, or through a proxy before the meeting. We've added a "Summary Information" section and a "Frequently Asked Questions" section to help Shareholders understand the Plan of Arrangement. Despite the structural changes described in the Plan of Arrangement, I'd like to assure you that the proposed REIT structure will not result in a change in Killam's strategy, portfolio or operations. The strategy of Killam Apartment REIT will remain consistent with Killam's existing strategy - maximizing its value and long-term profitability by concentrating on three key areas of growth: 1) increasing the earnings of its existing portfolio, 2) expanding its portfolio and diversifying geographically through accretive acquisitions, with an emphasis on newer assets, and 3) developing high-quality properties in its core markets.

We understand that Killam's dividends are important to Shareholders. The conversion to a REIT will not change the amount of monthly distributions to investors. The REIT's distribution policy will remain consistent with Killam's current dividend policy; the initial monthly distribution will be \$0.05 per REIT unit per month, or \$0.60 per REIT unit on an annualized basis, the same level as Killam's current dividend rate per common share.

Receiving Shareholder approval is an important step in meeting the requirements to complete the proposed REIT conversion. Although the timing of the completion for the conversion process can't be predicted with certainty, we are aiming to complete the REIT conversion on January 1, 2016.

On behalf of the Board of Directors, Management and the employees of Killam, I would like to thank you for your consideration of this important transaction and for your continued support of Killam.

Yours truly,

(signed) "*Philip D. Fraser*"

Philip D. Fraser  
President and Chief Executive Officer

**KILLAM PROPERTIES INC.**

**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**NOTICE IS HEREBY GIVEN** that, pursuant to an order (the "**Interim Order**") of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated November 3, 2015, a special meeting (the "**Meeting**") of the holders (the "**Shareholders**") of common shares (the "**Common Shares**") of Killam Properties Inc. ("**Killam**" or the "**Corporation**") will be held at the Courtyard by Marriott, 5120 Salter Street, Halifax, Nova Scotia on December 8, 2015 at 11:00 a.m. (Halifax time), for the following purposes:

1. to consider pursuant to the Interim Order and, if deemed advisable, to pass, with or without variation, a special resolution, the full text of which is set forth in Appendix A to the accompanying information circular dated November 6, 2015 (the "**Information Circular**") to approve a plan of arrangement under section 192 of the *Canada Business Corporations Act* (the "**Arrangement**"), all as more particularly described in the Information Circular; and
2. to transact such further and other business as may properly be brought before the Meeting or any adjournment thereof.

Specific details of the matters proposed to be put before the Meeting are set forth in the accompanying Information Circular.

Each person who is a holder of record of Common Shares at the close of business on November 3, 2015 (the "**Record Date**") is entitled to receive notice of, and to attend and vote at, the Meeting, and any adjournment thereof.

Registered Shareholders have the right to dissent with respect to the Arrangement, if the Arrangement becomes effective, and to be paid the fair value of their Common Shares in accordance with the provisions of section 190 of the *Canada Business Corporations Act* and the Interim Order. A Shareholder's right to dissent is more particularly described in the accompanying Information Circular. Failure to strictly comply with the requirements set forth in section 190 of the *Canada Business Corporations Act*, as modified by the Interim Order, may result in the loss of any right of dissent. See the section entitled "*The Arrangement – Dissent Rights*" in the accompanying Information Circular and Appendix C to the Information Circular. Beneficial owners of Common Shares registered in the name of a broker, trustee, financial institution or other nominee who wish to dissent should be aware that only registered owners of Common Shares are entitled to dissent.

**A Shareholder may attend the Meeting in person or may be represented by proxy. Shareholders who are unable to attend the Meeting in person are entitled to be represented by proxy and are requested to complete, date, sign and return the instrument of proxy, or other appropriate form of proxy, in accordance with the instructions included in the Information Circular. To ensure a vote is counted, proxies must be received by Killam's Transfer Agent, Computershare Investor Services Inc., at 100 University Avenue, 8<sup>th</sup> floor, Toronto, Ontario, M5J 2Y1 by 11:00 a.m. (Halifax time) on December 4, 2015.**

DATED at Halifax, Nova Scotia this 6<sup>th</sup> day of November, 2015.

**By order of the Board of Directors,**

(signed) "*Philip D. Fraser*"

Philip D. Fraser  
President and Chief Executive Officer

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## **FREQUENTLY ASKED QUESTIONS ABOUT THE PLAN OF ARRANGEMENT AND THE REIT CONVERSION**

*The following questions and answers are intended to help Shareholders understand the proposed Plan of Arrangement regarding Killam's conversion into a real estate investment trust, and the other matters described in this Information Circular. These questions and answers do not describe everything that Shareholders should consider before voting on the matters at the Meeting. Accordingly, Shareholders are encouraged to read this Information Circular and the Appendices hereto in their entirety. For an explanation of certain defined terms used in these questions and answers, please refer to the Glossary.*

### **Q1. What are Shareholders being asked to vote on?**

Shareholders are being asked to vote on a plan of arrangement which will have the effect of converting Killam Properties Inc. from a corporation into a real estate investment trust, to be named Killam Apartment Real Estate Investment Trust.

### **Q2. Why is Killam planning the conversion into a REIT structure?**

Real estate investment trusts represent the preferred Canadian public structure for owning real estate due primarily to their ability to distribute cash flow from a real estate business to securityholders in a tax efficient manner. Killam's conversion to a real estate investment trust should enable higher future cash flows available for distribution to Unitholders on an after-tax basis than under its current corporate structure. Additionally, the majority of Killam's public real estate peers are structured as real estate investment trusts and a conversion will provide enhanced comparison to Killam's peers and is expected to increase Killam's investment profile with REIT investors.

### **Q3. Will the strategy of Killam Apartment REIT be different from the current strategy of the Corporation?**

No, the strategy of Killam Apartment REIT will be substantively consistent with that of Killam. The REIT will focus on growing its funds from operations per REIT Unit by: i) increasing the earnings from Killam's existing portfolio; ii) expanding the portfolio and diversifying geographically through accretive acquisitions, with an emphasis on newer assets; and iii) developing high-quality new developments.

### **Q4. Will the monthly distribution from the REIT be the same as the current dividend from Killam?**

Yes, the monthly distribution levels from the REIT will be \$0.05 per REIT Unit per month (\$0.60 annualized), the same level as Killam's current dividend rate per Common Share.

### **Q5. What will happen to my Common Shares of Killam?**

Shareholders may elect to receive, in exchange for each of their Common Shares on a one-for-one basis, either (i) one unit of the REIT, or (ii) one Class B limited partnership unit of Killam Apartment Limited Partnership, which is also referred to herein as an Exchangeable Unit.

Registered Shareholders who do not validly deposit with the Depositary a duly completed Letter of Transmittal and Tax Election Form at or prior to the Election Deadline (expected to be 5:00 p.m. (Toronto time) on December 3, 2015) will be deemed to have elected to receive only REIT Units for their Common Shares. A copy of the Letter of Transmittal and Tax Election Form is enclosed with this Information Circular for registered Shareholders. Beneficial Shareholders should follow the instructions from their intermediary.

### **Q6. Will the REIT Units that I receive for my Common Shares be publically traded?**

Yes. The REIT Units to be issued in exchange for Common Shares have been conditionally approved for listing on the TSX and, subject to the satisfaction of all of the requirements of the TSX, will be listed on the TSX under the symbol "KMP.UN" upon completion of the Arrangement.

Exchangeable Units will not be listed securities on the TSX, and, subject to limited exceptions, will not be tradeable. Exchangeable Units may be exchanged for REIT Units.

**Q7. Is the Arrangement a taxable event for Shareholders?**

Yes, exchanging Common Shares for REIT Units is deemed to be a taxable event. The transactions contemplated by the Arrangement will result in a disposition of Common Shares for tax purposes, and the immediate acquisition of REIT Units, at a value equal to fair market value on the date of the transaction. If your Common Shares are held outside of an RRSP, RRIF, TFSA, RESP or DPSP this may result in a taxable capital gain (or loss) to report for 2016, the year the conversion is expected to be completed.

Shareholders are encouraged to speak with a tax specialist if they have questions about their individual tax situation. See "*Certain Canadian Federal Income Tax Considerations*" in the Information Circular for further details.

**Q8. What are the income tax consequences of the Arrangement on my Common Shares?**

A Shareholder, resident in Canada, who exchanges Common Shares for REIT Units will generally realize a capital gain (or capital loss) on the disposition of the Shareholder's Common Shares equal to the amount by which the total of the fair market value of the REIT Units received by the Shareholder exceeds (or is exceeded by) the adjusted cost base of the Shareholder's Common Shares, net of any reasonable costs of making the disposition. One-half of any such capital gain must be included in income in the period the conversion takes place and one-half of any such capital loss may be utilized to offset taxable capital gains, all in accordance with the provisions of the Tax Act.

Shareholders are responsible for determining their own adjusted cost base and reporting the capital gain or loss.

A Shareholder who elects to exchange Common Shares for Exchangeable Units may be able to defer the capital gain associated with the Arrangement. Shareholders who are considering electing to receive Exchangeable Units should consult their own legal and tax advisors. See "*Certain Canadian Federal Income Tax Considerations*" in the Information Circular for further details.

**Q9. What are Exchangeable Units?**

Exchangeable Units are Class B limited partnership units in the capital of Killam Apartment Limited Partnership, a subsidiary of the REIT. Holders of Exchangeable Units will also receive Special Voting Units, allowing them to vote their share interest at meetings of Unitholders. Exchangeable Units will receive the same level of distributions as REIT Units and are generally designed to be economically equivalent to REIT Units.

Exchangeable Units may allow for certain tax efficiencies at the time of conversion, however they will be subject to additional restrictions and limitations, including restrictions on transferability. The Exchangeable Units will not be listed securities. Shareholders who are considering electing to receive Exchangeable Units should carefully review the restrictions and limitations of the Exchangeable Units as outlined in this Information Circular, and consult their own legal and tax advisors.

**Q10. How long can I hold the Exchangeable Units?**

Subject to certain exceptions, there are no time limits.

**Q11. Can anyone participate in Exchangeable Units?**

All Shareholders have the opportunity to participate in Exchangeable Units; however there are restrictions and limitations Shareholders should be aware of. Exchangeable Units cannot be held by individuals so additional steps would be required to make an election to receive Exchangeable Units if Common Shares are currently held individually. Exchangeable Units must be held by a taxable Canadian corporation.

**Q12. Is there a limit on the amount of Exchangeable Units to be issued pursuant to the Arrangement?**

Yes, a maximum of 20% of all Common Shares outstanding may be exchanged for Exchangeable Units. If Shareholders representing more than 20% of all Common Shares outstanding elect to receive Exchangeable Units, the allocation of Exchangeable Units will be prorated amongst all Electing Shareholders.

**Q13. When is the Arrangement expected to take place?**

If all conditions precedent associated with the Arrangement are satisfied, Killam expects the Arrangement to become effective on or about January 1, 2016. The conditions to the Arrangement are described under "*Approvals Required for the Arrangement*" in the Information Circular.

**Q14. What if all of the conditions precedent to the Arrangement are not satisfied?**

If all of the conditions for the Arrangement are not satisfied then the Arrangement will not be completed and Killam will continue to carry on its business under its current corporate structure.

**Q15. What do I need to do to ensure I receive the REIT Units for my Common Shares?**

If you have a share certificate, you must complete and return the Letter of Transmittal, together with the certificate(s) representing your Common Shares, if any, to the Depositary at the office specified in the Letter of Transmittal. See further details regarding procedures for the exchange of Common Shares under the heading "*The Arrangement – Procedure for Exchange of Common Shares*" in the Information Circular.

If you are a Beneficial Shareholder, you may not have to complete a Letter of Transmittal in order to obtain your REIT Units upon the successful completion of the Arrangement. However, you should read your intermediary's instructions to you regarding the procedures for obtaining REIT Units and/or consider contacting your intermediary if you have any questions regarding this process.

**Q16. I hold Convertible Debentures. How does the Arrangement impact me?**

Killam's Convertible Debentures will continue to trade on the Exchange following completion of the Arrangement. The REIT will assume all the covenants and obligations of Killam under the Convertible Debenture Indenture. Holders of the Convertible Debentures will be entitled to receive REIT Units, rather than Common Shares, on any future conversion of the Convertible Debentures. All other terms and conditions of the Convertible Debentures will continue to apply.

**Q17. What should I do now? How can I vote?**

You should read and carefully consider the information contained in this Information Circular. You should also determine whether you hold Common Shares directly in your name or through an investment dealer, bank, trust company or other intermediary, since this will determine the procedures that you must follow in order to vote with respect to matters at the Meeting.

If you determine that you are a registered Shareholder, you should either attend the Meeting or follow the instructions for completing and returning the enclosed Form of Proxy for Shareholders (described in the Information Circular and on the Form of Proxy for Shareholders). If you determine that you are a Beneficial Shareholder, you should read the voting instructions from your intermediary regarding how to vote your Common Shares. Please refer to the section named "Advice to Beneficial Holders of Common Shares" in the Information Circular for additional voting information for Beneficial Shareholders.

**Q18. Who should I contact with questions regarding the Arrangement?**

You should contact Dale Noseworthy, VP Investor Relations & Corporate Planning of the Corporation, at (902) 442-0388 or [dnoseworthy@killamproperties.com](mailto:dnoseworthy@killamproperties.com).

## KEY DATES

Please note the following key dates and information pertaining to the proposed Arrangement and Meeting:

Meeting Date: Tuesday, December 8, 2015, at 11:00 a.m. (Atlantic Time)

Meeting Location: Courtyard by Marriott  
5120 Salter Street  
Halifax, Nova Scotia

Deadline for Return of Proxies: December 4, 2015, at 11:00 a.m. (Atlantic Time)

Deadline for Electing to Transfer Common Shares to Exchangeable Units :

The Election Deadline is December 3, 2015. An Electing Shareholder must provide (i) a duly completed Letter of Transmittal and Election Form with all required information to the Depositary, and (ii) two copies of the Tax Election Form to the Limited Partnership by December 3, 2015. Please refer to the Information Circular for additional details, as well as the Tax Election Package under the Investor Relations section of Killam's website.

Anticipated Effective Date of the Arrangement:

If all conditions are satisfied or waived, Killam expects the Effective Date to be on or about January 1, 2016.



## GENERAL INFORMATION

**This Information Circular is furnished in connection with the solicitation of proxies by and on behalf of management of Killam for use at the Meeting and any adjournment(s) or postponement(s) thereof. No person has been authorized to give any information or make any representation in connection with the Arrangement or any other matters to be considered at the Meeting other than those contained in this Information Circular and, if given or made, any such information or representation must not be relied upon as having been authorized by Killam or management of Killam.**

All summaries of, and references to, the Arrangement in this Information Circular are qualified in their entirety by reference to the complete text of the Plan of Arrangement, a copy of which is attached as Exhibit 1 to the Arrangement Agreement, which is attached as Appendix E to this Information Circular. You are urged to carefully read the full text of the Plan of Arrangement.

All capitalized terms used in this Information Circular but not otherwise defined herein have the meanings set forth under "*Glossary*". Information contained in this Information Circular is given as of the date of this Information Circular unless otherwise specifically stated.

## FORWARD-LOOKING STATEMENTS

This Information Circular contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Killam to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Examples of such statements include: the intention to complete the Arrangement; the expected benefits of the Arrangement to Killam and its Shareholders; the description of the REIT that assumes completion of the Arrangement; the intention to grow the business and operations of the REIT; the strategy of the REIT and the intention to pay monthly distributions to Unitholders and the amount thereof. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Information Circular. Such forward-looking statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, the ability of the REIT to obtain necessary financing; satisfy conditions under the Arrangement; satisfy the requirements of the Exchange with respect to the Arrangement and obtain Shareholder approval with respect to the Arrangement. Additional, important factors that could cause actual results to differ materially from expectations include, among other things, general economic and market factors, local real estate conditions, including the development of properties in close proximity to Killam's properties, competition, availability and cost of additional real estate properties, changes in government regulation, dependence on tenants' financial condition, interest rates, the availability of equity and debt financing, environmental matters, tax related matters, and reliance on key personnel. There can be no assurances that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. These cautionary statements qualify all forward-looking statements attributable to Killam and persons acting on its behalf. Unless otherwise stated, all forward looking statements speak only as of the date of this Information Circular and Killam undertakes no obligation to update such statements except as required by law. The factors identified above are not intended to represent a complete list of the factors that could affect Killam and the REIT. Additional factors are noted under "*Risk Factors*" in this Information Circular.

## NON-IFRS MEASURES

There are measures included in this document that do not have a standardized meaning under IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. The Corporation includes these measures as a means of measuring financial performance.

- Net operating income ("NOI") is calculated by the Corporation as income from property operations. The use of NOI when referring to a particular segment is calculated as property revenue less property operating costs for that segment.
- Funds from operations ("FFO") are calculated by the Corporation as net income plus deferred tax expense, loss on disposition, fair value losses, depreciation on owner-occupied property and tax planning costs relating to the Corporation's potential REIT conversion, less fair value gains, gain on disposition and non-controlling interest. The Corporation's definition of FFO is calculated in accordance with the REALpac definition except for the add back of REIT tax planning costs as noted above as REALpac does not address this specific type of adjustment.

## INFORMATION FOR UNITED STATES SECURITYHOLDERS

**THE SECURITIES ISSUABLE IN CONNECTION WITH THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR SECURITIES REGULATORY AUTHORITIES IN ANY STATE OR OTHER U.S. JURISDICTION; NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITIES OF ANY STATE OR OTHER U.S. JURISDICTION PASSED UPON THE ADEQUACY OR ACCURACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

The Units to be issued under the Arrangement have not been registered under the United States Securities Act of 1933, as amended (the "**1933 Act**") or any state securities laws, and are being issued in reliance on the exemption from registration set forth in Section 3(a)(10) of the 1933 Act on the basis of the approval of the Court, which will consider, among other things, the fairness of the Arrangement to Unitholders.

Holders of Units should be aware that the acquisition of the securities described herein may have tax consequences both in the United States and in Canada. Such consequences for investors who are resident in, or citizens of, the United States are not described herein. U.S. Securityholders should consult their own tax advisors regarding the United States federal, state and local and foreign tax consequences of participating in the Arrangement.

Financial statements and information included or incorporated by reference herein have been prepared in accordance with IFRS and are subject to auditing and auditor independence standards in Canada. These financial statements may not be comparable to financial statements of United States companies prepared in accordance with United States generally accepted accounting principles and the rules and regulations of the United States Securities and Exchange Commission and United States auditing and auditor independence standards.

The enforcement by investors of civil liabilities under the United States federal securities laws may be affected adversely by the fact that the Corporation is incorporated or organized outside the United States, that some or all of its officers, directors and the experts named herein are residents of a foreign country, and that all or a substantial portion of the assets of the Corporation and said persons are located outside the United States. As a result, it may be difficult or impossible for U.S. Securityholders to effect service of process within the United States upon the Corporation, its officers, directors, or the experts named herein, or to realize, against them, upon judgments of courts of the United States predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state or other jurisdiction within the United States. In addition, U.S. Securityholders should not assume that the courts of Canada: (a) would enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state or other jurisdiction within the United States; or (b) would enforce, in original actions, liabilities against such persons predicated upon civil liabilities under the federal securities laws of the United States or "blue sky" laws of any state or other jurisdiction within the United States.

See "*The Arrangement – Securities Law Matters*" generally and for a discussion of applicable resale limitations.

## **DOCUMENTS INCORPORATED BY REFERENCE**

Information has been incorporated by reference in this Information Circular from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated by reference in this Information Circular can be found under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com). The following documents are specifically incorporated by reference into, and form an integral part of, this Information Circular:

- (a) Killam's consolidated financial statements for the year ended December 31, 2014 (the "**Annual Financial Statements**");
- (b) Killam's management discussion and analysis of results of operations and financial condition for the year ended December 31, 2014;
- (c) Killam's interim consolidated financial statements for the three and nine months ended September 30, 2015;
- (d) Killam's management discussion and analysis of results of operations and financial condition for the three and nine months ended September 30, 2015;
- (e) Killam's annual information form dated March 31, 2015 (the "**AIF**"); and
- (f) Killam's management information circular dated March 31, 2015 (the "**MIC**").

**Any document of the type referred to in the preceding paragraph and any material change report (excluding confidential material change reports) or press release filed by the Corporation with a securities commission or similar authority in Canada after the date of this Information Circular and prior to the Meeting that specifically states that it is intended to be incorporated by reference into this Information Circular will be deemed to be incorporated by reference into this Information Circular.**

**Any statement contained in a document incorporated or deemed to be incorporated by reference in this Information Circular or contained in this Information Circular is deemed to be modified or superseded, for purposes of this Information Circular, to the extent that a statement contained in this Information Circular or in any other subsequently filed document which also is or is deemed to be incorporated by reference in this Information Circular modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Information Circular.**

## GLOSSARY

The following terms used in this Information Circular have the meanings set forth below.

**"Advance Notice Provision"** has the meaning ascribed thereto under *"The REIT – Declaration of Trust and Description of REIT Units – Advance Notice Provision"*;

**"affiliate"**, when used to indicate a relationship with a person, has the meaning ascribed thereto in National Instrument 45-106 – *Prospectus and Registration Exemptions*;

**"Aggregate Cost Amount"** has the meaning given thereto in the Asset Conveyance Agreement;

**"Ancillary Rights"** means, in respect of an Exchangeable Unit, the Support Rights and related Special Voting Units, collectively;

**"Arrangement"** means the arrangement described in the Plan of Arrangement;

**"Arrangement Agreement"** means the agreement between Killam, the Limited Partnership, the General Partner and the REIT dated October 28, 2015 with respect to the Arrangement, attached hereto as Appendix E;

**"Arrangement Resolution"** means the special resolution to be considered by Shareholders at the Meeting in substantially the form attached to this Information Circular as Appendix A;

**"Articles of Arrangement"** means the articles of arrangement in respect of the Arrangement required under section 192 of the CBCA to be filed with the Director under the CBCA giving effect to the Arrangement;

**"Asset Conveyance Agreement"** means the conveyance agreement respecting the Subject Assets between Killam Amalco 2 and SLP dated as of the Effective Date;

**"associate"** has the meaning specified in Section 1(1) of the *Securities Act* (Ontario), as in effect on the date hereof;

**"Assumed Liabilities"** has the meaning given thereto in the Asset Conveyance Agreement;

**"Assumption Agreement"** means one or more assumption agreements with the Convertible Debenture Trustee, in accordance with the applicable requirements of the Convertible Debenture Indenture, pursuant to which the REIT shall assume the obligations under the Convertible Debentures from Killam Amalco 2;

**"Assumption Note"** means subordinated promissory notes issued by Killam Amalco 2, with aggregate principal amounts equal to the principal amount of the Convertible Debentures on the Effective Date;

**"Beneficial Shareholder"** has the meaning ascribed thereto under *"Proxy and Voting Information – Advice to Beneficial Shareholders of Common Shares"*;

**"Board"** means the board of directors of Killam;

**"Board of Trustees"** means the board of trustees of the REIT;

**"Broadridge"** means Broadridge Financial Solutions Inc.;

**"Business Day"** means any day except a Saturday, Sunday or a statutory holiday in the cities of Toronto, Ontario or Halifax, Nova Scotia;

**"CBCA"** means the *Canada Business Corporations Act*;

**"CDS"** means CDS Clearing and Depository Services Inc.;

"**Certificate**" means the certificate or certificates or other confirmation of filing to be issued by the Director under the CBCA, pursuant to section 192 of the CBCA giving effect to the Arrangement;

"**Class A LP Units**" means the Class A limited partnership units of the Limited Partnership;

"**Class A SLP Units**" means the Class A limited partnership units of SLP;

"**Class B SLP Units**" means the Class B limited partnership units of SLP;

"**Closing**" means the completion of the Arrangement and related transactions;

"**Closing Market Price**" has the meaning ascribed thereto under *"The REIT – Declaration of Trust and Description of Units – Redemption Right"*;

"**Common Shares**" means the common shares of Killam;

"**Conversion**" means the conversion of the Corporation from a corporation into a real estate investment trust;

"**Convertible Debentures**" means, together, the November 2010 Debentures and the June 2011 Debentures, each issued pursuant to the Convertible Debenture Indenture;

"**Convertible Debenture Indenture**" means the trust indenture dated as of November 30, 2010 between Killam and the Convertible Debenture Trustee, as supplemented on June 2, 2011;

"**Convertible Debenture Trustee**" means Computershare Trust Company of Canada and its successors, or any other trustee appointed pursuant to the Convertible Debenture Indenture;

"**Corporation**" or "**Killam**" means Killam Properties Inc., and includes any successor thereto;

"**Counsel**" means Bennett Jones LLP;

"**Court**" means the Ontario Superior Court of Justice (Commercial List);

"**CRA**" means the Canada Revenue Agency;

"**Declaration of Trust**" means the declaration of trust of the REIT dated October 28, 2015 pursuant to which the REIT was established under the laws of the Province of Ontario, as the same may be amended and/or restated from time to time;

"**Depository**" means Computershare Investor Services Inc. in its capacity as depository for the Common Shares exchanged pursuant to the Arrangement;

"**Director**" means the director duly appointed under the CBCA;

"**Directors**" means the directors of Killam;

"**Dissent Rights**" means the right of a registered Shareholder to dissent to the Arrangement Resolution and to be paid the fair value of the Common Shares in respect of which such registered Shareholder dissents, all in accordance with section 190 of the CBCA and the Interim Order;

"**Dissenting Shareholders**" means registered holders of Common Shares who validly exercise the rights of dissent provided to them under section 190 of the CBCA and the Interim Order in respect of the Arrangement Resolution;

"**Distribution Date**" means, any date on which the Trustees have determined that a distribution will be made by the Trust to the Unitholders;

**"Effective Date"** means January 1, 2016, or such other date as the Arrangement becomes effective;

**"Effective Time"** means 12:01 a.m. (Eastern time) on the Effective Date;

**"Electing Shareholder"** means a Shareholder (other than an Excluded Person) that elects to transfer Common Shares to the Limited Partnership in exchange for Exchangeable Units and the Ancillary Rights pursuant to, and in accordance with, the terms of the Arrangement;

**"Election Deadline"** means 5:00 p.m. (Toronto time) on the third Business Day immediately preceding the date of the Meeting or, if the Meeting is adjourned or postponed, such time on the second Business Day immediately preceding the date of such adjourned or postponed Meeting;

**"Exchange"** or **"TSX"** means the Toronto Stock Exchange;

**"Exchange Agreement"** means the support agreement entered into between the REIT, the Limited Partnership, the General Partner and each other person who is deemed to be a party thereto;

**"Exchangeable Unit"** means a Class B limited partnership unit in the capital of the Limited Partnership;

**"Excluded Person"** means a Person: (i) that is a Non-Resident; (ii) that is a Tax Exempt Shareholder; (iii) that would acquire Exchangeable Units as a "tax shelter investment" for the purposes of the Tax Act; (iv) an interest in which is a "tax shelter investment" for the purposes of the Tax Act; or (v) that is not: (a) a "taxable Canadian corporation", (b) a "real estate investment trust", (c) a "SIFT trust", (d) a "SIFT partnership", or (e) an "excluded subsidiary entity" (as all such expressions are defined in the Tax Act);

**"Final Order"** means the order of the Court approving the Arrangement to be applied for following the Meeting and to be granted pursuant to the provisions of section 192 of the CBCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

**"General Partner"** means the general partner of the Limited Partnership, being Killam Apartment General Partner Ltd., and any successor thereto;

**"Gross Book Value"** means, at any time, the greater of (i) the value of the assets of the REIT and its consolidated Subsidiaries, as shown on its then most recent consolidated statement of financial position and (ii) the historical cost of the assets of the REIT and its consolidated Subsidiaries;

**"IFRS"** means International Financial Reporting Standards;

**"Indebtedness"** has the meaning ascribed thereto under *"The REIT – Investment Guidelines and Operating Policies – Operating Policies"*;

**"Independent Trustee"** means a Trustee who is "independent" pursuant to National Instrument 58-101 – *Corporate Governance Guidelines*;

**"Initial Unitholder"** means Killam;

**"Interim Order"** means the order of the Court dated November 3, 2015 under section 192 of the CBCA containing declarations and directions with respect to the Arrangement and the Meeting and issued pursuant to the application of Killam, a copy of which Interim Order is attached as Appendix B to this Information Circular;

**"June 2011 Debentures"** means the outstanding convertible debentures bearing interest at a rate of 5.45% issued by Killam on June 2, 2011;

**"Killam Amalco"** means, as the context requires, the corporation formed on the amalgamation of Killam, Killam KFH (180 Mill St.) Inc., Killam KFH (Kanata Lakes) Inc., Killam KFH (1355 Silver Spear Road) Inc. and Redwood Cable Corp.;

**"Letter of Transmittal"** means the letter of transmittal (printed on blue paper) delivered to registered Shareholders to be completed and returned to the Depositary, together with certificate(s) for Common Share(s);

**"Limited Partnership"** means Killam Apartment Limited Partnership, a limited partnership formed by the Limited Partnership Agreement;

**"Limited Partnership Agreement"** means the limited partnership agreement in respect of the Limited Partnership dated October 28, 2015 between the General Partner, the REIT and each person who is admitted to the Limited Partnership as a limited partner in accordance with the terms of such limited partnership agreement;

**"LP Units"** means the limited partnership units of the Limited Partnership;

**"Maximum Number of Exchangeable Units"** means the maximum number of Exchangeable Units that may be issued by the Limited Partnership pursuant to the Arrangement, as determined by the General Partner in its sole and absolute discretion, provided that the Maximum Number of Exchangeable Units shall in no event exceed 20% of the number of outstanding Common Shares immediately prior to the Effective Time;

**"Meeting"** means the special meeting of shareholders of the Corporation to be held December 8, 2015 in respect of which this Information Circular is provided;

**"Newco"** means Killam SLP Acquisition Inc., a corporation to be incorporated under the CBCA;

**"Newco Note 1"** means a subordinated, non-interest bearing, demand promissory note issued by Newco to the Limited Partnership with a principal amount equal to the principal amount of the SLP Note;

**"Newco Note 2"** means an interest bearing, subordinated, promissory note issued by Newco with a maturity date of 10 years from the date of its issue, with a principal amount equal to the amount obtained when the principal amount of Newco Note 1 is subtracted from the adjusted cost base of the Common Shares held by the Limited Partnership immediately prior to the time referred to in Section 3.1(i) of the Plan of Arrangement;

**"Newco Shares"** means the common shares of Newco;

**"Newco Share Consideration"** means the Newco Shares issued to the Limited Partnership as partial consideration for the Common Shares transferred from the Limited Partnership to Newco pursuant to the Plan of Arrangement, provided that each Newco Share shall be issued for one dollar;

**"NI 54-101"** means National Instrument 54-101, *Communication with Beneficial Owners of Securities of a Reporting Issuer*;

**"Nominating Unitholder"** has the meaning ascribed thereto under *"The REIT – Declaration of Trust and Description of Units – Advance Notice Provision"*;

**"Non-Objecting Beneficial Owners" or "NOBOs"** has the meaning ascribed thereto under *"Proxy and Voting Information – Advice to Beneficial Shareholders of Common Shares"*;

**"Non-Resident"** means a person who is a "non-resident" within the meaning of the Tax Act and a partnership other than a Canadian partnership for the purposes of the Tax Act;

**"Notice Date"** has the meaning ascribed thereto under *"The REIT – Declaration of Trust and Description of Units – Advance Notice Provision"*;

**"Notice of Meeting"** or **"Notice"** means the notice of the Meeting dated November 6, 2015 accompanying this Information Circular;

**"November 2010 Debentures"** means the outstanding convertible debentures bearing interest at a rate of 5.65% issued by Killam on November 30, 2010;

**"Objecting Beneficial Owners"** or **"OBOs"** has the meaning ascribed thereto under *"Proxy and Voting Information – Advice to Beneficial Shareholders of Common Shares"*;

**"Person"** means and includes individuals, corporations, partnerships, general partnerships, joint stock companies, limited liability corporations, joint ventures, associations, companies, trusts, banks, trust companies, pension funds, business trusts or other organizations, whether or not legal entities, and government and agencies and political subdivisions thereof;

**"Plan of Arrangement"** means the Plan of Arrangement attached as Exhibit 1 to the Arrangement Agreement, as the same may be amended and/or restated in accordance with its terms and the terms of the Arrangement Agreement;

**"Plans"** means, collectively, trusts governed by RRSPs, RRIFs, RDSPs, RESPs and TFSAs, and **"Plan"** means any of them;

**"Properties"** means any real estate properties owned or operated, directly or indirectly, by Killam from time to time;

**"RDSP"** means a "registered disability savings plan" as defined in the Tax Act;

**"Record Date"** means November 3, 2015, being the date set by the directors of Killam for determining the Shareholders entitled to receive notice of, and to attend and to vote at, the Meeting;

**"Redemption Date"** has the meaning ascribed thereto under *"The REIT – Declaration of Trust and Description of Units – Redemption Right"*;

**"Redemption Notes"** has the meaning ascribed thereto under *"The REIT – Declaration of Trust and Description of Units – Redemption Right"*;

**"Redemption Price"** has the meaning ascribed thereto under *"The REIT – Declaration of Trust and Description of Units – Redemption Right"*;

**"Regulations"** means the regulations under the Tax Act;

**"REIT"** means Killam Apartment Real Estate Investment Trust, a trust formed under the laws of the Province of Ontario pursuant to the Declaration of Trust and includes, where the context requires, the REIT's Subsidiaries;

**"REIT Units"** means trust units in the capital of the REIT, other than Special Voting Units;

**"RESP"** means a "registered education savings plan" as defined in the Tax Act;

**"RRIF"** means a "registered retirement income fund" as defined in the Tax Act;

**"RRSP"** means a "registered retirement savings plan" as defined in the Tax Act;

**"RSUs"** means restricted share units of Killam;

**"RSU Plan"** means the restricted share unit plan of Killam;

**"RTU Plan"** means the amended and restated restricted trust unit plan of Killam;



"**Shareholder(s)**" means the holder(s) of Common Shares;

"**SIFT**" means a "**SIFT trust**" or a "**SIFT partnership**" as defined in the Tax Act;

"**SIFT Rules**" has the meaning ascribed thereto under "*Certain Canadian Federal Income Tax Considerations – Holding and Disposing of Units – Qualifications of the REIT as a Mutual Fund Trust and Real Estate Investment Trust*";

"**SLP**" means Killam Apartment Subsidiary Limited Partnership, a limited partnership to be formed by a limited partnership agreement between SLP GP, as general partner, and Killam;

"**SLP GP**" means the general partner of SLP, being Killam Apartment Subsidiary General Partner Ltd., and any successor general partner thereto;

"**SLP Note**" means a subordinated, non-interest bearing, demand promissory note issued by SLP to Killam with a principal amount equal to the amount obtained (if positive) when the aggregate principal amount of the Assumed Liabilities in the Asset Conveyance Agreement is deducted from the Aggregate Cost Amount of the Subject Assets;

"**special resolution**" means: (i) in the case of Killam, a resolution of Shareholders passed by an affirmative vote of not less than two-thirds of the votes cast by Shareholders at the Meeting with respect to a particular matter; and (ii) in the case of the REIT, a resolution passed as a special resolution at a meeting of Unitholders duly convened for that purpose and held in accordance with the Declaration of Trust at which two or more individuals present in person either holding personally or representing as proxies not less in aggregate than 10% of the number of votes attached to Units then outstanding and passed by not less than two-thirds of the votes attaching to the Units represented at the meeting, or passed in such other manner as provided in the Declaration of Trust;

"**Special Voting Unit**" means a special voting unit of the REIT;

"**Subject Assets**" means the assets of Killam Amalco 2 that will be transferred to SLP pursuant to the Plan of Arrangement and the Asset Conveyance Agreement;

"**Subsidiary**" includes, with respect to any person, company, partnership, limited partnership, trust or other entity, any company, partnership, limited partnership, trust or other entity controlled, directly or indirectly, by such person, company, partnership, limited partnership, trust or other entity;

"**Support Rights**" means the embedded right granted to the holders of the Exchangeable Units to cause the Limited Partnership to exchange each Exchangeable Unit for one REIT Unit (subject to adjustment) as supported by the Exchange Agreement;

"**Tax Act**" means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1. (5th Supp), as amended, including the Regulations promulgated thereunder;

"**Tax Election Form**" means an election on disposition of property by a taxpayer to a Canadian partnership included with this Information Circular to be completed by Electing Shareholders and returned to the Limited Partnership;

"**Tax Exempt Shareholder**" means a Shareholder that is generally exempt from tax under Part I of the Tax Act;

"**Tax Proposals**" has the meaning ascribed thereto under "*Certain Canadian Federal Income Tax Considerations*";

"**Taxation Year**" means the taxation year of the REIT for the purposes of the Tax Act;

"**TFSA**" means a "tax-free savings account" as defined in the Tax Act;

"**Trustee**" means a trustee of the REIT and "**Trustees**" means all of the trustees of the REIT;

**"Unitholder(s)"** means the holder(s) of Units, and any reference to a Unitholder in the context of such Unitholder's right to vote at a meeting of Unitholders also includes a holder of Special Voting Units;

**"Units"** means, together, the REIT Units, the Special Voting Units and the Exchangeable Units; and

**"U.S. Securityholders"** means holders of Units in the United States.

## SUMMARY INFORMATION

*This summary highlights information that is more fully discussed elsewhere in this Information Circular. This summary is not intended to be complete and is qualified in its entirety by reference to the more detailed information contained in this Information Circular. Shareholders are urged to read the more detailed information about Killam, the Arrangement and the REIT contained elsewhere in this Information Circular and the documents incorporated by reference into this Information Circular. Certain capitalized terms used in this Summary are defined under "Glossary".*

### MEETING OF SECURITYHOLDERS

The Meeting will be held on December 8, 2015 at 11:00 a.m. (Halifax time) at the Courtyard by Marriott, 5120 Salter Street in Halifax, Nova Scotia. At the Meeting, Shareholders will be asked to consider, and if thought advisable, pass the Arrangement Resolution in the form attached hereto as Appendix A, with or without variation.

### THE ARRANGEMENT

The purpose of the Arrangement is to convert Killam from a corporate structure to a real estate investment trust structure. The Arrangement will result in Shareholders transferring their Common Shares in consideration for REIT Units or Exchangeable Units and the Ancillary Rights. All Shareholders will be treated equally under the Arrangement and there are no unique benefits to any Shareholder under the terms of the Arrangement.

### Background to and Reasons for the Arrangement

The proposed Arrangement is the result of an extensive review of Killam's business model conducted by its Board of Directors. The Board of Directors believes that the conversion of Killam to the REIT will enhance long-term shareholder value for the following reasons:

The REIT provides a tax efficient vehicle to deliver cash flow from Killam's business to investors;

The REIT structure represents the preferred Canadian public market structure for owning real estate; and

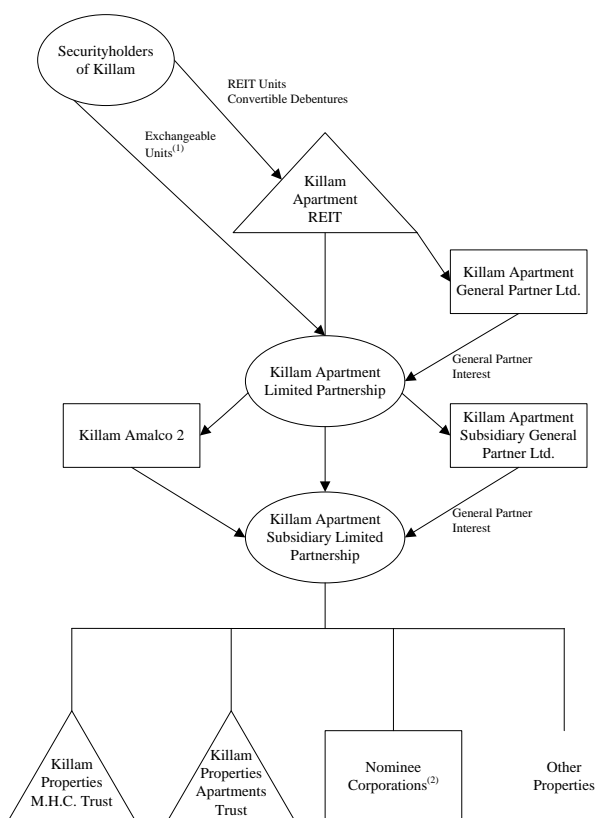
The REIT structure allows Killam to be more comparable to its peers and increases its investment profile to REIT investors.

### Recommendation of the Board

The Directors, based on their own investigations, have unanimously determined that, in their opinion, the Arrangement is fair and reasonable and in the best interests of the Corporation. Accordingly, the Board has approved the Arrangement and unanimously recommends that Shareholders vote in favour of the Arrangement Resolution at the Meeting.

### Arrangement Steps

At the Effective Time, each of the events described under the heading "*The Arrangement – General Description of the Arrangement – Arrangement Transactions*", except as otherwise expressly provided, are deemed to occur. The following diagram illustrates the structure of the REIT upon completion of the Arrangement:



#### Notes:

- (1) Exchangeable Units are Class B limited partnership units of Killam Apartment Limited Partnership. The Exchangeable Units are intended to be economically equivalent to and exchangeable for REIT Units on a one-for-one basis, and will be accompanied by special voting units of the REIT that provide their holders with equivalent voting rights to holders of REIT Units.
- (2) Nominee corporations include Killam Investments Inc., Killam Investments (PEI) Inc., Killam KamRes (Silver Spear) Inc., Killam KamRes (Grid 5) Inc., Killam KamRes (Kanata Lakes) I Inc., and Killam KamRes (Kanata Lakes) II Inc.

#### Effect of the Arrangement on Shareholders

Under the Arrangement, the Common Shares held by Shareholders will be transferred in consideration for (i) one REIT Unit or (ii) one Exchangeable Unit and the Ancillary Rights, at the election of the Shareholder, for each Common Share so transferred.

Exchangeable Units are Class B limited partnership units of Killam Apartment Limited Partnership, a subsidiary of the REIT. Holders of Exchangeable Units will also receive Special Voting Units, allowing them to vote their interest at meetings of Unitholders. Exchangeable Units will receive the same level of distributions as REIT Units and are generally designed to be economically equivalent to REIT Units. Exchangeable Units may allow for certain tax efficiencies at the time of conversion, however they will be subject to additional restrictions and limitations, including restrictions on transferability. The Exchangeable Units will not be listed securities. Shareholders who are considering electing to receive Exchangeable Units should carefully review the restrictions and limitations of the Exchangeable Units as outlined in this Information Circular, and consult their own legal and tax advisors.

#### Effect of the Arrangement on the Outstanding Convertible Debentures

In connection with the Arrangement, and pursuant to the successor provisions contained in the Convertible Debenture Indenture, the REIT will assume all of the covenants and obligations of Killam under the Convertible Debenture Indenture in respect of the outstanding Convertible Debentures. Provided the Arrangement is completed,

holders of Convertible Debentures will thereafter be entitled to receive REIT Units, rather than Common Shares, on any future conversion of the Convertible Debentures. All other terms and conditions of the Convertible Debenture Indenture will continue to apply. Killam has applied to the TSX for the listing of the REIT Units to be reserved for issuance on conversion of the Convertible Debentures. The Arrangement will not constitute a "change of control" for purposes of the Convertible Debenture Indenture.

### **Effect of the Arrangement on the RSU Plan**

In connection with the Arrangement, the RSU Plan will be amended such that participants will be entitled to receive REIT Units in lieu of Common Shares in accordance with the terms and conditions, including vesting provisions, that existed prior to completion of the Arrangement. The Arrangement will not constitute a "change of control" for the purposes of the RSU plan and, as such, will not result in an acceleration of the vesting provisions under the RSU Plan.

### **The Arrangement Agreement**

The Arrangement is being effected pursuant to the Arrangement Agreement. The Arrangement Agreement contains covenants, representations and warranties from each of the parties thereto and various conditions precedent, both mutual and with respect to each such party. The full text of the Arrangement Agreement is attached as Appendix E to this Information Circular.

### **Approvals Required for the Arrangement**

#### ***Shareholder Approval***

The Arrangement is subject to the approval of 66 2/3% of the votes cast by holders of Common Shares at the Meeting. Each Shareholder shall have the right to one vote for each Common Share held by such Shareholder.

#### ***Court Approval***

The CBCA provides that where it is not practicable for a corporation to effect a fundamental change in the nature of an arrangement under any other provisions of the CBCA, the corporation may apply to the Court for an order approving an arrangement proposed by the corporation. As it was not considered practicable to effect the Arrangement other than pursuant to an order of the Court, Killam has applied for and obtained the Interim Order which provides for the calling and holding of the Meeting and other procedural matters. The Interim Order is attached as Appendix B to this Information Circular. Subject to the terms of and satisfaction or waiver of the conditions precedent set forth in the Arrangement Agreement, and if the Arrangement Resolution is approved by Shareholders at the Meeting in the manner required by the Interim Order, the Corporation will make application to the Court for the Final Order.

The Court has broad discretion under the CBCA when making orders with respect to an arrangement and the Court will consider, among other things, the fairness of the Arrangement to the Shareholders (and any other party as the Court determines appropriate). The Court may approve the Arrangement, either as proposed or as amended, in any manner the Court may direct. However, it is a condition of the Arrangement that the Final Order be satisfactory in form and substance to each of the parties to the Arrangement Agreement, acting reasonably.

#### ***Exchange Approval***

The Common Shares are listed on the Exchange under the symbol "KMP". The November 2010 Debentures and the June 2011 Debentures are listed on the Exchange under the symbols "KMP.DB.A" and "KMP.DB.B", respectively. The Arrangement is conditional upon receiving the approval of the TSX for the listing of the REIT Units issuable in connection with the Arrangement, the continued listing of the Convertible Debentures and the listing of the REIT Units issuable on conversion of the Convertible Debentures and the exchange of the Exchangeable Units. The Exchange has granted conditional approval of the Arrangement and to the listing of the REIT Units issuable in

connection therewith. The completion of the Arrangement is subject to the Corporation and the REIT fulfilling all of the requirements of the Exchange.

### **Interests of Certain Persons in the Arrangement**

As at the date hereof, the Directors and officers of the Corporation beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 3.6 million Common Shares, representing approximately 5.8% of the issued and outstanding Common Shares. Each of the Directors and officers has indicated to management of Killam that he or she currently intends to vote all of the Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by him or her, in favour of the Arrangement Resolution to be considered at the Meeting.

### **Dissent Rights**

Registered Shareholders are entitled to exercise dissent rights by providing written notice to Killam in the manner described under the heading "*The Arrangement – Dissent Rights*". If a Shareholder validly dissents, and the Arrangement is completed, the Dissenting Shareholder is entitled to be paid the "fair value" of its Common Shares. Shareholders should carefully read the section in this Information Circular entitled "*The Arrangement – Dissent Rights*" if they wish to exercise Dissent Rights.

### **THE CORPORATION**

The Corporation was incorporated under the CBCA on May 26, 2000. On October 25, 2000, the Corporation filed Articles of Amendment to remove the private company restrictions previously applicable to the Corporation.

Killam's head office and principal place of business is located at 3700 Kempt Road, Suite 100, Halifax, Nova Scotia, B3K 4X8. Killam's registered and records office is located at 2571 Windsor Street, Halifax, Nova Scotia, B3K 5C4.

Killam is one of Canada's largest residential landlords, owning, operating and developing multi-family apartments and manufactured home communities.

For a description of the Corporation's business, including a detailed description of the Properties, and the industry in which it operates see "*Description of the Business*" in the AIF, incorporated by reference into this Information Circular.

### **THE REIT**

The REIT is an open-ended real estate investment trust formed under the laws of the Province of Ontario pursuant to the Declaration of Trust. The head office of the REIT is located at 3700 Kempt Road, Suite 100, Halifax, Nova Scotia, B3K 4X8.

The REIT was formed to complete the Arrangement with Killam. Following completion of the Arrangement, the REIT, together with its affiliates, will be focused on the acquisition, holding, developing, maintaining, improving, leasing or management of income producing real property, including the assets currently held by Killam.

The Board of Trustees is comprised of the current Directors of the Corporation.

### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

**The foregoing summary is subject in its entirety to the detailed discussion herein under the heading "*Certain Canadian Federal Income Tax Considerations*". Shareholders should consult their own tax advisors regarding the implications of the Arrangement. The discussion herein does not address the Canadian tax considerations to non-residents of Canada nor does it address any non-Canadian tax implications and such holders should contact their own tax advisors having regard to their own particular circumstances.**

A Shareholder who exchanges Common Shares for REIT Units pursuant to the Arrangement will be considered to have disposed of such Common Shares for proceeds of disposition equal to the fair market value at the Effective Time of such REIT Units acquired by the Shareholder. As a result, a Shareholder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of such disposition, exceed (or are less than) the "adjusted cost base" (as defined in the Tax Act) to the Shareholder of the Common Shares.

An Electing Shareholder who elects to receive Exchangeable Units and the Ancillary Rights in exchange for Common Shares, and who files a valid Tax Election Form pursuant to subsection 97(2) of the Tax Act, may obtain a full or partial deferral of the capital gain otherwise arising on the exchange.

Each holder of Exchangeable Units will be required to take into account in computing its income, the holder's proportionate share of the income, loss, taxable capital gains and allowable capital losses of the Limited Partnership allocated to the holder pursuant to the Limited Partnership Agreement for the fiscal period of the Limited Partnership ending in, or concurrently with, the holder's taxation year, whether or not any distribution of income has been made by the Limited Partnership.

On the exchange by a holder of an Exchangeable Unit for a REIT Unit, the holder will generally realize a capital gain (or a capital loss) to the extent the proceeds of disposition, net of any reasonable costs of such disposition, exceed (or are less than) the adjusted cost base to the holder of the Exchangeable Unit. For these purposes, the proceeds of disposition will be the fair market value of the REIT Unit received upon the exchange.

A Unitholder will generally be required to include in income for a particular taxation year the portion of the net income of the REIT for the taxation year ending on or before the particular taxation year-end of the Unitholder, including net realized taxable capital gains, that is paid or payable, or deemed to be paid or payable, to the Unitholder in the particular taxation year (and that the REIT deducts in computing its income), whether such portion is received in cash, additional REIT Units or otherwise.

On any disposition or deemed disposition of a REIT Unit (including a redemption), a Unitholder will generally realize a capital gain (or a capital loss) equal to the amount by which the Unitholder's proceeds of disposition, excluding any amount payable by the REIT which represents an amount that must otherwise be included in the Unitholder's income as described herein, exceed (or are less than) the aggregate of the Unitholder's adjusted cost base of the REIT Unit immediately before such disposition and any reasonable costs of disposition.

## **RISK FACTORS**

There are a number of risk factors associated with the Arrangement, including the conditions precedents and third party approvals that must be satisfied for the Arrangement to be completed. In addition, there are a number of risk factors associated with the REIT, including those relating to cash distributions, the status of the REIT, restrictions on redemptions, potential volatility of Unit prices, the nature of investment, the availability of cash flow and dilution. See "*Risk Factors*".

## THE ARRANGEMENT

### General

The purpose of the Arrangement is to convert Killam from a corporate structure to a real estate investment trust structure. The Arrangement will result in Shareholders transferring their Common Shares in consideration for either (i) REIT Units or (ii) Exchangeable Units and the Ancillary Rights, at the election of the Shareholder. All Shareholders will be treated equally under the Arrangement and there are no unique benefits under the terms of the Arrangement to any Shareholder.

In connection with the Arrangement, and pursuant to the successor provisions contained in the respective indentures, the REIT will assume all of the covenants and obligations of the Corporation in respect of the Convertible Debentures. Provided the Arrangement is completed, holders of Convertible Debentures will thereafter be entitled to receive REIT Units, rather than Common Shares, on conversion after the Effective Time, on the same conversion basis as was applicable to the Common Shares previously issuable upon conversion of the Convertible Debentures, subject to adjustment in certain events.

### Background to and Reasons for the Arrangement

The Directors and management of Killam have substantial experience with public companies and in the real estate sector and have recently considered and declared their intention to complete a reorganization of the Corporation into a real estate investment trust. After a review of, among other factors, the suitability of the Corporation's anticipated business for a real estate investment trust, the optimal structure for delivering future cash flow to securityholders in a tax efficient manner, the Corporation's growth plans, and the tax structure of its Canadian public real estate peers, the Board concluded that value for Shareholders could be enhanced by converting the Corporation to a real estate investment trust.

In reaching its determination and making its recommendation set out below, the Board considered a number of factors, including the mechanics, structure and timing of implementation of the Arrangement, the availability of rights for Shareholders to dissent from the Arrangement and the requirement that the Arrangement be approved by two-thirds of the Common Shares voted in person or by proxy at the Meeting.

The Board also considered the costs and expenses of the Conversion, including professional expenses, tax obligations triggered by the Conversion and other costs. The Board concluded that the benefits to securityholders of the Conversion (as more fully described above, including an anticipated enhanced long-term valuation, increased free cash flow and improved potential long-term returns to Unitholders) warrant the incurrence of such costs.

The foregoing discussion of the information and factors considered and given weight by the Board is not intended to be exhaustive. In reaching the determination to approve and recommend the Arrangement, the Board did not assign any relative or specific weights to the foregoing factors, and individual directors may have given different weights to different factors.

### Recommendation of the Board

**The Directors, based on their own investigations, have unanimously determined that, in their opinion, the Arrangement is fair and reasonable and in the best interests of the Corporation. Accordingly, the Board has approved the Arrangement and unanimously recommends that Shareholders vote in favour of the Arrangement Resolution at the Meeting.**

Each member of the Board who is also a Shareholder intends to vote all Common Shares, directly or indirectly, held or controlled by him or her in favour of the Arrangement Resolution. As at November 6, 2015, the Directors beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 3.6 million Common Shares, representing approximately 5.8% of the issued and outstanding Common Shares. See "*The Arrangement—Interests of Certain Persons in the Arrangement*".



## General Description of the Arrangement

*The following description of the Arrangement is qualified in its entirety by reference to the full text of the Arrangement Agreement and the Plan of Arrangement attached as Appendix E to this Information Circular.*

Killam and the REIT have entered into the Arrangement Agreement, which provides for the implementation of the Plan of Arrangement pursuant to section 192 of the CBCA. Generally speaking, pursuant to the Arrangement, Shareholders of Killam will become holders of REIT Units or Exchangeable Units and will no longer own Common Shares. The Arrangement will become effective on the date of filing of the Final Order and the Articles of Arrangement and related documents in the form prescribed by the CBCA with the Director.

### *Arrangement Transactions*

At the Effective Time, each of the events described in the Plan of Arrangement will, except as otherwise expressly provided, be deemed to occur in the order set forth in the Plan of Arrangement. A summary of the transactions are as follows:

(a) Amalgamation 1

Each of Killam, Killam KFH (180 Mill St.) Inc., Killam KFH (Kanata Lakes) Inc., Killam KFH (1355 Silver Spear Road) Inc. and Redwood Cable Corp. shall be amalgamated under the CBCA, as described in the Plan of Arrangement, to form Killam Amalco.

(b) Dissenting Shareholders

Each Common Share held by a Dissenting Shareholder who has validly exercised Dissent Rights will be deemed to have been transferred to Killam Amalco (free and clear of all liens, claims and encumbrances) and such Dissenting Shareholder shall cease to have any rights as a Shareholder other than the right to be paid the fair value of such Common Share in accordance with the Plan of Arrangement.

(c) Exchange of Common Shares

(i) Each Common Share held by an Electing Shareholder who has validly elected to receive Exchangeable Units in accordance with the Letter of Transmittal and Tax Election Form (subject to the Electing Shareholder's maximum pro rata share) will be transferred to the Limited Partnership (free and clear of all liens, claims and encumbrances) in consideration for (A) one (1.0) Exchangeable Unit, and (B) the Ancillary Rights attached to such Exchangeable Units;

(ii) each Common Share held by a Shareholder (except for Dissenting Shareholders and Shareholders who have validly elected to receive Exchangeable Units, subject to the Electing Shareholder's maximum pro-rata share) will be deemed to be transferred to the REIT (free and clear of all liens, claims and encumbrances) in consideration for one (1.0) REIT Unit;

(iii) the Exchange Agreement will become effective; and

(iv) the REIT Unit held by the Initial Unitholder shall be cancelled in consideration for the payment of ten dollars (\$10.00).

(d) Share Transfers

- (i) Each Common Share held by the REIT will be transferred to the Limited Partnership in consideration for Class A LP Units on the basis that each Class A LP Unit will have a purchase price of one dollar (\$1.00); and
- (ii) each Common Share held by the Limited Partnership will be transferred to Newco in consideration for (A) the Newco Note 1, (B) the Newco Note 2 and (C) the Newco Share Consideration.

(e) Amalgamation 2

Killam Amalco and Newco shall be amalgamated under the CBCA to form Killam Amalco 2, as described in the Plan of Arrangement;

(f) Asset Transfers to SLP

- (i) The Asset Conveyance Agreement will become effective and Killam Amalco 2 will transfer the Subject Assets to SLP in consideration for (A) Class A SLP Units on the basis that each Class A SLP Unit will have a purchase price of one dollar (\$1.00), (B) the SLP Note and (C) the assumption of the Assumed Liabilities;
- (ii) the Limited Partnership shall subscribe for Class B SLP Units issued on the basis that each Class B SLP Unit will have a purchase price of one dollar (\$1.00), and in satisfaction of the aggregate subscription price, the Limited Partnership will contribute the Newco Note 1 to SLP; and
- (iii) the initial Class A SLP Unit that was issued to Killam, and became property of Killam Amalco 2, shall be redeemed by SLP for one dollar (\$1.00) and cancelled.

(g) Convertible Debentures

The Assumption Agreement(s) shall become effective and the REIT shall assume all of the obligations of the Convertible Debentures in accordance with the Convertible Debenture Indenture and, as payment for assuming such obligations, Killam Amalco 2 will issue to the REIT the Assumption Note.

(h) Equity Compensation Plans

Each RSU (whether vested or unvested) outstanding at the Effective Time shall be continued on the same terms and conditions as were applicable immediately prior to the Effective Time, except that the RSU Plan shall be amended and the references in such plan to "Share", "Shareholder" and "dividends" shall be amended and substituted with "REIT Unit", "Unitholder" and "distributions", respectively.

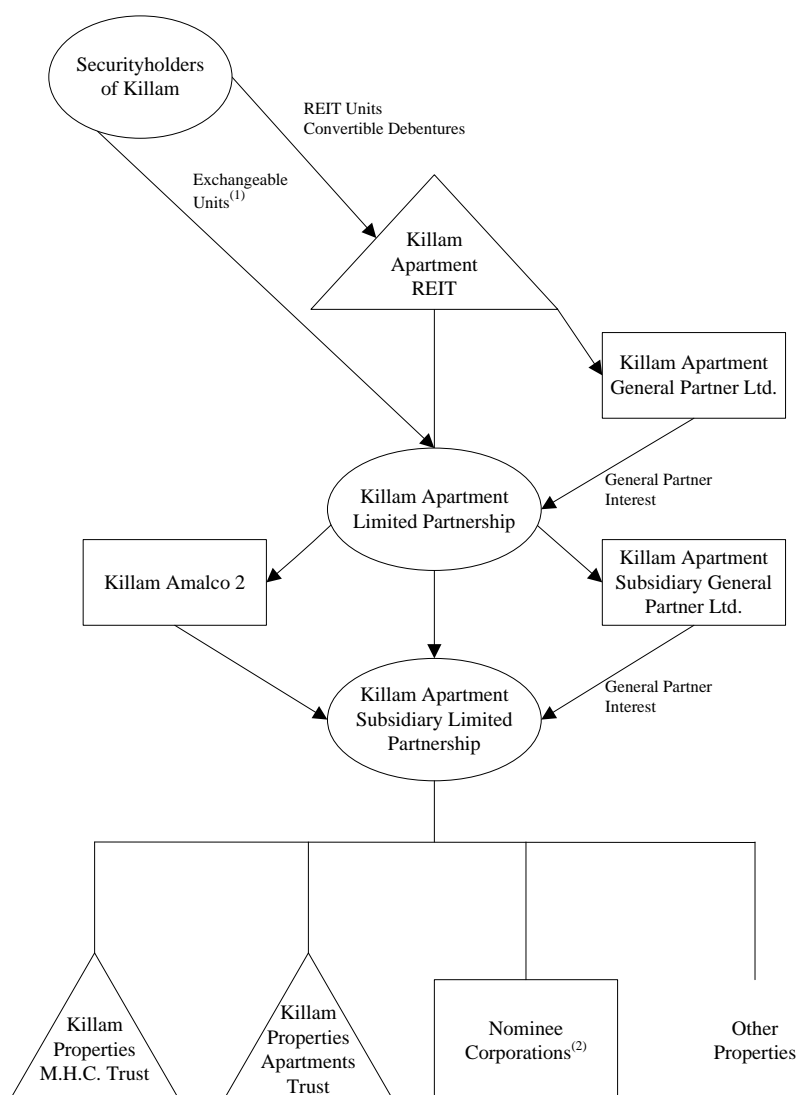
If the Meeting is held as scheduled and is not adjourned and the other necessary conditions are satisfied or waived, Killam will apply for the Final Order approving the Arrangement on December 11, 2015. If the Final Order is obtained on December 11, 2015 in form and substance satisfactory to the Corporation and the REIT, and all other conditions precedent to the Arrangement contained in the Arrangement Agreement are satisfied or waived, the Corporation expects the Effective Time to be the beginning of the day on January 1, 2016.

The Arrangement will become effective upon the filing with the Director of the Articles of Arrangement and a copy of the Final Order, together with such other materials as may be required by the Director.

## Structure Following Completion of the Arrangement

Immediately following the implementation of the Arrangement and related transactions described in this Information Circular, each of the Properties will be held directly or indirectly by the REIT. Pursuant to the Declaration of Trust, the Trustees, without any action or consent by the Unitholders, will have the right to implement an internal reorganization of the assets of the REIT and/or any of the REIT's subsidiaries (including, without limitation, forming additional trusts or limited partnerships to be subsidiaries of the REIT).

The following diagram illustrates the structure of the REIT upon completion of the Arrangement.



### Notes:

- (1) Exchangeable Units are Class B limited partnership units of Killam Apartment Limited Partnership. The Exchangeable Units are intended to be economically equivalent to and exchangeable for REIT Units on a one-for-one basis, and will be accompanied by special voting units of the REIT that provide their holders with equivalent voting rights to holders of REIT Units.
- (2) Nominee corporations include Killam Investments Inc., Killam Investments (PEI) Inc., Killam KamRes (Silver Spear) Inc., Killam KamRes (Grid 5) Inc., Killam KamRes (Kanata Lakes) I Inc., and Killam KamRes (Kanata Lakes) II Inc.

## Exchangeable Unit Election

Shareholders (other than Excluded Persons) may elect, subject to the limitations described below and in accordance with the limits in the Tax Act, to receive Exchangeable Units and the Ancillary Rights as consideration for all or a portion of their Common Shares. For certain Shareholders, receiving Exchangeable Units may, based on their particular circumstances, provide for certain tax efficiencies. However, electing to receive Exchangeable Units may not be appropriate for all Shareholders. Shareholders who are considering electing to receive Exchangeable Units should consult their own legal and tax advisors with respect to the legal and tax consequences associated with electing this alternative and the acquiring, holding or disposing of Exchangeable Units and the Ancillary Rights. Moreover, Exchangeable Units will be subject to additional restrictions and limitations including restrictions on transferability. Subject to obtaining the consent of the General Partner, Exchangeable Units will not be transferable except in connection with an exchange for REIT Units. The Exchangeable Units will not be listed on the Exchange or any other stock exchange or quotation system. See "*Risk Factors*".

Holders of Exchangeable Units will receive Special Voting Units that will each initially entitle the holder to one vote at meetings of Unitholders of the REIT. The Maximum Number of Exchangeable Units to be issued pursuant to the Arrangement will be limited and shall in no event exceed 20% of the number of outstanding Common Shares immediately prior to the Effective Time. If the total number of Exchangeable Units elected is greater than the Maximum Number of Exchangeable Units, Exchangeable Units will be allocated on a pro rata basis. Any Common Shares not transferred in consideration for Exchangeable Units and the Ancillary Rights will be transferred to the REIT in consideration for REIT Units. No fractional REIT Units or Exchangeable Units will be issued and the number of REIT Units or Exchangeable Units issued, as applicable, will be rounded up or down to the nearest whole number.

For Shareholders (other than Excluded Persons) that properly elect to receive Exchangeable Units and the Ancillary Rights, the General Partner on behalf of the Limited Partnership will make the necessary joint tax elections with such Shareholders. However, none of the Corporation, the Limited Partnership or the General Partner will be responsible for the proper completion or filing of any tax election or the tax consequences thereof to the Electing Shareholder and the Electing Shareholders will be solely responsible for the payment of any taxes, interest, expenses, damages or late filing penalties resulting from the failure of a former Shareholder to properly complete or file a tax election in the form or manner and within the time prescribed by applicable tax legislation.

In order to make an election, a Shareholder must deliver to the Limited Partnership two duly completed copies of the Tax Election Form by the Election Deadline. The Election Deadline is expected to be December 3, 2015, three (3) Business Days prior to the Meeting. The Limited Partnership and the General Partner agree only to execute any properly completed tax elections and to forward such elections by mail (within 30 days following the Effective Date) to the applicable Shareholder.

The Exchangeable Units are intended to be, to the extent possible, the economic equivalent of the REIT Units and will be exchangeable for REIT Units. However, the Exchangeable Units will not be listed on the Exchange or on any other stock exchange or quotation system. Excluded Persons will only be entitled to receive REIT Units in exchange for their Common Shares.

Shareholders who do not: (i) validly deposit with the Depositary a duly completed Letter of Transmittal and Tax Election Form at or prior to the Election Deadline; or (ii) fully comply with the requirements of the Letter of Transmittal and Tax Election Form and the instructions therein in respect of the election to receive Exchangeable Units and the Ancillary Rights, will be deemed to have elected to receive only REIT Units for their Common Shares. A copy of the Letter of Transmittal and Tax Election Form is enclosed with this Information Circular. No Exchangeable Units will be issued to an Excluded Person.

Individual Shareholders are not permitted to make an election to receive Exchangeable Units and the Ancillary Rights, as an individual is an Excluded Person. However, an individual Shareholder may, as a preliminary step, transfer their Common Shares to a wholly-owned taxable Canadian corporation to take advantage of the tax election. A taxable Canadian corporation is not an Excluded Person. Individual Shareholders should contact their own tax advisors regarding whether this option should be pursued, depending on their own particular circumstances. The

Corporation, the Limited Partnership and the General Partner offer no assurance that this option is suitable for individual Shareholders.

### **Fractional Units**

No fractional REIT Units will be issued and no cash will be paid in lieu thereof. If as a result of the Arrangement, a Shareholder becomes entitled to a fractional REIT Unit, such fraction will be rounded up or down to the nearest whole number.

### **Effect of the Arrangement on Shareholders**

Under the Arrangement, the Common Shares held by Shareholders will be transferred to Killam in consideration for either REIT Units or Exchangeable Units and Ancillary Rights, at the election of the Shareholder.

### **Effect of the Arrangement on the Outstanding Convertible Debentures**

The Convertible Debentures are convertible into Common Shares at the option of the holder at any time prior to the close of business on the earlier of maturity of the Convertible Debentures and the Business Day immediately preceding the date specified by Killam for redemption of the Convertible Debentures, at the conversion price of \$13.40, in the case of the November 2010 Debentures, and \$14.60, in the case of the June 2011 Debentures, subject to adjustment or the occurrence of certain events. In connection with the Arrangement, and pursuant to the successor provisions contained in the Convertible Debenture Indenture, the REIT will assume all of the covenants and obligations of Killam under the Convertible Debenture Indenture in respect of the outstanding Convertible Debentures. Provided the Arrangement is completed, holders of Convertible Debentures will thereafter be entitled to receive REIT Units, rather than Common Shares, on conversion after the Effective Time, on the same conversion basis as was applicable to the Common Shares previously issuable upon conversion of the Convertible Debentures, subject to adjustment in certain events. All other terms and conditions of the Convertible Debenture Indenture will continue to apply. Killam has applied to the TSX for the listing of the REIT Units to be reserved for issuance on conversion of the Convertible Debentures.

### **Effect of the Arrangement on the RSU Plan**

Directors, officers and employees of Killam are eligible to participate in the RSU Plan. In connection with the Arrangement, the RSU Plan will be amended such that participants will be entitled to receive REIT Units in lieu of Common Shares in accordance with the vesting schedule that existed prior to completion of the Arrangement.

The form of the amended RSU Plan has been approved by the Board, and upon completion of the Arrangement, the approved form will be confirmed, ratified and approved by the Board of Trustees.

### **The Arrangement Agreement**

The following description of certain material provisions of the Arrangement Agreement is a summary only, is not comprehensive and is qualified in its entirety by reference to the full text of the Arrangement Agreement, a copy of which is attached as Appendix E to this Information Circular.

The Arrangement is being effected pursuant to the Arrangement Agreement. The Arrangement Agreement contains covenants, representations and warranties of and from each of the parties thereto and various conditions precedent, both mutual and with respect to each such party.

The Arrangement Agreement is attached as Appendix E to this Information Circular and reference is made to the full text thereof.

### *Mutual Conditions Precedent*

The Arrangement Agreement provides that the obligations of the parties to complete the Arrangement are subject to the fulfillment, at or before the Effective Time, of each of the following conditions precedent, each of which may only be waived by the mutual consent of the parties:

- (a) the Arrangement Resolution shall have been approved by not less than two-thirds of the votes cast by the Shareholders, in person or by proxy, at the Meeting;
- (b) the Final Order approving the Arrangement shall have been obtained from the Court in form and substance satisfactory to the parties to the Arrangement Agreement;
- (c) the Articles of Arrangement, together with a copy of the Plan of Arrangement and the Final Order and such other materials as may be required by the Director, in form and substance satisfactory to the parties to the Arrangement Agreement, shall have been filed with the Director in accordance with subsection 192(6) of the CBCA;
- (d) all necessary consents, orders, rulings, approvals, opinions and assurances, including regulatory, judicial, third party and advisor approvals, opinions and orders, required for the completion of the transactions provided for in the Arrangement Agreement and the Plan of Arrangement shall have been obtained or received;
- (e) no action shall have been instituted and be continuing on the Effective Date for an injunction to restrain, a declaratory judgment in respect of, or damages on account of, or relating to, the Arrangement, there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by the Arrangement Agreement and no cease trading or similar order with respect to any securities of any of the parties to the Arrangement Agreement shall have been issued and remain outstanding;
- (f) none of the consents, orders, rulings, decisions, approvals, opinions or assurances required for the implementation of the Arrangement shall contain terms or conditions or require undertakings or security deemed unsatisfactory or unacceptable by any of the parties to the Arrangement Agreement;
- (g) no law, regulation or policy shall have been proposed, enacted, promulgated or applied which interferes or is inconsistent with the completion of the Arrangement, including any material change to the income tax laws of Canada, or any province or territory thereof, or which would have a material adverse effect upon Shareholders or the REIT and its affiliates if the Arrangement is completed;
- (h) the conditional approval of the TSX of the Arrangement and listing of the REIT Units to be issued pursuant to the Arrangement (and upon: (i) exchange of the Exchangeable Units; (ii) exercise of the restricted trust units issuable pursuant to the RTU Plan; and (iii) conversion of the Convertible Debentures) shall have been obtained, subject only to the filing of required documents which cannot be filed prior to the Effective Date;
- (i) Shareholders shall not have exercised (and not withdrawn) Dissent Rights in connection with the Arrangement in respect of Shares representing, in the aggregate, more than 5% of the issued and outstanding Shares;
- (j) Shareholders who immediately prior to the Effective Time are not resident in Canada for the purposes of the Tax Act (based on reasonable evidence available to the board of directors of the Corporation) and who are to receive REIT Units under the Arrangement shall not, in the aggregate, immediately following Closing, own in excess of 49% of all then outstanding REIT Units; and

- (k) the Arrangement Agreement shall not have been terminated pursuant to its terms.

*Additional Conditions Precedent to the Obligations of each Party to the Arrangement Agreement*

The Arrangement Agreement provides that the obligation of each party thereto to complete the transactions contemplated by the Arrangement Agreement is further subject to the condition, which may be waived by each such party without prejudice to its right to rely on any other conditions in its favour, that the covenants of the other parties to be performed at or before the Effective Time pursuant to the terms of the Arrangement Agreement shall have been duly performed by them and that the representations and warranties of the other parties shall be true and correct in all material respects as at the Effective Time.

*Representations and Warranties*

The Arrangement Agreement contains customary representations and warranties on the part of Killam, the REIT, the Limited Partnership and the General Partner relating to, among others matters, organization, authority, status, compliance with laws and conflict with or breach of agreements or constating documents.

*Covenants*

The Arrangement Agreement also contains customary negative and positive covenants on the part of the parties thereto.

In the Arrangement Agreement, Killam has agreed, among other things, to perform all of its obligations under the Arrangement Agreement, and further covenants that it will:

- (a) until the Effective Date, not perform any act or enter into any transaction, nor permit the Corporation or any of its Subsidiaries to perform any act or enter into any transaction, which interferes or is inconsistent with the completion of the Arrangement;
- (b) apply to the Court for the Interim Order;
- (c) convene the Meeting as ordered by the Interim Order and conduct the Meeting in accordance with the Interim Order and the by-laws of Killam as otherwise required by law;
- (d) prior to the Effective Date, make application to list the REIT Units (including REIT Units to be issued from time to time upon: (i) exchange of the Exchangeable Units; (ii) exercise of the restricted trust units issuable pursuant to the RTU Plan; and (iii) conversion of the Convertible Debentures) on the TSX;
- (e) perform the obligations required to be performed by it under the Plan of Arrangement and do all such other acts and things as may be necessary or desirable and are within its power and control in order to carry out and give effect to the Arrangement, including (without limitation) using commercially reasonable efforts to obtain:
  - (i) the approval of holders of Common Shares required for the implementation of the Arrangement;
  - (ii) the Interim Order and, subject to the obtaining of all required consents, orders, rulings and approvals (including, without limitation, required approvals of Shareholders), the Final Order;
  - (iii) such other consents, orders, rulings or approvals and assurances as are necessary or desirable for the implementation of the Arrangement, including those referred to in the Arrangement Agreement; and

- (iv) satisfaction of the other conditions precedent referred to in the Arrangement Agreement; and
- (f) upon issuance of the Final Order and subject to the conditions precedent in the Arrangement Agreement, proceed to file certain Arrangement filings in accordance with the CBCA.

In the Arrangement Agreement, the REIT has agreed to, among other things, perform all of its obligations under the Arrangement Agreement and all such other acts and things as may be necessary to consummate and make effective the transactions contemplated by the Arrangement Agreement, including such specific actions relating to issuing the REIT Units.

### **Procedure for the Arrangement Becoming Effective**

The Arrangement is proposed to be carried out pursuant to Section 192 of the CBCA. The following procedural steps must be taken for the Arrangement to become effective:

- (a) the Arrangement must be approved by the Shareholders at the Meeting as described herein;
- (b) the Arrangement must be approved by the Court pursuant to the Final Order;
- (c) all conditions precedent to the Arrangement, including those set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate parties;
- (d) the Articles of Arrangement and related documents in the form prescribed by the CBCA, together with a copy of the Final Order and Plan of Arrangement must be filed with the Director; and
- (e) the Certificate must be issued by the Director.

### **Approvals Required for the Arrangement**

#### ***Shareholder Approval***

The Meeting will be held on December 8, 2015 at 11:00 a.m. (Halifax time) at the Courtyard by Marriott, 5120 Salter Street in Halifax, Nova Scotia. At the Meeting, Shareholders will be asked to consider, and if thought advisable, pass the Arrangement Resolution in the form attached hereto as Appendix A, with or without variation. Pursuant to the Interim Order, the Arrangement Resolution must be approved by special resolution. Each Shareholder shall have the right to one vote for each Common Share held by such Shareholder.

Each member of the Board who is also a Shareholder intends to vote all Common Shares, directly or indirectly, held or controlled by him or her in favour of the Arrangement Resolution. As at November 6, 2015, the Directors and officers beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 3.6 million Common Shares, representing approximately 5.8% of the issued and outstanding Common Shares. See "*The Arrangement— Interests of Certain Persons in the Arrangement*".

#### ***Court Approval***

The CBCA provides that where it is not practicable for a corporation to effect a fundamental change in the nature of an arrangement under any other provisions of the CBCA, the corporation may apply to the Court for an order approving an arrangement proposed by the corporation. As it was not considered practicable to effect the transactions contemplated by the Arrangement other than pursuant to the arrangement provisions of the CBCA, Killam has applied for and obtained the Interim Order which provides for the calling and holding of the Meeting and other procedural matters. The Interim Order is attached as Appendix B to this Information Circular. Subject to the



terms of and satisfaction or waiver of the conditions precedent set forth in the Arrangement Agreement, and if the Arrangement Resolution is approved by Shareholders at the Meeting in the manner required by the Interim Order, the Corporation will make application to the Court for the Final Order.

As set forth in the Interim Order, the hearing in respect of the Final Order is scheduled to take place at 10:00 a.m. (Toronto time) on December 11, 2015, or as soon thereafter as counsel may be heard, at the Ontario Superior Court of Justice (Commercial List). Shareholders desiring to appear and make submissions at the hearing of the application for the Final Order are required to appear at the said hearing in person or by a lawyer appearing on their behalf and may present evidence by way of affidavit, provided a copy of such affidavit is served upon the applicant or its counsel, Bennett Jones LLP, 3400 One First Canadian Place, P.O. Box 130, Toronto, Ontario, M5X 1A4, Attention: Derek Bell, at least two days prior to the date set for the hearing of the application for the final Order, and proof of such service is filed with the Clerk of Ontario Superior Court of Justice (Commercial List) prior to the hearing.

Prior to the hearing on the Final Order, the Court will be informed that the Final Order will constitute the basis for an exemption from registration under the 1933 Act for the REIT Units to be issued to Shareholders in the Arrangement pursuant to Section 3(a)(10) of the 1933 Act. The Court will be provided with what the Corporation believes will be sufficient information to determine the value of both the Common Shares being exchanged and the Units being issued. Such information will include, among other things, this Information Circular.

The Court has broad discretion under the CBCA when making orders with respect to an arrangement and the Court will consider, among other things, the fairness of the Arrangement to the Shareholders (and any other party as the Court determines appropriate). The Court may approve the Arrangement, either as proposed or as amended, in any manner the Court may direct. However, it is a condition of the Arrangement that the Final Order be satisfactory in form and substance to each of the parties to the Arrangement Agreement, acting reasonably.

### ***Exchange Approval***

The Common Shares are listed on the Exchange under the symbol "KMP". The November 2010 Debentures and the June 2011 Debentures are currently listed and posted for trading on the TSX under the symbols "KMP.DB.A" and "KMP.DB.B", respectively. The Arrangement is conditional upon receiving the approval of the TSX for the listing of the REIT Units issuable in connection with the Arrangement, the continued listing of the Convertible Debentures and the listing of the REIT Units issuable on conversion of the Convertible Debentures.

### **Procedure for Exchange of Common Shares**

Registered Shareholders must complete and return the Letter of Transmittal, together with the certificate(s) representing their Common Shares, if any, to the Depositary at one of the offices specified in the Letter of Transmittal, to transfer their Common Shares to Killam for either REIT Units or Exchangeable Units and the Ancillary Rights, at their election, under the Arrangement.

Beneficial Shareholders should ensure that instructions on completing the Letter of Transmittal are communicated to the registered holder of their Common Shares.

Any use of the mail to transmit a certificate for Common Shares and a related Letter of Transmittal is at the risk of the Shareholder. If these documents are mailed, it is recommended that registered mail, with return receipt requested, properly insured, be used.

Whether or not Shareholders forward the certificates representing their Common Shares, upon completion of the Arrangement at the Effective Time, Shareholders will cease to be shareholders of the Corporation as of the Effective Time and will only be entitled to receive the consideration to which they are entitled under the Plan of Arrangement, or in the case of Shareholders who properly exercise dissent rights, the right to receive fair value for their Common Shares in accordance with the dissent procedures. See "*The Arrangement – Dissent Rights*".

It is recommended that Shareholders (other than Shareholders intending to exercise Dissent Rights) complete, sign and return the Letter of Transmittal with accompanying Common Share certificates, if any, to the Depositary as soon as possible and preferably prior to the Election Deadline.

Any certificate formerly representing Common Shares that is not deposited with all other documents as required by the Plan of Arrangement on or before the day prior to the fifth anniversary of the Effective Date will cease to represent a right or claim of any kind or nature, including the right of the holder of such Common Shares to receive Units contemplated by the Plan of Arrangement.

### **Interests of Certain Persons in the Arrangement**

As at the date hereof, the Directors and officers of the Corporation beneficially owned, directly or indirectly, or exercised control or direction over, an aggregate of 3.6 million Common Shares, representing approximately 5.8% of the issued and outstanding Common Shares. Each of the Directors and officers has indicated to management of Killam that he or she currently intends to vote all of the Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by him or her in favour of the Arrangement Resolution to be considered at the Meeting.

### **Securities Law Matters**

The Units to be issued under the Arrangement will be issued in reliance on exemptions from prospectus and registration requirements of applicable Canadian securities laws and, following completion of the Arrangement, the Units will generally be "freely tradeable" (other than as a result of any "control block" restrictions which may arise by virtue of the ownership thereof) under applicable Canadian securities laws of the provinces and territories of Canada. The Exchangeable Units are not transferable without the consent of the General Partner, are not listed on a stock exchange in Canada, and the Limited Partnership does not currently intend to seek a listing for the Exchangeable Units on a stock exchange in Canada.

### **Dissent Rights**

Section 190 of the CBCA provides shareholders with the right to dissent from certain resolutions of a corporation involving the amendment of its articles or where provided by a court order. The Interim Order expressly provides registered shareholders with the right to dissent from the Arrangement Resolution pursuant to section 190 of the CBCA except as that section is modified by the Interim Order, and the Plan of Arrangement. Any shareholder who dissents from the Arrangement in compliance with the Interim Order and section 190 of the CBCA except as that section is modified by the Interim Order, and the Plan of Arrangement will be entitled, in the event the Arrangement becomes effective, to be paid by Killam the fair value of the Common Shares held by such dissenting shareholder determined as of the close of business on the day before the Arrangement Resolution is approved by the Shareholders. A Shareholder who intends to exercise his or her Dissent Rights should carefully consider and comply with the provisions of section 190 of the CBCA, as modified by the Interim Order. Failure to comply with the provisions of that section, as modified by the Interim Order, and to adhere to the procedures established therein may result in the loss of all rights thereunder.

The Court hearing the application for the Final Order has the discretion to alter the rights of dissent described herein based on the evidence presented at such hearing.

Under the Interim Order, a registered Shareholder is entitled, in addition to any other rights he or she may have, to dissent and to be paid by Killam the fair value of the Common Shares held by him or her in respect of which he or she dissents, determined as of the close of business on the day before the Arrangement Resolution is approved by the Shareholders. A Shareholder may dissent only with respect to all of the Common Shares held by him or her or on behalf of any one beneficial owner and registered in the Dissenting Shareholder's name. **Persons who are beneficial owners of Common Shares registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent, should be aware that only the registered owner of such securities is entitled to dissent. Accordingly, a beneficial owner of Common Shares desiring to exercise his or her right of dissent must make arrangements for the Common Shares beneficially owned by him or her to be registered in his or**

**her name prior to the time the written objection to the Arrangement Resolution is required to be received by Killam or, alternatively, make arrangements for the registered holder of his or her Common Shares to dissent on his or her behalf.**

**A registered Shareholder who wishes to dissent in respect of his or her Common Shares must provide written notice of dissent by ordinary or registered mail, or by delivery by hand, to Killam, Attention: Dale Noseworthy, at the head office of Killam at 3700 Kempt Road, Halifax, Nova Scotia, B3K 4X8, on or before 11:00 a.m. (Halifax time) on Friday, December 4, 2015. IT IS IMPORTANT THAT SHAREHOLDERS STRICTLY COMPLY WITH THIS REQUIREMENT, WHICH IS DIFFERENT FROM THE STATUTORY DISSENT PROVISIONS OF SECTION 190 OF THE CBCA AND WHICH WOULD PERMIT A DISSENT NOTICE TO BE DELIVERED TO THE REGISTERED OFFICE OF KILLAM AT OR PRIOR TO THE MEETING.**

**The providing of a dissent notice does not deprive a registered Shareholder of the right to vote at the Meeting; however, no Shareholder who has voted in favour of the Arrangement shall be entitled to dissent with respect to the Arrangement. A vote against the Arrangement or an abstention DOES NOT constitute a dissent notice. Similarly, the revocation of a proxy conferring authority on the proxy holder to vote against the Arrangement does not constitute a dissent notice; however, any proxy granted by a Shareholder who intends to dissent, other than a proxy that instructs the proxy holder to vote against the Arrangement, should be validly revoked in order to prevent the proxy holder from voting such Common Shares in favor of the Arrangement and thereby cause the Shareholder to forfeit his or her right to dissent.**

Killam is required, within 10 days after the shareholders adopt the Arrangement Resolution, to notify each Dissenting Shareholder that the Arrangement has been adopted. Such notice is not required to be sent to any shareholder who voted for the Arrangement or who has withdrawn his or her dissent notice.

A Dissenting Shareholder who has not withdrawn his or her dissent notice must then, within 20 days after receipt of notice that the Arrangement Resolution has been adopted or, if the Dissenting Shareholder does not receive such notice, within 20 days after he or she learns that the Arrangement Resolution has been adopted, send to Killam a written notice containing his or her name and address, the number of Common Shares in respect of which he or she dissents, and a demand for payment of the fair value of such Common Shares. Within 30 days after sending a demand for payment, the Dissenting Shareholder must send to Killam the certificates representing the Common Shares in respect of which he or she dissents. A Dissenting Shareholder who fails to send certificates representing the Common Shares in respect of which he or she dissents forfeits his or her right to dissent.

Killam is required, not later than 14 days after the later of the Effective Date of the Arrangement and the date on which Killam received the demand for payment from a Dissenting Shareholder, to send to each Dissenting Shareholder who has sent a demand for payment, an offer to pay for his or her Common Shares in an amount considered by the Killam Board of Directors to be the fair value thereof, accompanied by a statement showing the manner in which the fair value was determined. Every offer to pay must be on the same terms. Killam must pay for the Common Shares of a Dissenting Shareholder within 10 days after an offer to pay has been accepted by a Dissenting Shareholder, but any such offer lapses if Killam does not receive an acceptance thereof within 30 days after the offer to pay has been made.

If Killam fails to make an offer to pay for a Dissenting Shareholder's Common Shares, or if a Dissenting Shareholder fails to accept an offer which has been made, Killam may, within 50 days after the Effective Date of the Arrangement or within such further period as the Court may allow, apply to the Court to fix a fair value for the Common Shares of Dissenting Shareholders. If Killam fails to apply to the Court, a Dissenting Shareholder may apply to the Court for the same purpose within a further period of 20 days or within such further period as the Court may allow.

A Dissenting Shareholder may make an agreement with Killam for the purchase of his Common Shares by Killam, in the amount of Killam's offer or otherwise, at any time before the Court pronounces an order fixing the fair value of the Common Shares.

A Dissenting Shareholder is not required to give security for costs in respect of an application and, except in special circumstances, will not be required to pay the costs of the application and appraisal. On the application, the Court will make an order under subsection 190(15) of the CBCA fixing the fair value of the Common Shares of all Dissenting Shareholders who are parties to the application, giving judgment in that amount against Killam and in favour of each of those Dissenting Shareholders, and fixing the time within which Killam must pay that amount to the Dissenting Shareholders. The Court may in its discretion allow a reasonable rate of interest on the amount payable to each Dissenting Shareholder calculated from the date on which the Dissenting Shareholder ceases to have any rights as a Shareholder under the CBCA until the date of payment.

As part of the Arrangement, the Common Shares held by Dissenting Shareholders will be cancelled prior to the Arrangement and each such Dissenting Shareholder will cease to have any rights as a Shareholder other than the right to be paid the fair value of his Common Shares in the amount agreed to between Killam and the Shareholder or in the amount of the judgment, as the case may be. Until this occurs, the Shareholder may withdraw his dissent, or Killam may rescind the Arrangement Resolution, and in either event the dissent and appraisal proceedings in respect of that Shareholder will be discontinued.

Killam shall not make a payment to a Dissenting Shareholder under section 190 of the CBCA if there are reasonable grounds for believing that Killam is or would after the payment be unable to pay its liabilities as they become due, or the realizable value of the assets of Killam would by reason of the payment be less than the aggregate of its liabilities. In such event, Killam shall, within 10 days after the pronouncement of the order under subsection 190(15) of the CBCA, or the making of an agreement between a Dissenting Shareholder and Killam as to the payment to be made for such Dissenting Shareholder's Common Shares, notify each Dissenting Shareholder that it is lawfully unable to pay Dissenting Shareholders for their Common Shares. In such event, each Dissenting Shareholder may, by written notice delivered to Killam within 30 days after receipt of such notice, withdraw his written objection, in which case such Shareholder shall, in accordance with the Interim Order, be deemed to have participated in the Arrangement as a Shareholder. If the Dissenting Shareholder does not withdraw his written objection he retains his status as a claimant against Killam to be paid as soon as Killam is lawfully entitled to do so or, in a liquidation, to be ranked subordinate to creditors but prior to holders of then-outstanding Common Shares.

All Common Shares held by Dissenting Shareholders will, if such Dissenting Shareholders are ultimately entitled to be paid the fair value thereof, be deemed to be transferred to Killam in exchange for payment of such fair value. If such Shareholders ultimately are not entitled to exercise their Dissent Rights, such Common Shares will be changed into REIT Units and such Shareholders will be issued REIT Units on the same basis as all other Shareholders who have elected to receive REIT Units, pursuant to the Arrangement.

**The Arrangement Agreement provides that, unless otherwise waived, it is a condition to the obligation of Killam and the REIT to complete the Arrangement, that there shall not, as of the Effective Time, be holders of more than 5% of all Common Shares that have validly exercised their Dissent Rights.**

**The foregoing is only a summary of the dissenting shareholder provisions of the CBCA, the Interim Order and the Plan of Arrangement, which are technical and complex. The Interim Order is attached to this Information Circular as Appendix B. A complete copy of section 190 of the CBCA is attached to this Information Circular as Appendix C. The Plan of Arrangement is attached as Exhibit 1 to the Arrangement Agreement, which is attached to this Information Circular as Appendix E. It is recommended that any Shareholder wishing to avail himself or herself of Dissent Rights under those provisions seek legal advice, as failure to comply strictly with the provisions of the CBCA, the Interim Order and the Plan of Arrangement may prejudice, or result in a loss of, the right of dissent.**

## THE CORPORATION

### General

The Corporation was incorporated under the CBCA on May 26, 2000. On October 25, 2000, the Corporation filed Articles of Amendment to remove the private company restrictions previously applicable to the Corporation.

Killam's head office and principal place of business is located at 3700 Kempt Road, Suite 100, Halifax, Nova Scotia, B3K 4X8. Killam's registered and records office is located at 2571 Windsor Street, Halifax, Nova Scotia, B3K 5C4. The Common Shares are listed and posted for trading on the TSX under the trading symbol "KMP".

### Business of Killam

Killam is one of Canada's largest residential landlords, owning, operating and developing multi-family apartments and manufactured home communities.

For a description of the Corporation's business, including a detailed description of the Properties, and the industry in which it operates see "*Description of the Business*" in the AIF, incorporated by reference into this Information Circular.

### Common Shares

Killam is authorized to issue an unlimited number of Common Shares without nominal or par value of which, as at November 6, 2015, 62,727,834 are issued and outstanding as fully paid and non-assessable.

The holders of Common Shares are entitled to dividends if, as and when declared by the Directors (see "*The Corporation – Dividends*"). They are entitled to one vote per Common Share at meetings of Shareholders and upon liquidation, to receive such assets of Killam as are distributable to Shareholders.

To the best of the knowledge of the directors and senior officers of Killam, based on the most recently publicly available information, no person or company beneficially owns, directly or indirectly, or exercises control or direction over, Common Shares carrying 10% or more of the voting rights attached to the issued and outstanding Common Shares of Killam.

### Market for Securities

The Common Shares of Killam are listed and posted for trading on the TSX and trade under the stock symbol "KMP".

The following chart describes the monthly trading range and volume of Killam's Common Shares on a monthly basis during the 12 months ended October 31, 2015:

Month	High	Low	Monthly Volume
<b>2014</b>			
November	\$11.05	\$10.48	2,938,653
December	\$10.76	\$9.99	2,094,723
<b>2015</b>			
January	\$11.21	\$10.17	2,414,875
February	\$11.24	\$10.76	1,143,567
March	\$11.10	\$10.51	4,075,487
April	\$11.06	\$10.72	1,529,199
May	\$10.84	\$10.28	1,361,730
June	\$10.51	\$9.95	1,324,205
July	\$10.44	\$9.90	836,181
August	\$10.49	\$9.21	1,274,426

September	\$10.13	\$9.80	1,260,893
October	\$10.88	\$9.81	1,235,184

The November 2010 Debentures of Killam are listed and posted for trading on the TSX and trade under the stock symbol "KMP.DB.A".

The following chart describes the monthly trading range and volume of the November 2010 Debentures on a monthly basis during the 12 months ended October 31, 2015:

<b>Month</b>	<b>High</b>	<b>Low</b>	<b>Monthly Volume</b>
<b>2014</b>			
November	\$105.02	\$103.00	1,840
December	\$105.00	\$104.00	2,950
<b>2015</b>			
January	\$105.51	\$103.00	3,070
February	\$104.00	\$102.00	7,260
March	\$104.98	\$103.05	2,200
April	\$105.00	\$98.00	5,970
May	\$104.75	\$102.99	7,060
June	\$104.02	\$103.00	6,120
July	\$103.94	\$102.00	3,750
August	\$104.00	\$102.80	4,200
September	\$104.00	\$102.00	12,750
October	\$102.00	\$101.05	12,840

The June 2011 Debentures of Killam are listed and posted for trading on the TSX and trade under the stock symbol "KMP.DB.B".

The following chart describes the monthly trading range and volume of the June 2011 Debentures on a monthly basis during the 12 months ended October 31, 2015:

<b>Month</b>	<b>High</b>	<b>Low</b>	<b>Monthly Volume</b>
<b>2014</b>			
November	\$104.50	\$100.00	1,950
December	\$104.00	\$103.25	2,830
<b>2015</b>			
January	\$104.10	\$101.50	3,240
February	\$104.00	\$103.00	3,290
March	\$104.00	\$103.00	4,010
April	\$105.00	\$103.53	2,560
May	\$104.50	\$102.90	3,040
June	\$104.51	\$103.00	2,450
July	\$104.51	\$100.75	2,010
August	\$104.00	\$103.00	2,650
September	\$104.00	\$100.25	4,520
October	\$102.95	\$101.50	1,290

#### **Prior Sales**

During the 12-month period prior to the date of this Information Circular, Killam issued the following Common Shares: (i) 413,657 Common Shares issued pursuant to the exercise of stock options at a weighted-average price of \$8.16 per Common Share; (ii) 29,313 Common Shares issued pursuant to the redemption of RSUs at a weighted average price of \$10.39; (iii) 588,702 Common Shares issued pursuant to the Corporation's dividend reinvestment

plan (the "**DRIP**"); (iv) 1,341,859 Common Shares issued in connection with the acquisition of real property; (v) 426,136 Common Shares issued in connection with a private placement; and (vi) 4,370,000 Common Shares issued in connection with a public offering. Killam also purchased and subsequently cancelled 21,000 Common Shares as part of its normal course issuer bid.

The following table sets forth the details regarding all issuances of Common Shares, including issuances of all securities convertible into Common Shares during the 12 months preceding the date hereof:

<b>Month of Issue</b>	<b>Issuance Type</b>	<b>Number of Securities Issued</b>	<b>Price per Security<sup>(1)</sup>(\$)</b>
<b>2014</b>			
November	Pursuant to a prospectus offering, the DRIP and the exercise of stock options	4,430,754	10.53
December	As consideration for an acquisition, pursuant to the DRIP and the exercise of stock options and RSUs	466,057	10.51
<b>2015</b>			
January	Pursuant to the DRIP and the exercise of stock options	150,002	8.53
February	Pursuant to the DRIP and the exercise of stock options and RSUs	60,163	9.79
March	As consideration for an acquisition, pursuant to the DRIP and the exercise of stock options and RSUs	1,226,304	10.78
April	Pursuant to the DRIP and the exercise of stock options	58,885	10.86
May	Pursuant to the DRIP and the exercise of stock options	188,267	8.91
June	Pursuant to the DRIP	59,995	10.24
July	Pursuant to the DRIP and the exercise of RSUs	66,580	10.17
August	As consideration for an acquisition and pursuant to the DRIP	310,910	10.06
September	Pursuant to the DRIP and the exercise of RSUs	55,983	10.00
October	Pursuant to the DRIP	74,767	10.07

**Note:**

(1) Based on the volume-weighted average price.

**Dividends**

Killam's current dividend policy is to pay a monthly dividend of \$0.05 per Common Share, which on an annualized basis is \$0.60 per Common Share.

Killam initiated an annualized dividend of \$0.56 per Common Share, paid monthly, during the first quarter of 2007. The following monthly dividend per Common Share was declared as follows:

<b>Time Period</b>	<b>Payment Per Share</b>
January 2014 – December 2014	\$0.05000
June 2011 – December 2013	\$0.04833
March 2007 – May 2011	\$0.04668

The following table sets out the dividends paid by Killam since March 2007:

<b>Calendar Year</b>	<b>Payment Per Share</b>
2014	\$0.60
2013	\$0.58
2012	\$0.58
2011	\$0.57
2010	\$0.56
2009	\$0.56
2008	\$0.56
2007	\$0.47

### ***Dividend Reinvestment Plan***

The Corporation has a DRIP to enable Shareholders to elect to have cash dividends of the Corporation reinvested in additional Common Shares at a price per share calculated by reference to the volume weighted average price of the Common Shares on the Exchange for the ten trading days preceding the relevant payment date. Shareholders who so elect are entitled to receive a further distribution equal to 3% of each dividend that was reinvested by them. No brokerage fees or commissions are payable in connection with Common Shares purchased under the DRIP and all administrative costs are borne by Killam.

Upon Closing, the DRIP will be amended and restated to become the Distribution Reinvestment Plan. In connection with the Conversion, the REIT will assume all of Killam's obligations under the DRIP. See "*The REIT – Distribution Reinvestment Plan*".

### **Legal Proceedings and Regulatory Actions**

Killam is exposed to various litigation and claims that arise from time to time in the normal course of business. These actions generally fall within Killam's property insurance coverage. Killam is not currently the subject of any material legal proceedings.

## **THE REIT**

**Notice to Reader: As at the date hereof, the REIT has not carried on any active business other than executing the Arrangement Agreement. Unless otherwise noted, the disclosure in this section has been prepared assuming that the Arrangement has been completed. The REIT will be the publicly listed trust resulting from the reorganization of Killam's corporate structure into a trust pursuant to the Arrangement.**

The REIT is an open-ended real estate investment trust formed under the laws of the Province of Ontario pursuant to the Declaration of Trust. The head office of the REIT is located at 3700 Kempt Road, Suite 100, Halifax, Nova Scotia, B3K 4X8.

The REIT was formed to complete the Arrangement with Killam. Following completion of the Arrangement, the REIT, together with its affiliates, will be focused on the acquisition, holding, developing, maintaining, improving, leasing or management of income producing real property, including the assets currently held by Killam.

### **REIT Objectives**

The objectives of the REIT include providing Unitholders with stable and growing cash distributions on a tax efficient basis and enhancing the value of the REIT's assets and thereby maximize long-term Unit value by focusing on three key areas of growth:



### ***Maximize NOI from Existing Portfolio***

The REIT will focus on increasing the value of its real estate portfolio by maximizing revenue and operating efficiencies. To achieve NOI growth, Killam will address three critical factors: occupancy, rental rates, and operating costs.

### ***Growth through Acquisitions***

The REIT intends to expand its portfolio by acquiring centrally located buildings in urban markets including expanding its ownership interest in Ontario and Alberta, as well as adding to its established portfolio in Atlantic Canada.

### ***Growth through Development***

The REIT will enhance its growth opportunities with new developments. Killam's construction of new properties directly allows Killam to control the quality and features of the buildings and generally generate higher returns than through acquisitions.

### **Management and Trustees of the REIT**

The Board of Trustees is comprised of the current Directors of the Corporation: Timothy R. Banks, Philip D. Fraser, Robert G. Kay, James C. Lawley, Arthur G. Lloyd, Karine MacIndoe, Robert G. Richardson, Manfred J. Walt and G. Wayne Watson. The Trustees of the REIT shall hold office until the first annual meeting of Unitholders or until their respective successors have been duly elected or appointed.

For detailed information on the Trustees of the REIT, see "*Nominees for Election to the Board of Directors*" in the MIC, incorporated by reference herein.

Following completion of the Arrangement, the Board of Trustees will have three committees: (i) an audit committee; (ii) a corporate governance, nomination & succession committee; and (iii) a compensation committee. Each such committee will be composed of the same individuals serving as members of the Audit Committee, the Corporate Governance, Nomination & Succession Committee and Compensation Committee of Killam.

The mandates and policies of the REIT in respect of corporate governance matters will be substantially similar to those of Killam. For a description of corporate governance matters relating to Killam, see "*Statement of Corporate Governance Practices*" in the MIC which is incorporated by reference in this Information Circular. For a description of the audit committee, see "*Report of the Audit Committee*" in the MIC which is incorporated by reference in this Information Circular.

Upon completion of the Arrangement, the current officers of Killam will become the officers of the REIT.

The following table sets out, for each of the Trustees and executive officers of the REIT upon completion of the Arrangement, the person's name, province of residence, positions with the REIT and principal occupation.

<b>Name and Municipality of Residence</b>	<b>Position</b>	<b>Principal Occupation</b>
Timothy R. Banks <sup>(3)</sup> <i>Charlottetown, Prince Edward Island, Canada</i>	Trustee	President and Chief Executive Officer of the APM Group of Companies
Philip D. Fraser <i>Halifax, Nova Scotia, Canada</i>	Trustee, President and Chief Executive Officer	President and Chief Executive Officer of Killam
Robert G. Kay <sup>(1)</sup>	Trustee, Chairman of the Board	Chairman and founder of Springwall

<b>Name and Municipality of Residence</b>	<b>Position</b>	<b>Principal Occupation</b>
<i>Moncton, New Brunswick, Canada</i>		Group International and Springwall Sleep Productions Inc.
James C. Lawley <sup>(2)</sup> <i>Halifax, Nova Scotia, Canada</i>	Trustee	General Manager of Scotia Fuels Ltd.
Arthur G. Lloyd <sup>(2)</sup> <i>Calgary, Alberta, Canada</i>	Trustee	Executive Vice President Global Investments for Ivanhoé Cambridge
Karine MacIndoe <sup>(1)(3)</sup> <i>Toronto, Ontario, Canada</i>	Trustee	Corporate director
Robert G. Richardson <i>Halifax, Nova Scotia, Canada</i>	Trustee, Executive Vice President and Chief Financial Officer	Executive Vice President and Chief Financial Officer of Killam; President of Compass Commercial Realty Limited
Manfred J. Walt <sup>(2)</sup> <i>Toronto, Ontario, Canada</i>	Trustee	President and Chief Executive Officer of Walt & Co. Inc.
G. Wayne Watson <sup>(1)(3)</sup> <i>Dartmouth, Nova Scotia, Canada</i>	Trustee	Corporate director

**Notes:**

(1) Member of the Audit Committee.

(2) Member of the Corporate Governance, Nomination & Succession Committee.

(3) Member of the Compensation Committee.

Immediately after giving effect to the Arrangement, it is anticipated that the Trustees and officers of the REIT and their associates, as a group, will beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 3.6 million REIT Units and Exchangeable Units representing approximately 5.8% of the then outstanding REIT Units and Exchangeable Units.

**Conflicts of Interest**

Except as disclosed in the AIF or this Information Circular, none of the persons anticipated to be Trustees or executive officers of the REIT has any existing or potential material conflict of interest with the REIT or any of its subsidiaries.

**Compensation of Trustees and Executive Officers**

To date, the REIT has not carried on any business and has not completed a fiscal year of operations. No compensation has been paid by the REIT to its Trustees or executive officers and none will be paid until after the Arrangement is completed. The proposed Trustees and executive officers of the REIT are currently compensated by Killam. See "*Executive Compensation*" in the MIC.

**Indebtedness of Trustees and Executive Officers**

None of the Trustees or executive officers of the REIT, nor any associate of such Trustees or executive officers are, as at the date hereof, indebted to the REIT or any of its subsidiaries. Additionally, the REIT has not provided any guarantee, support agreement, letter of credit or similar arrangement or undertaking in respect of any indebtedness of any such person to any other person or entity.

## Investment Guidelines and Operating Policies

### *Investment Guidelines*

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

- (a) the REIT will invest primarily, directly or indirectly, in the acquisition, holding, developing, maintaining, improving, leasing or management of income producing real property, and assets ancillary thereto necessary for the operation of such real property 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 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 and/or its Subsidiaries 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;
- (d) 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 and/or its Subsidiaries may not hold securities of a person other than to the extent such securities would constitute an investment in real property 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 and/or its Subsidiaries may hold securities of a person (including securities of a reporting issuer or equivalent concept): (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;
- (e) the REIT and/or its Subsidiaries 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;
- (f) the Subsidiaries of the REIT may invest in mortgages and mortgage bonds (including participating or convertible mortgages) and similar instruments where the real property

which is security therefor is real property which otherwise meets the other investment guidelines of the REIT;

- (g) subject to paragraph (b) above, the REIT and/or its Subsidiaries may invest in raw land or other real property for development provided such investment wholly or jointly is for the purpose of (i) the renovation or expansion of existing projects that are capital property of the REIT or a Subsidiary of the REIT, (ii) the development of new projects which will be capital property of the REIT or a Subsidiary of the REIT; or (iii) otherwise consistent with the activities described in paragraph (a) above; and
- (h) unless otherwise specifically prohibited by the Declaration of Trust, the REIT and/or its Subsidiaries may invest in fee simple, leasehold, or other interests in property (real, personal, moveable or immovable).

### ***Operating Policies***

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

- (a) the REIT and/or its Subsidiaries shall not purchase or sell 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*, as replaced or amended from time to time and, in all events, subject to paragraph (b) of "*The REIT – Investment Guidelines and Operating Policies – Investment Guidelines*" described above;
- (b) (i) any written instrument creating indebtedness or 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;
- (c) title to real property shall be held by and registered in the name of the REIT, a Subsidiary of the REIT, one or more of the Trustees or any other person or persons in such manner as the Trustees consider appropriate, taking into account advice of legal counsel;
- (d) the REIT shall not incur or assume any indebtedness if, after giving effect to the incurrence or assumption of such indebtedness, the total indebtedness of the REIT would be more than 70% of Gross Book Value;
- (e) 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 and operating policies; and (ii) (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; and
- (f) the REIT and/or its Subsidiaries shall directly or indirectly obtain and maintain at all times property insurance coverage in respect of potential liabilities of the REIT or its Subsidiaries and the accidental loss of value of the assets of the REIT or its Subsidiaries 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.

References in the sections "*Investment Guidelines*" and "*Operating Policies*" above to investment in real property are deemed to include direct and indirect investments in joint ventures, partnerships and other arrangements that invest in real property.

In this Information Circular, "**indebtedness**" means (without duplication) on a consolidated basis:

- (a) any obligation of such person for borrowed money (including, for greater certainty, the full principal amount of convertible indebtedness, notwithstanding its presentation under IFRS);
- (b) any obligation of such person for borrowed money incurred in connection with the acquisition of property, assets or businesses;
- (c) any obligation of such person issued or assumed as the deferred purchase price of property;
- (d) any capital lease obligation of such person; and
- (e) any obligations of the type referred to in clauses (a) through (d) of another person, the payment of which such person has guaranteed or for which such person is responsible or liable,

provided that (A) an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated statement of financial position of the REIT in accordance with IFRS; (B) obligations referred to in clauses (a) through (c) exclude 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, 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; (C) Units or exchangeable units issued by subsidiaries of the REIT shall not constitute indebtedness notwithstanding the classification of such securities as debt under IFRS; (D) convertible debentures will constitute indebtedness to the extent of the principal amount thereof outstanding; and (E) operating lease obligations will not constitute indebtedness.

#### ***Amendments to Investment Guidelines and Operating Policies***

Pursuant to the Declaration of Trust, the investment guidelines set forth under "*The REIT – Investment Guidelines and Operating Policies – Investment Guidelines*" and the operating policies set forth in sub-paragraphs (a), (b) and (e) under "*The REIT – Investment Guidelines and Operating Policies – Operating Policies*" may be amended only with the approval of not less than two-thirds of the votes cast at a meeting of Unitholders called for such purposes (or a written resolution signed by Unitholders representing at least two-thirds of the outstanding Units). The remaining operating policies may be amended with the approval of a majority of the votes cast at a meeting of Unitholders called for such purposes (or a written resolution signed by Unitholders representing at least a majority of the outstanding 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 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 the Province of Ontario. Although the REIT is expected to qualify on Closing as a "mutual fund trust" as defined in the Tax Act, the REIT will not be a "mutual fund" as defined by applicable securities legislation.

The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of such Act or any other legislation. The Units are not shares in the REIT and, although the protections, rights and remedies set out in the Declaration of Trust are similar to those provided under the CBCA, Unitholders do not have statutory rights of shareholders of a corporation including, for example, "dissent rights" in respect of certain corporate transactions and fundamental changes, the right to apply to a court to order the liquidation or dissolution of the REIT, or the right to bring "oppression" or "derivative" actions. Furthermore, the REIT is not a trust company and accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

### ***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 securities exchangeable into Units. As at the date hereof, the REIT has a total of one REIT Unit outstanding and no Special Voting Units outstanding.

### ***REIT Units***

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

### ***Special Voting Units***

Each Special Voting Unit shall have no economic entitlement nor beneficial interest in the REIT or in the distributions or assets of the REIT, but shall entitle the holder of record thereof to a number of votes at any meeting of the Unitholders equal to the number of REIT Units that may be obtained upon the exchange of the exchangeable security to which such Special Voting Unit is attached. Special Voting Units may only be issued in connection with or in relation to securities exchangeable into REIT Units for the purpose of providing voting rights with respect to the REIT to the holders of such securities.

Special Voting Units shall not be transferable separately from the exchangeable securities to which they are attached and will automatically be transferred upon the transfer of any such exchangeable securities.

Upon the exchange or surrender of an exchangeable security for a REIT Unit, the Special Voting Unit attached to such exchangeable security will automatically be redeemed and cancelled for no consideration without any further action of the Trustees, and the former holder of such Special Voting Unit will cease to have any rights with respect thereto.

Concurrently with the issuance of Special Voting Units attached to exchangeable securities issued from time to time, the REIT shall enter into such agreements (including an exchange agreement and limited partnership agreement) as may be necessary or desirable to properly provide for the terms of the exchangeable securities, including to provide for the voting of such Special Voting Units.

### ***Trustees***

The Declaration of Trust provides that the REIT will have a minimum of five and a maximum of 12 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 Unitholders by ordinary resolution or by the Trustees, provided that the Trustees may not, between meetings of the 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 Unitholders. A vacancy occurring among the Trustees may be filled by resolution of the remaining Trustees or by the Unitholders at a meeting of the 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 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 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 Board of Trustees or to the chair or, if there is no chair, the Unitholders. A Trustee may be removed at any time with or without cause by an ordinary resolution of the Unitholders at a meeting of Unitholders 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, in good faith and in the best interests of the REIT and its 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 Corporate Governance, Nomination and Succession Committee, a Compensation 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 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.

### ***Meetings of Unitholders***

The Declaration of Trust provides that meetings of Unitholders will be required to be called and held in various circumstances, including (i) for the election or removal of Trustees, (ii) the appointment or removal of the auditors of the REIT, (iii) the approval of amendments to the Declaration of Trust (except as described below under "*The REIT – Declaration of Trust and Description of Units – Amendments to Declaration of Trust*"), (iv) the sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees), (v) the termination of the REIT, and (vi) for the transaction of any other business as the Trustees may determine or as may be properly brought before the meeting. Meetings of Unitholders will be called and held annually, commencing in 2016. All meetings of Unitholders must be held in Canada.

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

Unitholders may attend and vote at all meetings of Unitholders either in person or by proxy. Two persons present in person or represented by proxy, and such persons holding or representing by proxy not less in aggregate than 10% of the total number of outstanding Units, will constitute a quorum for the transaction of business at all such meetings. Any meeting at which a quorum is not present within one-half hour after the time fixed for the holding of such meeting, if convened upon the request of the Unitholders, will be terminated, but in any other case, the meeting will stand adjourned to a day not less than 14 days later and to a place and time as chosen by the chair of the meeting, and if at such adjourned meeting a quorum is not present, the Unitholders present either in person or by proxy will be deemed to constitute a quorum.

Holders of Special Voting Units will have an equal right to be notified of, attend and participate in meetings of Unitholders. Pursuant to the Declaration of Trust, a resolution in writing executed by Unitholders holding a proportion of the outstanding Units equal to the proportion required to vote in favour thereof at a meeting of Unitholders to approve that resolution is valid as if it had been passed at a meeting of Unitholders.

### ***Advance Notice Provision***

The Declaration of Trust includes certain advance notice provisions (the "**Advance Notice Provision**"), which will: (i) facilitate orderly and efficient annual general or, where the need arises, special, meetings; (ii) ensure that all Unitholders receive adequate notice of the Trustee nominations and sufficient information with respect to all nominees; and (iii) allow Unitholders to register an informed vote.

Except as otherwise provided in the Declaration of Trust, only persons who are nominated by Unitholders in accordance with the Advance Notice Provision shall be eligible for election as Trustees. Nominations of persons for election to the Board of Trustees may be made for any annual meeting of Unitholders, or for any special meeting of Unitholders if one of the purposes for which the special meeting was called was the election of Trustees: (a) by or at the direction of the Board of Trustees, including pursuant to a notice of meeting; (b) by or at the direction or request of one or more Unitholders pursuant to a requisition of the Unitholders made in accordance with the Declaration of Trust; or (c) by any person (a "**Nominating Unitholder**"): (A) who, at the close of business on the date of the giving of the notice provided for below and on the record date for notice of such meeting, is entered in the REIT's register as a holder of one or more Units carrying the right to vote at such meeting or who beneficially owns Units that are entitled to be voted at such meeting; and (B) who complies with the notice procedures set forth in the Advance Notice Provision.



In addition to any other applicable requirements, for a nomination to be made by a Nominating Unitholder, the Nominating Unitholder must have given timely notice thereof in proper written form to the Trustees. To be timely, a Nominating Unitholder's notice to the Trustees must be made: (a) in the case of an annual meeting of Unitholders, not less than 30 nor more than 60 days prior to the date of the annual meeting of Unitholders; provided, however, that in the event that the annual meeting of Unitholders is to be held on a date that is less than 50 days after the date (the "Notice Date") that is the earlier of the date that a notice of meeting is filed for such meeting or the date on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Unitholder may be made not later than the close of business on the 10th day following the Notice Date; and (b) in the case of a special meeting (which is not also an annual meeting) of Unitholders called for the purpose of electing Trustees (whether or not called for other purposes), not later than the close of business on the 15th day following the day that is the earlier of the date that a notice of meeting is filed for such meeting or the date on which the first public announcement of the date of the special meeting of Unitholders was made. In no event shall any adjournment or postponement of a meeting of Unitholders or the announcement thereof commence a new time period for the giving of a Nominating Unitholder's notice as described above.

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

### ***Redemption Right***

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

- (a) 90% of the "Market Price" of a REIT 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" on the Redemption Date.

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

- (a) an amount equal to the weighted average trading price of a REIT Unit on the principal exchange or market on which the REIT 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 REIT Unit on the principal exchange or market on which the REIT 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 REIT Units for each day on which there was no trading; the closing price of the REIT 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 REIT Units for each day that there was trading, if the market provides only the highest and lowest prices of REIT Units traded on a particular day.

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

- (a) an amount equal to the weighted average trading price of a REIT Unit on the principal exchange or market on which the Units are listed or quoted for trading on the specified date and the principal exchange or market provides information necessary to compute a weighted average trading price of the REIT Units on the specified date;
- (b) an amount equal to the closing price of a Unit on the principal market or exchange if there was a trade on the specified date and the principal exchange or market provides only a closing price of the REIT Units on the specified date;
- (c) an amount equal to the simple average of the highest and lowest prices of the REIT 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 REIT Units on the principal market or exchange, if there was no trading on the specified date.

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

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

before the Redemption Date; and (iv) the redemption of the REIT Units must not result in the delisting of the REIT Units from the principal stock exchange on which the REIT Units are listed.

Cash payable on redemptions will be paid pro rata to all Unitholders tendering REIT Units for redemption in any month. To the extent a Unitholder is not entitled to receive cash upon the redemption of REIT Units as a result of any of the foregoing limitations, then the balance of the Redemption Price for such REIT Units will, subject to any applicable regulatory approvals, be paid and satisfied by way of the issuance to such Unitholder of "**Redemption Notes**". In the event of the issuance of Redemption Notes, each Redemption Note so issued to the redeeming holder of Units shall be in the principal amount of \$100 or such other amount as may be determined by the Trustees. No fractional Redemption Notes shall be issued and where the number of Redemption Notes to be received upon redemption by a holder of REIT Units would otherwise include a fraction, that number shall be rounded down to the next lowest whole number. The Trustees may deduct or withhold from all payments or other distributions payable to any Unitholder pursuant to the Declaration of Trust all amounts required by law to be so withheld.

### ***Purchases of REIT Units by the REIT***

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

### ***Take-Over Bids***

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

### ***Issuance of Units***

The REIT may issue new REIT Units from time to time, in such manner, for such consideration and to such person or persons as the Trustees shall determine. Unitholders will not have any pre-emptive rights whereby additional Units proposed to be issued would be first offered to existing Unitholders. If the Trustees determine that the REIT does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trustees to be available for the payment of such distribution.

The REIT may also issue new REIT Units (i) as consideration for the acquisition of new properties or assets by it, at a price or for the consideration determined by the Trustees or (ii) pursuant to any incentive or option plan established by the REIT from time to time, including the DRIP (See "*The REIT – Distribution Reinvestment Plan*").

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

### ***Non-Certificated Inventory System***

Other than pursuant to certain exceptions, registration of interests in and transfers of REIT Units held through CDS, or its nominee, will be made electronically through the non-certificated inventory ("NCI") system of CDS. On Closing, the REIT, via its transfer agent, will electronically deliver the REIT Units registered to CDS or its nominee. REIT 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 REIT 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 REIT 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 REIT 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 REIT Units or otherwise take action with respect to such Unitholder's interest in such REIT Units (other than through a CDS participant) may be limited due to the lack of a physical certificate.

### ***Limitation on Non-Resident Ownership***

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

### ***Information and Reports***

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

### ***Amendments to the Declaration of Trust***

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

Except as described below, the following amendments, among others, require the approval of two-thirds of the votes cast by all Unitholders at a meeting:

- (a) an amendment to the amendment provisions;
- (b) an exchange, reclassification or cancellation of all or part of the REIT Units;
- (c) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the REIT Units;
- (d) any constraint on the issue, transfer or ownership of the REIT Units or the change or removal of such constraint;
- (e) the sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees and not prejudicial to Unitholders);
- (f) the termination of the REIT (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees and not prejudicial to Unitholders);
- (g) the combination, amalgamation or arrangement of any of the REIT or its subsidiaries with any other entity (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees and not prejudicial to Unitholders); and
- (h) except as described herein, the amendment of the investment guidelines and operating policies of the REIT. See *"The REIT – Investment Guidelines and Operating Policies – Amendments to Investment Guidelines and Operating Policies"*.

Notwithstanding the foregoing, the Trustees may, without the approval of the Unitholders, make certain amendments to the Declaration of Trust.

### **Rights of Unitholders**

The rights of the Unitholders and the attributes of the REIT 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 REIT Units in a manner comparable to shareholders of a CBCA corporation and to elect Trustees and appoint 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 Unitholders and Trustees, the procedures at such meetings and the right of the 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 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.

### **Distribution Policy**

The following outlines the distribution policy of the REIT as contained in the Declaration of Trust. Determinations as to the amounts actually distributable will be made in the sole discretion of the Trustees.

In 2016, the REIT intends to make aggregate distributions in the amount of \$0.60 per REIT Unit. Management of the REIT believes this payout ratio should allow the REIT to meet its internal funding needs, while being able to support stable growth in cash distributions. However, the actual payout ratio will be determined by the Trustees in their discretion. Pursuant to the Declaration of Trust, the Trustees have full discretion respecting the timing and amounts of distributions including the adoption, amendment or revocation of any distribution policy. It is the REIT's current intention to make distributions to Unitholders at least equal to the amount of net income and net realized capital gains of the REIT as is necessary to ensure that the REIT will not be liable for ordinary income taxes on such income.

Unitholders of record as at the close of business on the last Business Day of the month preceding a Distribution Date will have an entitlement on and after that day to receive distributions in respect of that month on such Distribution Date. Under the Declaration of Trust and pursuant to the distribution policy of the REIT, where the REIT's cash is not sufficient to make payment of the full amount of a distribution, such payment will, to the extent necessary, be distributed in the form of additional Units. See "*The REIT – Declaration of Trust and Description of Units – Issuance of Units*" and "*Certain Canadian Federal Income Tax Consequences*".

The first distribution will be for the period from Closing to January 31, 2016 and will be paid on or about February 15, 2016 and, assuming the Closing is effective at the beginning of the day on January 1, 2016, will be in the amount of \$0.05 per REIT Unit. The REIT intends to make subsequent monthly distributions on the 15th of the month, or the first Business Day thereafter should the 15th not be a Business Day, in an amount of \$0.05 per REIT Unit commencing March 15, 2016 for the month of February, 2016.

### **Distribution Reinvestment Plan**

Upon Closing, Killam's current DRIP will be amended and restated to become the Distribution Reinvestment Plan (the "**New DRIP**"), with the REIT assuming all of Killam's obligations under the DRIP.

Pursuant to the New DRIP, Unitholders may elect to have all cash distributions of the REIT automatically reinvested in additional REIT Units at a price per REIT Unit calculated by reference to the weighted average of the closing price of REIT Units on the TSX for the five trading days immediately preceding the relevant Distribution Date. Unitholders who so elect will receive a further distribution of REIT 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 REIT Units under the New DRIP and all administrative costs will be borne by the REIT.

Non-Resident Unitholders will not be entitled to participate in the New DRIP. Upon ceasing to be a resident of Canada, a Unitholder must terminate the Unitholder's participation in the New DRIP.

## **Legal Proceedings**

Other than the Arrangement, there are no outstanding legal proceedings material to the REIT to which the REIT or its subsidiaries are a party or in respect of which any of their respective properties are subject, nor are there any such proceedings known to be contemplated.

## **THE LIMITED PARTNERSHIP**

The following is a summary of the material attributes and characteristics of the Limited Partnership and the partnership units which will be issued under the Limited Partnership Agreement. This summary is qualified in its entirety by reference to the provisions of the Limited Partnership Agreement which contains a complete statement of those attributes and characteristics.

### **General**

The Limited Partnership is a limited partnership created under the laws of the Province of Ontario pursuant to the Limited Partnership Agreement to carry on the business of owning and operating income producing real property and ancillary businesses and, in connection with such business, to own and operate assets and property, to manage and make investments and hold direct or indirect rights in companies or other entities involved in the operating of such real property and to engage in all activities ancillary and incidental thereto.

### **The General Partner**

The general partner of the Limited Partnership is the General Partner, a corporation incorporated pursuant to the CBCA and a wholly-owned Subsidiary of the REIT.

In its capacity as general partner of the Limited Partnership, the General Partner will have exclusive authority to manage the business and affairs of the Limited Partnership, to make all decisions regarding the business of the Limited Partnership and to bind the Limited Partnership in respect of any such decisions. The General Partner will be required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Limited Partnership and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances.

The authority and power vested in the General Partner to manage the business and affairs of the Limited Partnership includes all authority necessary or incidental to carry out the objects, purposes and business of the Limited Partnership, including, without limitation, the ability to engage agents to assist the General Partner to carry out its management obligations and administrative functions in respect of the Limited Partnership and its business.

### **Capitalization**

The Limited Partnership may issue an unlimited number of Class A LP Units, Exchangeable Units and an unlimited number of LP Units of any other class (as the same may be created and issued from time to time by the General Partner) to any person. The Limited Partnership Agreement authorizes the General Partner to cause the Limited Partnership to issue additional LP Units of any class for any consideration and on any terms and conditions as are established by the General Partner from time to time, provided that no newly created class of LP Units may have any preference or right in any circumstances over the Exchangeable Units.

Exchangeable Units held by the Electing Shareholders will be exchangeable into REIT Units in accordance with the terms of the Limited Partnership Agreement and the Exchange Agreement. Class A LP Units and Exchangeable Units will have economic rights that are equivalent in all respects, except as otherwise described herein and will rank equally on dissolution, liquidation or winding-up of the Limited Partnership. Except as required by law and in certain specified circumstances in which the rights of a holder of Exchangeable Units are affected, holders of Exchangeable Units will not be entitled to vote at any meeting of the holders of LP Units. Exchangeable Units are, and other classes of LP Units that may be exchangeable for REIT Units from time to time will be, non-transferable, except in connection with an exchange for REIT Units.

## Distributions

The Limited Partnership currently intends to make monthly cash distributions to holders of record of LP Units on the last Business Day of each distribution period of the Limited Partnership. A distribution period of the Limited Partnership will be a calendar month. In addition, the General Partner will be entitled to minor distributions in proportion to its 0.01% interest in the Limited Partnership, up to a maximum amount of \$1,000 per fiscal year.

Distributions or advances on the Exchangeable Units are intended to be received by holders of such units at the same time as distributions on REIT Units are received by Unitholders. The Limited Partnership may, in addition, make any other distribution (including a distribution in respect of Class A LP Units only for the purpose of funding expenses of the REIT and/or the Trust) from time to time. Distributions or advances to be made to holders of Exchangeable Units will be, to the greatest extent practicable, economically equivalent to the cash distributions made to the Unitholders.

Distributions, in respect of any distribution period, will consist of all or any part of the cash flow of the Limited Partnership for such period, plus any additional cash on hand at the end of such distribution period (to the extent the board of directors of the General Partner reasonably determines to include such cash in distributable cash), plus any additional amounts that the board of directors of the General Partner approves for distribution, which amount is to be distributed by the Limited Partnership in respect of such distribution period, as determined by, or in accordance with guidelines established from time to time by, the board of directors of the General Partner on or before the date of payment of distributions in respect of the distribution period.

## Exchangeable Units

Exchangeable Units are intended to be, to the greatest extent practicable, the economic equivalent of REIT Units. Holders of the Exchangeable Units are entitled to receive distributions paid by the Limited Partnership, which distributions or advances will be equal to, to the greatest extent practicable, to the amount of distributions paid by the REIT to Unitholders. Pursuant to the Arrangement, certificates representing each Exchangeable Unit will be issued together with a Special Voting Unit entitling the holder to one vote at all meetings of Unitholders for each Special Voting Unit held, subject to the customary anti-dilution adjustments set out in the Declaration of Trust. Each Exchangeable Unit is indirectly exchangeable for one REIT Unit, subject to the customary anti-dilution adjustments set out in the Exchange Agreement and the Limited Partnership Agreement and in certain other circumstances. **Exchangeable Units may not be transferred except in connection with an exchange for REIT Units or those certain limited exceptions set out in the Limited Partnership Agreement. The Exchangeable Units will not be listed on the Exchange or on any other stock exchange or quotation system. Although Exchangeable Units are intended, to the greatest extent practicable, to be economically equivalent to REIT Units, there are certain tax consequences to holders of Exchangeable Units, some of which may be adverse. Shareholders who intend to elect to receive Exchangeable Units in connection with the Arrangement should consult with their tax advisors.**

### *Support Rights*

Pursuant to the Support Rights and the terms of the Exchange Agreement and the Limited Partnership Agreement, holders of Exchangeable Units will be entitled to require the Limited Partnership to exchange any or all of the Exchangeable Units held by such holder for an equal number of REIT Units, subject to the customary anti-dilution adjustments set out in the Exchange Agreement. Holders of Exchangeable Units may effect such exchange by presenting a certificate or certificates to the General Partner, with a copy to the REIT, representing the number of Exchangeable Units the holder desires to exchange together with an Exchange Notice and such other documents as the Limited Partnership, the REIT, and the General Partner may require to effect the exchange. In accordance with the Exchange Agreement, the REIT will deliver to the Limited Partnership the aggregate number of REIT Units for which Exchangeable Units are exchanged. Concurrent with the exchange of each Exchangeable Unit for a REIT Unit, the related Special Voting Unit will be cancelled.



### ***Distribution Rights***

Distributions to be made to holders of Exchangeable Units will be, to the greatest extent practicable, economically equivalent to the cash distributions made to the Unitholders. Without limiting the generality of the foregoing, holders of Exchangeable Units will be entitled to receive, subject to applicable law, distributions or advances:

- in the case of a cash distribution declared on the REIT Units, an amount in cash for each Exchangeable Unit corresponding to the cash distribution declared on each REIT Unit; or
- in the case of a distribution declared on the REIT Units in property (other than (i) cash, or (ii) a distribution of REIT Units and immediate consolidation thereafter such that the number of outstanding REIT Units both immediately prior to and following such transaction remains the same), in such type and amount of property as is the same as, or economically equivalent to (as determined by the board of directors of the General Partner, in good faith and in its sole discretion), the type and amount of property declared as a distribution on each REIT Unit.

However, there are consequences related to the ownership of Exchangeable Units that differ from the consequences of owning REIT Units. See "*Risk Factors*".

### ***Voting Rights***

The holders of LP Units will have the right to exercise the votes in respect of all matters to be decided by the limited partners of the Limited Partnership, and the holders of Exchangeable Units will not have the right to exercise any votes in respect of such matters except in certain limited circumstances. The REIT will be the initial holder of Class A LP Units. The holders of Exchangeable Units are not entitled, as such, to receive notice of or to attend any meeting of limited partners of the Limited Partnership or to vote at any such meeting. Pursuant to the Arrangement, each of the holders of Exchangeable Units will receive one Special Voting Unit for each Exchangeable Unit held. Each Special Voting Unit will, initially, entitle the holder to one vote at meetings of Unitholders, subject to the customary anti-dilution adjustments. Each Special Voting Unit is intended to be, to the greatest extent practicable, the voting equivalent of REIT Units and accordingly, will entitle the holders thereof to a number of votes at any meeting of Unitholders equal to the number of REIT Units which may be obtained upon the exchange of the Exchangeable Unit to which the Special Voting Unit relates. However, other than voting rights, the holders of Special Voting Units will have no rights (whether as to distributions or otherwise, other than the right to receive nominal consideration on a redemption thereof) in respect of the REIT. Special Voting Units will be evidenced only by the certificates representing the Exchangeable Units to which they relate and will be non-transferable. Upon exchange of Exchangeable Units for REIT Units, the corresponding Special Voting Units will be redeemed for nominal consideration and cancelled.

### ***Allocation of Net Income and Losses***

Income or loss for tax purposes of the Limited Partnership for a particular fiscal year will generally be allocated to each partner as follows:

- (a) to the General Partner in an amount equal to 0.01% of the income or loss for tax purposes of the Limited Partnership, up to a maximum amount of \$1,000 per fiscal year; and
- (b) to the holders of Class A LP Units: such amount as is necessary to account for expenses incurred by the REIT as determined by the General Partner; and
- (c) to the limited partners: any residual amount calculated by multiplying the total income or loss for tax purposes to be allocated to the partners by a fraction, the numerator of which is the sum of the cash distributions (or advances) received by that partner with respect to that fiscal year (excluding distributions made in respect of Class A LP Units only for the purpose of funding expenses of the REIT) and the denominator of which is the total

amount of the cash distribution (or advances) made by the Limited Partnership to all partners with respect to that fiscal year (excluding distributions which are immediately used to repay advances and distributions made in respect of Class A LP Units only for the purpose of funding expenses of the REIT). The amount of income allocated to a partner may exceed or be less than the amount of cash distributed or advanced by the Limited Partnership to that partner.

Income and loss of the Limited Partnership for accounting purposes is allocated to each partner in the same proportion as income or loss is allocated for tax purposes.

### **Limited Liability**

The Limited Partnership will operate in a manner as to ensure to the greatest extent possible the limited liability of the limited partners. Limited partners may lose their limited liability in certain circumstances. If limited liability 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 has agreed to indemnify each of the limited partners against all claims arising from assertions that each of its liability is not limited as intended by the Limited Partnership Agreement. However, since the General Partner has no significant assets or financial resources, this indemnity may have nominal value.

### **Transfer of LP Units**

The LP Units (other than Class A LP Units) are not transferable, except, in the case of Exchangeable Units, in connection with the exercise of the Support Rights, and in those certain limited exceptions set out in the Limited Partnership Agreement.

### **Excluded Persons**

At no time may a holder of partnership units of the Limited Partnership be an Excluded Person. Shareholders or other Persons that acquire Exchangeable Units will be required to covenant, agree and undertake to immediately notify the General Partner that the holder of partnership units has become an Excluded Person. The General Partner will be entitled at any time to request from any holder of partnership units of the Limited Partnership evidence that is satisfactory to the General Partner that such holder has not become an Excluded Person. In the event that a holder of partnership units has become an Excluded Person in contravention of the foregoing restrictions, the holder of the Exchangeable Units shall be deemed to have ceased to be a partner with effect immediately before the date of contravention and to have exchanged such holder's Exchangeable Units into the applicable number of REIT Units at that time. Any such holder will not be entitled to any distributions from such time.

### **Meetings**

The General Partner may call meetings of partners and will be required to convene a meeting on receipt of a request in writing of the holder(s) of not less than 10% of the outstanding Class A LP Units. A quorum at a meeting of partners consists of one or more partners present in person or by proxy.

### **Amendment**

The Limited Partnership Agreement may be amended with the prior consent of the holders of at least two-thirds of the LP Units entitled to vote thereon voted on at a duly constituted meeting or by a written resolution of partners holding all the LP Units which would have been entitled to vote at a duly constituted meeting (a "**Limited Partnership Special Resolution**"), except for certain amendments, which require unanimous approval of holders of LP Units entitled to vote thereon, including: (i) the limited partners changing the liability of any limited partner; (ii) changing the right of a limited partner to vote at any meeting; or (iii) changing the Limited Partnership from a limited partnership to a general partnership.

Notwithstanding the foregoing:

- amendments which would adversely affect the rights and obligations of the General Partner, as general partner, may be made without its consent;
- no amendment which would adversely affect the rights and obligations of any particular partner without similarly affecting the rights and obligations of all other partners may be made without the consent of that partner; and the General Partner may make amendments to the Limited Partnership Agreement to reflect: (i) a change in the name of the Limited Partnership or the location of the principal place of business of the Limited Partnership or the registered office of the Limited Partnership; (ii) a change in the governing law of the Limited Partnership to any other province of Canada; (iii) admission, substitution, withdrawal or removal of limited partners in accordance with the Limited Partnership Agreement; (iv) a change that, as determined by the General Partner, is reasonable and necessary or appropriate to qualify or continue the qualification of the Limited Partnership as a limited partnership in which the limited partners have limited liability under applicable laws; (v) a change that, as determined by the General Partner, is reasonable and necessary or appropriate to enable the Limited Partnership to take advantage of, or not be detrimentally affected by, changes in the Tax Act or other taxation laws; (vi) 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 Information Circular; or (vii) a change to create a new class of LP Units in compliance with the Limited Partnership Agreement.

#### **Reimbursement of the General Partner**

The Limited Partnership will reimburse the General Partner, as the general partner of the Limited Partnership, for all direct costs and expenses incurred by it in the performance of its duties on behalf of the Limited Partnership, under the Limited Partnership Agreement.

### **THE EXCHANGE AGREEMENT**

#### **Support Rights**

On Closing, the REIT, the Limited Partnership and the General Partner will enter into the Exchange Agreement, pursuant to which each holder of Exchangeable Units will be granted the right to require the Limited Partnership to exchange each Exchangeable Unit for one REIT Unit, subject to customary anti-dilution adjustments. In accordance with the Exchange Agreement, the REIT is required to deliver REIT Units to the Limited Partnership to assist the Limited Partnership in satisfying its obligations to the holders of Exchangeable Units.

A holder of an Exchangeable Unit will have the right to initiate the exchange procedure at any time so long as all of the following conditions have been met:

- (a) the exchange would not cause the REIT to breach the restrictions respecting non-resident ownership contained in the REIT's Declaration of Trust as described under "*Declaration of Trust— Limitation on Non-Resident Ownership*" or otherwise cause it to cease to be a "mutual fund trust" or "real estate investment trust" trust for purposes of the Tax Act or create a substantial risk of either such cessation;
- (b) the REIT is legally entitled to issue the REIT Units in connection with the exercise of the Support Rights; and

- (c) the Person receiving the REIT Units upon the exercise of the Support Rights complies with all applicable securities laws.

### Compulsory Exchange

The REIT and the Limited Partnership each have the right to compel (the "**Compulsory Exchange Right**") an exchange of all of the Exchangeable Units held at any time for REIT Units (or, at the option of the REIT, the cash equivalent thereof, based on the Current Market Price on the date of exercise of the Compulsory Exchange Right) on the basis of one REIT Unit for each Exchangeable Unit, subject to adjustment as provided in the Exchange Agreement and the concurrent right of the REIT to cancel the applicable Special Voting Units as contemplated by the Exchange Agreement.

### PRO FORMA FINANCIAL INFORMATION

The following table sets out certain selected *pro forma* consolidated financial information for the REIT after giving effect to the Arrangement. Such information should be read in conjunction with the unaudited *pro forma* consolidated financial statements of the REIT attached as Appendix D hereto. Adjustments have been made to prepare the unaudited *pro forma* consolidated financial statements of the REIT, which adjustments are based on certain assumptions. Both the adjustments and the assumptions made in respect thereof are described in the notes to the unaudited *pro forma* consolidated financial statements.

The unaudited *pro forma* consolidated financial information of the REIT are presented for illustrative purposes only and are not necessarily indicative of (i) the operating or financial results that would have occurred had the Arrangement actually occurred at the times contemplated by the notes to the unaudited *pro forma* consolidated financial statements, or (ii) results expected in future periods.

(in thousands of Canadian dollars)	<b>Year ended December 31, 2014<sup>(1)</sup></b>
Property revenue	\$147,507
Property operating expenses	(62,906)
<b>Net operating income</b>	<b>84,601</b>
<b>Other income</b>	
Equity income	829
Home sales	61
Corporate income	1,175
	<b>2,065</b>
<b>Other expenses</b>	
Financing costs	(40,515)
Depreciation	(644)
Amortization of deferred financing costs	(1,711)
Administration	(8,717)
	<b>(51,587)</b>
<b>Income before fair value gain, loss on disposition and income taxes</b>	<b>35,079</b>
Fair value adjustments for Exchangeable Units	2,506
Fair value adjustment for Convertible Debentures	(3,535)

	<b>Year ended December 31, 2014<sup>(1)</sup></b>
(in thousands of Canadian dollars)	
Fair value gain on investment properties	4,768
Loss on disposition	(1,257)
<b>Income before income taxes</b>	<b>37,561</b>
Current tax recovery	-
Deferred tax expense	-
<b>Net income</b>	<b>\$37,561</b>
<b>Other comprehensive loss</b>	
<b>Item that may be reclassified subsequently to net income</b>	
Net loss on interest rate hedge	(280)
<b>Comprehensive income</b>	<b>\$37,281</b>

**Note:**

(1) Assumes completion of the Arrangement.

### PRO FORMA CONSOLIDATED CAPITALIZATION

The following table sets forth the unaudited *pro forma* consolidated capitalization of the REIT as at September 30, 2015, after giving effect to the completion of the Arrangement.

	<b><i>Pro Forma</i> As at September 30, 2015 as adjusted to give effect to the Arrangement and events subsequent to September 30, 2015 (in thousands)</b>
<b>Indebtedness<sup>(1)</sup></b>	
Mortgages and loans payable.....	\$917,069
Convertible Debentures .....	103,669
Construction loans .....	19,977
<b>Unitholders' Equity</b>	
Units and retained earnings.....	576,222
<b>Non-controlling interests<sup>(2)</sup></b>	<b>14,853</b>
<b>Total Capitalization</b>	<b>\$1,631,790</b>

**Note:**

(1) Indebtedness figures are shown at their carrying amount, except for the Convertible Debentures which are shown at fair value.

(2) Represents minority interests in certain entities owned by Killam.

## PRIOR SALES OF THE REIT

On October 28, 2015, the REIT was formed and one REIT Unit was issued for \$10.00.

## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Bennett Jones LLP, counsel to the REIT and the Corporation, the following summary fairly presents, as of the date hereof, the principal Canadian federal income tax considerations generally applicable under the Tax Act to Shareholders who participate in the Arrangement and who exchange their Common Shares for REIT Units or Exchangeable Units and the Ancillary Rights, as the case may be. This summary is applicable only to a Shareholder 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 and is not affiliated with the REIT, the Corporation or any person that such Shareholder subsequently sells or otherwise transfers REIT Units or Exchangeable Units to and who holds Common Shares, REIT Units and Exchangeable Units as capital property within the meaning of the Tax Act. Generally, such securities will be considered to be capital property to a holder provided that such holder does not hold the securities in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Shareholders who might not otherwise be considered to hold their Common Shares or REIT Units as capital property may, in certain circumstances, be entitled to make the irrevocable election under subsection 39(4) of the Tax Act to have their Common Shares and REIT Units, and every other "Canadian security" (as defined in the Tax Act) owned in the taxation year of the election and each subsequent taxation year, deemed to be capital property. Such Shareholders should consult their own tax advisors regarding whether such election is available and advisable in their particular circumstances.

This summary is not applicable to a Shareholder (i) that is a "financial institution" for purposes of the "mark-to-market rules" in the Tax Act, (ii) that is a "specified financial institution", (iii) an interest in which is a "tax shelter investment", (iv) that has elected to report its "Canadian tax results" in a currency other than Canadian currency, and (v) that, except as discussed herein, holds Common Shares, REIT Units or Exchangeable Units as part of a "derivative forward agreement", as each of those terms referred to above are defined in the Tax Act. Any such holder should consult their own tax advisors with respect to an acquisition of REIT Units or Exchangeable Units and the Ancillary Rights.

This summary is based upon the facts set out in this Information Circular, certain representations as to factual matters made in a certificate signed by an officer of the REIT and provided to counsel (the "**Officer's Certificate**"), the provisions of the Tax Act in force as at the date hereof and counsel's understanding of the current published administrative policies and assessing practices of the CRA. This summary also takes into account proposals to amend the Tax Act (the "**Tax Proposals**") and assumes that the Tax Proposals will be enacted as proposed but no assurances can be given that the Tax Proposals will be enacted in their current form or at all.

This summary does not otherwise take into account or anticipate any changes in law or in the administrative policies and assessing practices of the CRA, whether by legislative, governmental or judicial decision or action, and does not take into account any provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed in this Information Circular. Modification or amendment of the Tax Act or the Tax Proposals could significantly alter the tax status of the REIT or the tax consequences of holding the REIT Units or Exchangeable Units.

**This summary is of a general nature only and is not intended to be legal or tax advice to any Shareholder and subsequent holders of REIT Units or Exchangeable Units. Shareholders should consult their own tax advisors with respect to the tax consequences of the Arrangement and acquiring, holding or disposing of Common Shares, REIT Units, or Exchangeable Units, as the case may be, based on their own particular circumstances.**

## **Exchange of Common Shares for REIT Units**

A Shareholder who exchanges Common Shares for REIT Units pursuant to the Arrangement will be considered to have disposed of such Common Shares for proceeds of disposition equal to the fair market value at the Effective Time of such REIT Units acquired by the Shareholder.

As a result, a Shareholder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition, net of any reasonable costs of such disposition, exceed (or are less than) the "adjusted cost base" (as defined in the Tax Act) to the Shareholder of the Common Shares. For a description of the tax treatment of capital gains and capital losses, see "*Certain Canadian Federal Income Tax Considerations – Taxation of Capital Gains and Capital Losses*".

The cost to a holder of REIT Units acquired in exchange for Common Shares will be equal to the fair market value at the Effective Time of the Common Shares exchanged by the Shareholder for such REIT Units.

## **Exchange of Common Shares for Exchangeable Units and the Ancillary Rights**

### ***Receipt of the Ancillary Rights***

An Electing Shareholder who elects to receive Exchangeable Units in exchange for Common Shares under the Arrangement will also receive the Ancillary Rights. Such Electing Shareholder will be required to account for these Ancillary Rights in determining the proceeds of disposition of such Common Shares and, where the Electing Shareholder files a Tax Election Form, the cost under the Tax Act of the Exchangeable Units received in consideration therefore. Killam is of the view that the Ancillary Rights have a nominal fair market value. Such view, however, is not binding on the CRA and it is possible that the CRA could take a contrary view. The remainder of this tax summary assumes that the Ancillary Rights have a nominal fair market value.

### ***Exchange of Common Shares for Exchangeable Units and the Ancillary Rights - Non-Rollover Transaction***

An Electing Shareholder who elects to receive Exchangeable Units and the Ancillary Rights in exchange for Common Shares will, unless such Electing Shareholder files a Tax Election Form under subsection 97(2) of the Tax Act as discussed below, be considered to have disposed of such Common Shares for proceeds of disposition equal to the aggregate of (i) the fair market value at the Effective Time of any Exchangeable Units received by the Electing Shareholder on the exchange, and (ii) the fair market value at the Effective Time of the Ancillary Rights received by the Electing Shareholder on the exchange. As noted above, however, this summary assumes that the fair market value of the Ancillary Rights will be a nominal amount.

As a result and assuming that no Tax Election Form is filed, the Electing Shareholder will generally realize a capital gain (or a capital loss) to the extent that the proceeds of disposition (as described above), net of any reasonable costs of such disposition, exceed (or are less than) the adjusted cost base to the Electing Shareholder of the Common Shares. For a description of the tax treatment of capital gains and capital losses, see "*Certain Canadian Federal Income Tax Considerations - Taxation of Capital Gains and Capital Losses*" below.

The aggregate cost to a holder of Exchangeable Units and the Ancillary Rights acquired on the exchange will be equal to the fair market value at the Effective Time of the Common Shares exchanged by an Electing Shareholder for Exchangeable Units and the Ancillary Rights. Provided that the fair market value of the Ancillary Rights is a nominal amount, all the aggregate cost referred to above (less a nominal amount) will be allocated to the cost of the Exchangeable Units.

### ***Exchange of Common Shares for Exchangeable Units and the Ancillary Rights - Rollover Transaction and Tax Election Form***

An Electing Shareholder who elects to receive Exchangeable Units and the Ancillary Rights in exchange for Common Shares, and who files a valid Tax Election Form pursuant to subsection 97(2) of the Tax Act, may thereby

obtain a full or partial deferral of the capital gain otherwise arising on the exchange of such Common Shares as described above under "*Certain Canadian Federal Income Tax Considerations – Exchange of Common Shares for Exchangeable Units and the Ancillary Rights - Non-Rollover Transaction*", depending on the Elected Amount (as defined below) and the adjusted cost base to the Electing Shareholder of such Common Shares at the Effective Time.

**The comments made herein with respect to such tax elections are provided for general information only. The law in this area is complex and contains numerous technical requirements. Electing Shareholders who wish to file a Tax Election Form should consult their own tax advisors and give their immediate attention to this matter.**

#### **Elected Amount**

An Electing Shareholder may elect an amount which, subject to certain limitations contained in the Tax Act, will be treated as the proceeds of disposition of such Common Shares (the "**Elected Amount**"). For purposes of the Tax Act and the Tax Election Forms, the Elected Amount may not:

- (a) be less than the fair market value at the Effective Time of the Ancillary Rights acquired on the exchange (which is assumed to be a nominal amount);
- (b) be less than the lesser of (i) the adjusted cost base to the Electing Shareholder of the Common Shares at the Effective Time which are exchanged for Exchangeable Units and the Ancillary Rights, and (ii) the fair market value of such Common Shares at the Effective Time; and
- (c) exceed the fair market value of the Common Shares at the Effective Time that are exchanged for Exchangeable Units and the Ancillary Rights.

#### **Tax Treatment to Electing Shareholders**

Where an Electing Shareholder files a valid Tax Election Form in respect of Common Shares that complies with the rules in the Tax Act, the tax treatment to such Electing Shareholder will generally be as follows:

- (a) the Electing Shareholder will be deemed to have disposed of such Common Shares for proceeds of disposition equal to the Elected Amount;
- (b) the Electing Shareholder will not realize a capital gain (or a capital loss), provided that the Elected Amount is equal to the sum of (i) the aggregate adjusted cost base to the Electing Shareholder of such Common Shares immediately before the Effective Time and (ii) any reasonable costs of such disposition;
- (c) the Electing Shareholder will realize a capital gain (or a capital loss) to the extent that the Elected Amount exceeds (or is less than) the aggregate of (i) the aggregate adjusted cost base to the Electing Shareholder of such Common Shares immediately before the Effective Time and (ii) any reasonable costs of such disposition. For a description of the tax treatment of capital gains and capital losses, see "*Certain Canadian Federal Income Tax Considerations - Taxation of Capital Gains and Capital Losses*" below;
- (d) the cost to the Electing Shareholder of the Ancillary Rights received on the exchange will be equal to the fair market value thereof at the Effective Time (which is assumed to be a nominal amount); and
- (e) the cost to the Electing Shareholder of the Exchangeable Units received on the exchange will be equal to the amount by which the Elected Amount exceeds the fair market value at the Effective Time of the Ancillary Rights received on the exchange (which is assumed to be a nominal amount).



Tax Election Forms will be executed by the Limited Partnership on the basis that the fair market value of the Ancillary Rights is a nominal amount. This amount will be provided to Shareholders in the Tax Election Form.

### **Procedure for Making an Election**

An Electing Shareholder must provide two copies of the Tax Election Forms (including any applicable provincial tax elections) to the Limited Partnership by the Election Deadline which is three (3) Business Days prior to the Meeting, duly completed and including (i) the required information concerning the Electing Shareholder, (ii) the number of Common Shares being exchanged for Exchangeable Units and the Ancillary Rights, and (iii) the applicable Elected Amounts for such Common Shares. An Electing Shareholder interested in filing a Tax Election Form in respect of the Exchangeable Units and the Ancillary Rights it receives in the Arrangement should so indicate on the Letter of Transmittal and Tax Election Form. The relevant federal tax election form is form T2059. Certain provinces or territories may require that a separate joint tax election be filed for provincial or territorial income tax purposes. The Limited Partnership will also make a joint tax election with an Electing Shareholder under the provisions of any relevant provincial or territorial income tax law having similar effect to subsection 97(2) of the Tax Act.

Subject to the applicable Tax Election Forms being correct and complete and complying with the provisions of the applicable income tax law and the Arrangement, the Limited Partnership will sign duly completed Tax Election Forms received from an Electing Shareholder within 30 days following the Effective Date and return them to the Electing Shareholder for filing. **It is the Electing Shareholder's sole responsibility to sign and file the Tax Election Forms with the applicable governmental authority within the prescribed time in the Tax Act (or any provincial or territorial legislation).**

The Limited Partnership will not be responsible for the proper or accurate completion of the Tax Election Forms or to check or verify the content of any election form and, except for the Limited Partnership's obligation to return duly completed Tax Election Forms (which are received by it by the Election Deadline) within 30 days following the Effective Date, the Limited Partnership will not be responsible for any taxes, interest or penalties or any other costs or damages resulting from the failure by an Electing Shareholder to properly and accurately complete or file the necessary Tax Election Forms in the manner and within the time prescribed by the Tax Act (or any applicable provincial or territorial legislation). In its sole discretion, the Limited Partnership may choose to sign and return Tax Election Forms received after the Election Deadline, but the Limited Partnership will have no obligation to do so.

For the CRA to accept a Tax Election Form without a late filing penalty being paid by an Electing Shareholder, the election form, duly completed and executed by both the Electing Shareholder and the Limited Partnership must be received by the CRA on or before the earliest due date for the filing of any partner of the Limited Partnership or the Electing Shareholder's income tax return for the taxation year which includes the Effective Date.

Information concerning the applicable tax elections will be included in the tax election package that will be available on Killam's website at [www.killamproperties.com/investor-relations/reit-information](http://www.killamproperties.com/investor-relations/reit-information).

**It will be the sole responsibility of each Electing Shareholder who wishes to make such an election to obtain the appropriate federal, provincial or territorial election forms and to duly complete and submit such forms to the Limited Partnership by the Election Deadline which is three (3) Business Days prior to the Meeting and to subsequently file such elections within the time prescribed by legislation. More detailed information regarding the filing deadlines will be posted on Killam's website at [www.killamproperties.com/investor-relations/reit-information](http://www.killamproperties.com/investor-relations/reit-information).**

### **Holding of Exchangeable Units**

During the period that a holder holds Exchangeable Units, such holder will be a partner of the Limited Partnership and will generally be subject to the income tax consequences described below. This summary does not consider all of the potential tax considerations applicable to a person becoming a partner of the Limited Partnership and holders of Exchangeable Units should contact their own tax advisors having regard to their own particular circumstances.

### ***Taxation of the Limited Partnership***

Subject to the SIFT Rules (discussed below), the Limited Partnership itself is not liable for Canadian income tax and is not required to file a Canadian income tax return other than an information return. It is, however, required to compute its income, loss, taxable capital gains and allowable capital losses in accordance with the provisions of the Tax Act for each of its fiscal periods as if it were a separate person resident in Canada for the purposes of the Tax Act. The fiscal period of the Limited Partnership ends on December 31<sup>st</sup> in each calendar year. For each fiscal period, the income, loss, taxable capital gains and allowable capital losses of the Limited Partnership will be allocated to its partners (including holders of Exchangeable Units) in accordance with the terms of the Limited Partnership Agreement and such allocations of income, loss, taxable capital gains and allowable capital losses will retain their character and source for the purposes of the Tax Act when allocated to its partners. The Limited Partnership's income includes income allocated from SLP and interest on debt obligations held by the Limited Partnership.

### ***Allocation of the Limited Partnership's Income to Holders of Exchangeable Units***

Each holder of Exchangeable Units will be required to take into account in computing its income, the holder's proportionate share of the income, loss, taxable capital gains and allowable capital losses of the Limited Partnership allocated to the holder pursuant to the Limited Partnership Agreement for the fiscal period of the Limited Partnership ending in, or concurrently with, the holder's taxation year, whether or not any distribution of income has been made by the Limited Partnership.

The Tax Act contains "at-risk" rules, the purpose of which is to limit the amount of deductions and losses from a business or property that a partner may claim as a result of an investment in a partnership to the amount actually paid for the interest plus the partner's share of undistributed income of the partnership less the amounts owing by the partner (or a person with whom the partner does not deal at arm's length) to the partnership (or a person with whom the partnership does not deal at arm's length) and the amount of any guarantee or indemnity provided to the partner against the loss of the partner's investment. Based on the manner in which the Limited Partnership will be operated, the "at-risk" rules should generally not apply to its partners, including holders of Exchangeable Units.

The adjusted cost base of a holder's Exchangeable Units will be subject to the detailed rules contained in the Tax Act and will generally start with the initial cost of the Exchangeable Units which, as described above, will depend on whether a holder has filed a valid Tax Election Form. Assuming a holder has filed a valid Tax Election Form, the initial cost of the Exchangeable Units will be the amount by which the Elected Amount exceeds the fair market value of the Ancillary Rights (which is assumed to be a nominal amount). The adjusted cost base will be increased by the partner's share of income and capital gains allocated to the holder for a particular fiscal period of the Limited Partnership on the first day following such fiscal period. The adjusted cost base will generally be decreased by (i) the partner's share of loss and capital losses allocated to the holder for a particular fiscal period of the Limited Partnership on the first day following such fiscal period, and (ii) any distributions received by the partner from the partnership.

A holder of Exchangeable Units will not be required to include in income any distributions received from the Limited Partnership, however, such distributions will reduce the adjusted cost base of the holder's Exchangeable Units by an amount equal to such distributions. If, as a result of a distribution, a holder's adjusted cost base of its Exchangeable Units is negative at the end of the Limited Partnership's fiscal period, such negative amount is deemed to be a capital gain realized by the holder and such holder's adjusted cost base of its Exchangeable Units is reset to zero. Pursuant to the Partnership Agreement, any cash received by a holder in a fiscal period is considered to be an advance made to the holder during such fiscal period and such advance is repaid with a distribution made by the Limited Partnership to the partner on the first day following such fiscal period. This is intended to reduce (but not eliminate) the risk that a holder's adjusted cost base is negative as a result of receiving cash payments from the Limited Partnership.

### ***Exchange of Exchangeable Units for REIT Units***

On the exchange by a holder of an Exchangeable Unit for a REIT Unit, the holder will generally realize a capital gain (or a capital loss) to the extent the proceeds of disposition, net of any reasonable costs of disposition, exceed (or

are less than) the adjusted cost base to the holder of the Exchangeable Unit. For these purposes, the proceeds of disposition will be the fair market value of the REIT Unit received upon the exchange. For a description of the tax treatment of capital gains and losses, see "*Certain Canadian Federal Income Tax Considerations - Taxation of Capital Gains and Capital Losses*" below.

The cost to a holder of REIT Units acquired in exchange for Exchangeable Units will be equal to the fair market value at the time of such exchange of the Exchangeable Units exchanged by the holder for REIT Units.

In the 2013 federal budget, the Department of Finance announced and subsequently enacted legislation designed to prevent taxpayers from artificially transforming income into capital gains by using certain derivative agreements (the "**derivate forward agreement rules**"). Although exchangeable partnership units (and exchangeable shares) were not the target of such legislation, the rules are drafted broadly enough that the Department of Finance and the CRA have subsequently confirmed that most exchangeable share and/or exchangeable partnership unit transactions (such as the exchange of Exchangeable Units for REIT Units) should not be caught by the derivative forward agreement rules, provided that the holder retains sufficient exposure to holding the Exchangeable Units and the opportunity for profit (or risk of loss) associated with the Exchangeable Units is very similar to the opportunity for profit (or risk of loss) associated with the REIT Units. Based, in part, on such commentary, the wording of such legislation, and the terms and conditions of the Limited Partnership Agreement and the Exchange Agreement, counsel is of the view that the derivative forward agreement rules should not apply to the Exchangeable Units. However, if the derivative forward agreement rules were to apply, the income tax consequences to a holder who exchanges Exchangeable Units for REIT Units could be materially (and adversely) different than those described above.

## **Holding and Disposing of REIT Units**

### ***Qualification of the REIT as a Mutual Fund Trust and Real Estate Investment Trust***

This summary assumes that the representations made in the Officer's Certificate are true and correct, including the representations that:

the REIT has and will at all times comply with the Declaration of Trust;

that the REIT will file an election under subsection 132(6.1) of the Tax Act to be deemed to have been a "mutual fund trust" (as defined in the Tax Act) from the time of its establishment to the Effective Time;

that the REIT qualifies and will continuously qualify as a "mutual fund trust" under the provisions of the Tax Act which will require it to limit its investments to certain prescribed investments and to meet certain dispersion of ownership requirements with respect to its REIT Units;

that the REIT is not established and will not be maintained primarily for the benefit of non-residents of Canada;

that the REIT will for each taxation year and on a continuous basis, constitute a "real estate investment trust" for the purposes of the Tax Act;

in computing its income for each fiscal period, the REIT will, in accordance with the Declaration of Trust, deduct the amount of its income which is paid or payable to the Unitholders such that it will not be subject to any material amount of tax under Part I of the Tax Act; and

each direct or indirect subsidiary of the REIT qualifies, and will continue to qualify, at all relevant times, as an "excluded subsidiary entity" as defined in the Tax Act.

There can be no assurances, however, that the REIT or its subsidiaries will be able to meet and/or maintain its status as a mutual fund trust, a real estate investment trust or excluded subsidiary entity, as the case may be, or be able to restructure itself to so qualify or will not incur material costs to reorganize itself to so qualify for such status. If the REIT failed to qualify as a "real estate investment trust" for any particular taxation year, it would be subject to

certain provisions of the "specified investment flow through" rules in the Tax Act (or "**SIFT Rules**"). The SIFT Rules effectively tax certain income of a publicly listed or traded trust that is distributed to its Unitholders on the same basis had such income been earned by a taxable Canadian corporation and distributed to Unitholders in the form of a taxable dividend. To the extent that they are applicable to the REIT, the SIFT Rules may, depending on the nature of the distributions from the REIT, including what portion of its distributions are income and what portion are returns of capital, have a material adverse effect on the after-tax returns of certain Unitholders. In addition, if the REIT were to be established or maintained primarily for the benefit of Non-Residents, the REIT would permanently lose its status as a mutual fund trust.

**The remainder of this summary assumes that the REIT will at all material times qualify as a mutual fund trust and a real estate investment trust and that neither the REIT nor any of its direct or indirect subsidiaries will be subject to the SIFT Rules. If any of such assumptions is not accurate, certain income tax consequences described below would, in some respects, be materially and adversely different.**

### ***Taxation of the REIT***

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

The REIT will generally not be subject to tax on any amounts received as distributions from the Limited Partnership. Generally, distributions to the REIT on the Class A LP Units will result in a reduction of the adjusted cost base of the REIT's Class A LP Units. If, as a result, the REIT's adjusted cost base of its Class A LP Units (as computed pursuant to the detailed rules in the Tax Act) at the end of the Limited Partnership's taxation year would otherwise be a negative amount, the REIT will be deemed to realize a capital gain in such amount for that year and the REIT's adjusted cost base of its Class A LP Units at the beginning of the next taxation year would then be nil.

In computing its income for purposes of the Tax Act, the REIT may deduct reasonable administrative costs and other reasonable expenses incurred by it for the purpose of earning income. The REIT may also deduct from its income for the year a portion of any reasonable expenses incurred by the REIT to issue REIT Units. The portion of the issue expenses deductible by the REIT in a taxation year is 20% of the total issue expenses, pro-rated where the REIT's taxation year is less than 365 days. Any losses incurred by the REIT (including losses allocated to the REIT by the Limited Partnership and capable of being deducted by the REIT) may not be allocated to Unitholders, but may generally be carried forward and deducted in computing the taxable income of the REIT in future years in accordance with the detailed rules and limitations in the Tax Act.

Pursuant to the REIT's distribution policy, the Trustees currently intend to make distributions in each year to Unitholders in an amount sufficient to ensure that the REIT will generally not be liable to tax under Part I of the Tax Act in any year (after taking into account any losses or capital losses that may be carried forward from prior years).

### ***Taxation of Unitholders***

#### **Distributions by the REIT**

Subject to the application of the SIFT Rules, a Unitholder will generally be required to include in income for a particular taxation year the portion of the net income of the REIT for the taxation year ending on or before the particular taxation year-end of the Unitholder, including net realized taxable capital gains, that is paid or payable, or deemed to be paid or payable, to the Unitholder in the particular taxation year (and that the REIT deducts in computing its income), whether such portion is received in cash, additional REIT Units or otherwise. Distributions which are made through the issuance of additional REIT Units may give rise to a taxable income inclusion for the

Unitholders even though no cash has been distributed to Unitholders. Any loss of the REIT for purposes of the Tax Act cannot be allocated to, or treated as a loss of, a Unitholder.

Provided that the appropriate designations are made by the REIT, such portion of net taxable capital gains of the REIT as is paid or payable, or deemed to be paid or payable, to a Unitholder will effectively retain its character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. For a description of the tax treatment of capital gains and capital losses, see "*Certain Canadian Federal Income Tax Considerations - Taxation of Capital Gains and Capital Losses*" below.

The non-taxable portion of any net capital gains of the REIT that is paid or payable, or deemed to be paid or payable, to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income and net taxable capital gains of the REIT that is paid or payable, or deemed to be paid or payable, by the REIT to a Unitholder in a taxation year will not generally be included in the Unitholder's income for the year. A Unitholder will be required to reduce the adjusted cost base of its REIT Units by the portion of any amount (other than the non-taxable portion of net realized capital gains of the REIT for the year, the taxable portion of which was designated by the REIT in respect of the Unitholder) paid or payable to such Unitholder that was not included in computing the Unitholder's income. To the extent that the adjusted cost base of a REIT Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the REIT Unit and will be added to the adjusted cost base of the REIT Unit so that the adjusted cost base will be reset to zero. The composition of distributions paid by the REIT, portions of which may be fully or partially taxable or non-taxable, may change over time, affecting the after-tax return to Unitholders.

To the extent that amounts are designated as having been paid to Unitholders out of taxable dividends received or deemed to have been received by the REIT on shares of taxable Canadian corporations, the normal gross-up and dividend tax credit rules, including the enhanced gross-up and dividend tax credit rules in respect of dividends designated by the corporation as "eligible dividends" will apply to Unitholders who are individuals (other than certain trusts). A Unitholder that is a corporation is required to include amounts designated as taxable dividends in computing its income for tax purposes and will generally be entitled to deduct the amount of such dividends in computing its taxable income. Certain corporations, including "private corporations" or "subject corporations" (as defined in the Tax Act) may be liable to pay a refundable tax under Part IV of the Tax Act at the rate of  $33\frac{1}{3}\%$  of such dividends to the extent that such dividends are deductible in computing taxable income.

### **Dispositions of Units**

On any disposition or deemed disposition of a REIT Unit (including a redemption), a Unitholder will generally realize a capital gain (or a capital loss) equal to the amount by which the Unitholder's proceeds of disposition, excluding any amount payable by the REIT which represents an amount that must otherwise be included in the Unitholder's income as described herein, exceed (or are less than) the aggregate of the Unitholder's adjusted cost base of the REIT Unit immediately before such disposition and any reasonable costs of such disposition. For the purpose of determining the adjusted cost base to a Unitholder, when a REIT Unit is acquired, the cost of the newly acquired REIT Unit will be averaged with the adjusted cost base of all of the REIT Units owned by the Unitholder as capital property immediately before that acquisition. The adjusted cost base of a REIT Unit to a Unitholder will include all amounts paid by the Unitholder for the REIT Unit subject to certain adjustments. The cost to a Unitholder of REIT Units received in lieu of a cash distribution of income of the REIT will be equal to the amount of such distribution that is satisfied by the issuance of such REIT Units.

A redemption of REIT Units in consideration for cash or Redemption Notes, as the case may be, will be a disposition of such REIT Units for proceeds of disposition equal to such cash or the fair market value of such notes, as the case may be, less any income or capital gain realized by the REIT in connection with the redemption of those REIT Units to the extent that such income or capital gain is designated to the redeeming Unitholder.

Unitholders exercising the right of redemption will consequently realize a capital gain (or capital loss), depending upon whether the proceeds of disposition received exceed (or are less than) the adjusted cost base of the REIT Units redeemed. A Unitholder who is issued Redemption Notes will thereafter be required to include in income interest on such notes in accordance with the provisions of the Tax Act. Unitholders who are trusts governed by Plans should

consult their own tax advisors as to whether the Redemption Notes constitute a qualified investment for the purposes of such plans.

The consolidation of REIT Units of the REIT will not be considered to result in a disposition of REIT Units by Unitholders. The aggregate adjusted cost base to a Unitholder of all of the Unitholder's REIT Units will not change as a result of a consolidation of REIT Units; however, the adjusted cost base per REIT Unit will increase.

### **Taxation of Capital Gains and Capital Losses**

One-half of any capital gain (a "**taxable capital gain**") realized by a Shareholder, Dissenting Shareholder or Unitholder and the amount of any net taxable capital gains designated by the REIT to a Unitholder will be included in such holder's income as a taxable capital gain. One-half of any capital loss (an "**allowable capital loss**") realized by a Shareholder, Dissenting Shareholder or Unitholder must generally be deducted from taxable capital gains of the holder in the year of disposition as an allowable capital loss. Allowable capital losses realized in excess of taxable capital gains in a particular taxation year may generally be deducted against taxable capital gains realized in the three preceding taxation years or in any subsequent taxation year, subject to and in accordance with the provisions of the Tax Act.

The amount of any capital loss realized on the disposition of a Common Share by a Shareholder or Dissenting Shareholder that is a corporation may, to the extent and under the circumstances specified by the Tax Act, be reduced by the amount of any dividends received or deemed to have been received by the corporation on such share (or on a share for which such share is substituted or exchanged). Similar rules may apply where shares are owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Shareholders or Dissenting Shareholders to whom these rules may be relevant are urged to consult their own tax advisors.

A Shareholder, Dissenting Shareholder or Unitholder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 62/3% on certain types of income, including taxable capital gains.

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

### **Dissenting Shareholders**

If, on the Arrangement, a Shareholder exercises Dissent Rights and receives the fair market value of the Shareholder's Common Shares, such Dissenting Shareholder will be considered to have disposed of the Common Shares for proceeds of disposition equal to the amount received by the Dissenting Shareholder less the amount of any deemed dividend referred to below and any interest awarded by the Court. A Dissenting Shareholder will realize a capital gain (or capital loss) to the extent that the proceeds of disposition (as reduced by any deemed dividend) exceed (or are less than) the adjusted cost base of the Dissenting Shareholder's Common Shares. For a description of the tax treatment of capital gains and capital losses see "*Certain Canadian Federal Income Tax Considerations – Taxation of Capital Gains and Capital Losses*" above. Subject to the discussion below, the Dissenting Shareholder may also be deemed to have received a taxable dividend equal to the amount by which the amount received from the Corporation (other than in respect of interest awarded by the Court) exceeds the "paid-up capital" (as defined in the Tax Act) of such Common Shares. In circumstances where the Common Shares are transferred to Killam and Killam is a predecessor to one or more amalgamations, as is the case in the transactions comprising the Plan of Arrangement, the CRA takes the position that the Dissenting Shareholder may not be deemed to have received a dividend because the corporation formed on the amalgamation is a different corporation than Killam. In the case of a Dissenting Shareholder that is a corporation, in some circumstances the amount of any such deemed dividend may be treated as proceeds of disposition and not as a dividend. Any interest awarded to a Dissenting Shareholder by the Court will be included in the Dissenting Shareholder's income for the purposes of the Tax Act. Dissenting Shareholders should consult their own tax advisors concerning the tax consequences of an exercise of Dissent Rights.

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of Bennett Jones LLP, counsel to the REIT and the Corporation, subject to the restrictions, limitations and assumptions set forth under the heading "*Certain Canadian Federal Income Tax Considerations*", provided the REIT is a "mutual fund trust" within the meaning of the Tax Act at the Effective Time, the REIT Units will be, at such time, "qualified investments" under the Tax Act for trusts governed by the Plans.

Notwithstanding that the REIT Units may be qualified investments, the holder of a TFSA or the annuitant under an RRSP or RRIF will be subject to a penalty tax in respect of the REIT Units, and other tax consequences may result, if the REIT Units constitute a "prohibited investment" (as defined in the Tax Act) for the TFSA, RRSP or RRIF, as the case may be. The REIT Units will generally be a "prohibited investment" if the holder or the annuitant, as the case may be, does not deal at arm's length with the REIT for purposes of the Tax Act or the holder or the annuitant, as the case may be, has a "significant interest" (as defined in the Tax Act) in the REIT. In addition, REIT Units will not be a prohibited investment for a TFSA, RRSP or RRIF if such trust units are "excluded property" (as defined in the Tax Act) for such TFSA, RRSP or RRIF. Holders are urged to consult their own tax advisors in this regard.

Trusts who are governed by Plans and who participate in the Arrangement will generally not be subject to any tax under the Tax Act with respect to exchanging Common Shares for REIT Units or subsequently holding and disposing of such REIT Units. Redemption Notes issued by the REIT on a redemption of REIT Units may not be "qualified investments" for trusts governed by Plans and such holders should contact their own tax advisors with regard to their own particular circumstances prior to exercising any redemption rights with respect to the REIT Units.

## **RISK FACTORS**

Shareholders should carefully consider the risk factors set out below regarding the risks of converting to a trust and consider all other information contained herein and in Killam's other public filings before determining how to vote on the matters before the Meeting.

### **Risks Related to the Arrangement**

#### ***Conditions Precedent***

The completion of the Arrangement in the form contemplated by the Arrangement Agreement is subject to a number of conditions precedent, some of which are outside the control of Killam and the REIT, including, without limitation, receipt of shareholder approval at the Meeting, approval of the TSX for the listing of the REIT Units to be issued pursuant to the Arrangement and the granting of the Final Order by the Court. There can be no certainty, nor can Killam provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. Failure to obtain the Final Order on terms acceptable to the Board would likely result in the decision being made not to proceed with the Arrangement. If the Arrangement is not completed, the market price of the Common Shares may be adversely affected.

#### ***Third Party Approvals***

Failure to obtain the Final Order on terms acceptable to the Board would likely result in the decision being made not to proceed with the Arrangement. If any of the required regulatory and third party approvals cannot be obtained on terms satisfactory to the Board or at all, the Plan of Arrangement may have to be amended in order to mitigate against the negative consequence of the failure to obtain any such approval, and accordingly, the benefits available to Shareholders resulting from the Arrangement may be reduced. Alternatively, in the event that the Plan of Arrangement cannot be amended so as to mitigate against the negative consequences of the failure to obtain a required regulatory or third party approval, the Arrangement may not proceed at all. If the Arrangement is not completed, the market price of the Common Shares may be adversely affected. See "*The Arrangement – Procedure for the Arrangement Becoming Effective*".

## **Risks Related to the REIT**

### ***Cash Distributions are Not Guaranteed***

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

There can be no assurance regarding the amount of income to be generated by the REIT's properties. The ability of the REIT to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of the REIT, and will be subject to various factors including financial performance, obligations under applicable credit facilities, fluctuations in working capital, the sustainability of income derived from the tenant profile of the REIT's properties and capital expenditure requirements. Distributions may be increased, reduced or suspended entirely depending on the REIT's operations and the performance of the REIT's assets at the discretion of the Trustees. The market value of the REIT Units will deteriorate if the REIT is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors. See "*Certain Canadian Federal Income Tax Considerations*".

### ***Restrictions on Redemptions***

The entitlement of Unitholders to receive cash upon the redemption of their REIT Units is subject to the following limitations: (i) the total amount payable by the REIT in respect of such REIT Units and all other REIT Units tendered for redemption in the same calendar month must not exceed \$50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such REIT Units are tendered for redemption, the outstanding REIT Units must be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides fair market value prices for the REIT Units; (iii) the trading of REIT Units is not suspended or halted on any stock exchange on which the REIT Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date for more than five trading days during the 10-day trading period commencing immediately after the Redemption Date; and (iv) the redemption of the REIT Units must not result in the delisting of the REIT Units from the principal stock exchange on which the REIT Units are listed.

### ***Potential Volatility of Unit Prices***

One of the factors that may influence the market price of the REIT Units is the annual yield on the REIT Units. An increase in market interest rates may lead purchasers of REIT Units to demand a higher annual yield, which accordingly could adversely affect the market price of the REIT Units. In addition, the market price of the REIT Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the REIT.

### ***Exchangeable Units***

Holders of Exchangeable Units may lose their limited liability in certain circumstances, including by taking part in the control or management of the business of the Limited Partnership. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province but carrying on business in another province have not been authoritatively established. If limited liability is lost, there is a risk that holders of Exchangeable Units may be liable beyond their contribution of capital and share of undistributed net income of the Limited Partnership in the event of judgment on a claim in an amount exceeding the sum of the net assets of the General Partner and the net assets of the Limited Partnership. Holders of Exchangeable Units remain liable to return to the Limited Partnership for such part of any amount distributed to them as may be necessary to restore the capital of the Limited Partnership to the amount existing before such distribution if, as a result of any such distribution, the capital of the Limited Partnership is reduced and the Limited Partnership is unable to pay its debts as they become due.



### ***Nature of Investment***

A holder of a REIT Unit or an Exchangeable Unit does not hold a share of a body corporate. As holders of REIT Units or Exchangeable Units, the Unitholders will not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The rights of Unitholders are based primarily on the Declaration of Trust. There is no statute governing the affairs of the REIT equivalent to the CBCA which sets out the rights and entitlements of shareholders of corporations in various circumstances. As well, the REIT may not be a recognized entity under certain existing insolvency legislation such as the *Bankruptcy and Insolvency Act* (Canada) and the *Companies Creditors' Arrangement Act* (Canada) and thus the treatment of Unitholders upon an insolvency is uncertain.

### ***Dilution***

The number of REIT Units the REIT is authorized to issue is unlimited. The REIT may, in its sole discretion, issue additional REIT Units from time to time, and the interests of the holders of REIT Units may be diluted thereby.

### **Risks Related to Taxes**

#### ***SIFT Status***

Although, as of the date hereof, management of the REIT believes that the REIT will qualify as a "real estate investment trust", such that the SIFT Rules will not apply to the REIT, there can be no assurance that this will be the case or that the REIT and the Unitholders will not be subject to the tax imposed by the SIFT Rules in 2016 or future years. Please refer to the discussion under "*Certain Canadian Federal Income Tax Considerations – Holding and Disposing of REIT Units – Qualifications of the REIT as a Mutual Fund Trust and Real Estate Investment Trust*".

In the event that the SIFT Rules were to apply to the REIT, the impact to a Unitholder would depend, among other factors, on the particular circumstances of the holder, on the amount of the "non-portfolio earnings" (as defined in the Tax Act) of the REIT, on the amount of income distributed which would not be deductible by the REIT in computing its income in a particular year and the proportions of the REIT's distributions that constitute non-portfolio earnings, other income and returns of capital.

In the event that the SIFT Rules apply to the REIT, the SIFT Rules may have an adverse impact on the REIT and the Unitholders, on the value of the REIT Units, and on the ability of the REIT to undertake financings and acquisitions, and the distributable cash of the REIT may be materially reduced. The effect of the SIFT Rules on the market for the REIT Units is uncertain.

#### ***Mutual Fund Trust Status***

The REIT intends to comply with the requirements under the Tax Act at all relevant times such that it will qualify at all times as a "mutual fund trust" for purposes of the Tax Act.

There can be no assurances that the REIT will be able to meet and/or maintain status as a mutual fund trust for purposes of the Tax Act. Should the REIT cease to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading "*Certain Canadian Federal Income Tax Considerations*" would be materially different in certain respects. In addition, if the REIT were to cease to qualify as a mutual fund trust, REIT Units would not be a "qualified investment" for trusts governed by Plans and the REIT would be subject to additional tax under Part XII.2 of the Tax Act.

#### ***Deductibility of Interest***

The CRA has expressed a view that, in certain circumstances, the deductibility of interest on money borrowed to invest in units of an income trust may be reduced on a pro-rata basis in respect of distributions from the income trust that are a return of capital and that are not reinvested for an income earning purpose. If the CRA's view were to

apply to a Unitholder who borrowed money to invest in REIT Units, part of the interest payable by such Unitholder in connection with money borrowed to acquire such REIT Units could be non-deductible.

### ***Changes of Tax Legislation and Administrative Policies***

There can be no assurance that Canadian federal income tax laws, the terms of the Canada-United States Income Tax Convention, or the administrative policies and assessing practices of the CRA, will not be changed in a manner that adversely affects the REIT or Unitholders. Any such change could increase the amount of tax payable by the REIT, or its affiliates and/or Unitholders or could otherwise adversely affect Unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to Unitholders in respect of distributions.

### ***Distributions to Non-Residents***

The Tax Act may impose additional withholding or other taxes on distributions made by the REIT to Unitholders who are Non-Residents. Such taxes and any reduction under a tax treaty between Canada and another country may change from time to time. In addition, this Information Circular does not describe the Canadian federal income tax consequences under the Tax Act to Non-Residents of disposing of Common Shares or of acquiring, holding, and disposing of REIT Units, which may be materially different than the consequences to Canadian resident Unitholders. Shareholders who are Non-Residents should consult their own tax advisors.

### ***Non-cash Distributions***

The REIT's share of income earned by the Limited Partnership will be allocated to the REIT whether or not any amounts are actually distributed by the Limited Partnership to the REIT. The Declaration of Trust provides that the amount necessary to ensure that the REIT will not be liable to pay non-refundable income tax under Part I of the Tax Act for any taxation year shall be deemed to be declared as a distribution by the Trustees prior to the end of each taxation year. See "*Distribution Policy*". Such distributions may be payable in the form of additional REIT Units where the REIT's available cash is not sufficient to make a payment of the full amount of such distributions, or where otherwise determined by the REIT. While the REIT currently intends that distributions of income in each taxation year will be paid in cash, the Trustees have discretion to determine in the future to make such distributions payable in REIT Units. Unitholders generally will be required to include an amount equal to the amount of such distributions in their taxable income, even in circumstances where they do not receive a cash distribution from the REIT.

### ***Exchangeable Units***

There can be no assurance that the derivative forward agreement rules would not apply to the Exchangeable Units in a manner that increases the amount of tax payable on such exchange. There can be no assurance that holders of Exchangeable Units will be allocated income from the Limited Partnership without a corresponding cash distribution.

### **General Risk Factors**

For a description of certain risk factors in respect of the business of Killam and the industry in which it operates which will continue to apply to the REIT after the Effective Time, see "Risk Factors" in the AIF, which is incorporated by reference into this Information Circular.

## **PROXY AND VOTING INFORMATION**

**Beneficial Shareholders should read the information under the heading "*Proxy and Voting Information – Advice to Beneficial Shareholders of Common Shares*" for an explanation of their rights.**

### **Who is soliciting my proxy?**

The solicitation is being primarily made by the mail, but the Directors, officers and employees may also solicit proxies at a nominal cost to the Corporation. The Corporation may also reimburse brokers and other persons holding

shares in their name or as nominees for their costs incurred in sending proxy forms and related materials to their principals in order to obtain their proxies. These costs will be nominal and will be borne by the Corporation.

### **How do I vote?**

If you are a registered Shareholder you can vote in person at the Meeting or you can sign the enclosed form of proxy appointing the persons named in the proxy or some other person, who need not be a Shareholder, to represent you as proxyholder and vote your shares at the Meeting. You may also vote using the telephone or the internet, as described on the enclosed Voting Information Form. **Please note that the majority of Shareholders are Beneficial Shareholders. Beneficial Shareholders are persons who have purchased shares and are entitled to dividends but who may not be registered on the Corporation's records for the purposes of voting at annual meetings. Usually, a depository, broker or other intermediary is listed as the registered owner. If you are a Beneficial Shareholder please see the section entitled "Advice to Beneficial Holders of Common Shares" for voting instructions.**

### **Can I vote by Internet?**

If you are a registered Shareholder, go to [www.investorvote.com](http://www.investorvote.com) and follow the instructions. You will need your control number (located below the voting instructions on the front of your proxy) to identify yourself to the system. You must submit your vote no later than 11:00 a.m. (Halifax time) on December 4, 2015.

### **Appointment of Proxyholder**

An instrument of proxy (the "**Proxy**") accompanies this Information Circular, and the persons named in the Proxy are both officers of Killam. **A Shareholder has the right to appoint a person (who does not need to be a Shareholder), other than the persons designated in the Proxy, to represent them at the Meeting.** To exercise this right, a Shareholder should strike out the management designated names on the Proxy and insert the name of the desired person in the blank space provided on the Proxy. Alternatively, a Shareholder may complete another appropriate form of proxy. The Proxy, or an alternate form of proxy, will not be valid unless it is deposited at the offices of Computershare Investor Services Inc. ("**Computershare**"), 100 University Ave., 8<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, not less than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or any adjournment of the Meeting.

### **What if I change my mind after the Proxy has been submitted?**

A Shareholder who has submitted a Proxy or alternative form of proxy may revoke it with an instrument in writing signed by the Shareholder or by his or her duly authorized attorney or, if the Shareholder is a corporation, by a duly authorized officer or officers or attorney of such corporation, provided such instrument is deposited either: (i) at the registered office of Killam, being 2571 Windsor Street, Halifax, Nova Scotia, B3K 4X8, at any time up to and including the last Business Day preceding the day of the Meeting, or any adjournment of the Meeting at which the form of proxy is to be used; or (ii) with the Chairman of the Meeting on the day of the Meeting or any adjournment of the Meeting. In addition, a form of proxy may be revoked: (i) by the Shareholder personally attending at the Meeting and voting the securities represented by the Proxy; or, if the Shareholder is a corporation, by a duly authorized officer or officers or attorney of such corporation attending at the Meeting and voting such securities; or (ii) in any other manner permitted by law.

### **How will my shares be voted with the Proxy?**

The persons named in the Proxy will vote or withhold from voting the Common Shares in respect of which they are appointed on any ballot that may be called for in accordance with the direction of the Shareholder appointing them.

The Proxy confers discretionary authority upon the persons named therein with respect to amendments and variations to matters identified in the accompanying Notice of Meeting and with respect to any other matters which may properly come before the Meeting.

**In the absence of such specification, the proxyholder shall be deemed to have been granted the authority to vote the relevant Common Shares FOR the approval of the Arrangement. The Proxy also confers discretionary authority upon the persons named in the Proxy with respect to amendments to, or variations of, the matters identified in the Notice and with respect to other matters that may properly be brought before the Meeting.**

### **Who can sign the Proxy?**

The Proxy must be signed by the Shareholder or the Shareholder's duly appointed attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer or officers or attorney of such corporation. A Proxy signed by a person acting as attorney or in some other representative capacity (including a representative of a corporate shareholder) should indicate that person's capacity (following his or her signature) and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has previously been filed with Killam or Computershare).

### **Advice to Beneficial Holders of Common Shares**

**The information set forth in this section is of significant importance to many Shareholders as a substantial number of Shareholders do not hold their Common Shares in their own name.** Shareholders who do not hold their Common Shares in their own name ("**Beneficial Shareholders**") should note that only proxies deposited by Shareholders whose names appear on the records of Killam as the registered holders of Common Shares can be recognized and acted upon at the Meeting. If the Common Shares are listed in an account statement provided to a Shareholder by a broker, then in almost all cases those shares will not be registered in the shareholder's own name on the records of Killam. Such Common Shares will more likely be registered in the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of shares are registered in the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting Common Shares for the brokers' clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Applicable regulatory policy requires brokers to seek voting instructions from Beneficial Shareholders in advance of Shareholders' meetings. Every broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. In certain cases, the form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is identical to the Proxy provided to registered Shareholders, however, its purpose is limited to instructing the registered Shareholder (*i.e.*, the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The majority of Canadian brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically prepares a machine-readable voting instruction form, mails that form to the Beneficial Shareholders and asks Beneficial Shareholders to return the instruction forms to Broadridge. Alternatively, Beneficial Shareholders can either call Broadridge's toll-free telephone number to vote their Common Shares or access Broadridge's dedicated voting website at [www.proxyvotecanada.com](http://www.proxyvotecanada.com) to deliver their voting instructions. Broadridge then tabulates the results of all instructions received and provides instructions respecting the voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a voting instruction form from Broadridge cannot use that form to vote Common Shares directly at the Meeting – voting instructions must be provided to Broadridge (in accordance with the instructions set forth on the Broadridge form) well in advance of the Meeting in order to have the Common Shares voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

Beneficial Shareholders fall into two categories – those who object to their identity being made known to the issuers of securities which they own ("**Objecting Beneficial Owners**", or "**OBOs**") and those who do not object to their identity being made known to the issuers of the securities they own ("**Non-Objecting Beneficial Owners**", or "**NOBOs**"). Subject to the provisions of National Instrument 54-101- *Communication with Beneficial Owners of Securities of Reporting Issuers* ("**NI 54-101**") issuers may request and obtain a list of their NOBOs from intermediaries via their transfer agents. Pursuant to NI 54-101, issuers may obtain and use the NOBO list for distribution of proxy-related materials directly (not via Broadridge) to such NOBOs.

The Corporation has decided to take advantage of the provisions of NI 54-101 that permit it to deliver proxy-related materials directly to its NOBOs. As a result, any NOBO of the Corporation can expect to receive a scannable Voting Instruction Form ("**VIF**") from Computershare. Please complete and return the VIF to Computershare in the envelope provided. In addition, telephone voting and internet voting are available as further described on the VIF. Instructions in respect of the procedure for telephone and internet voting can be found in the VIF. Computershare

will tabulate the results of the VIFs received from the Corporation's NOBOs and will provide appropriate instructions at the Meeting with respect to the shares represented by the VIFs received by Computershare.

The Corporation's OBOs can expect to be contacted by Broadridge, their brokers or their broker's agents as set out above.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his or her broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered Shareholder and vote the Common Shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered Shareholder should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

**Is my vote confidential?**

Proxies are counted and tabulated by Computershare, the transfer agent of the Corporation, and are not submitted to the management of the Corporation unless a Shareholder clearly intends to communicate his or her comments to the Corporation or legal requirements make it necessary. Shareholders wishing to maintain complete confidentiality of their holdings and their voting could register their Common Shares in the name of a nominee.

**How many votes are required to approve the Arrangement?**

The Arrangement must be approved by not less than 66% of the votes cast at the Meeting.

**How do I contact the Corporation's transfer agent?**

Computershare is the Corporation's transfer agent. Computershare may be contacted by mail at 100 University Ave., 8<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1; by telephone at: 1-800-564-6253; or by fax at: 1-866-249-7775.

*All references to Shareholders in this Information Circular, the accompanying Proxy, and the Notice are to registered Shareholders unless specifically stated otherwise.*

**AUDITOR, TRANSFER AGENT AND REGISTRAR**

**Auditor**

The auditor for the Corporation is Ernst & Young LLP ("**E&Y**"), 1871 Hollis Street #500, Halifax, Nova Scotia, B3J 0C3. After Closing, E&Y will remain as the auditor of the REIT.

**Transfer Agent and Registrar**

The registrar and transfer agent of Killam is Computershare at Suite 2008, Purdy's Wharf Tower II, 1969 Upper Water Street, Halifax, Nova Scotia, B3J 3R7. After Closing, Computershare will remain as the registrar and transfer agent of the REIT.

**EXPERTS**

Certain legal matters relating to the Arrangement are to be passed upon by Bennett Jones LLP, on behalf of the Corporation and the REIT. Bennett Jones LLP has prepared the summary contained in this Information Circular under the heading "*Certain Canadian Federal Income Tax Considerations*". As at November 6, 2015, the partners and associates of Bennett Jones LLP beneficially owned, directly or indirectly, less than one percent of the issued and outstanding Common Shares.

Ernst & Young LLP are the auditors of the Corporation and have confirmed that they are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of The Institute of Chartered Accountants of Nova Scotia.

**CONSENT OF BENNETT JONES LLP**

To: The Board of Directors of Killam Properties Inc.

We hereby consent to the inclusion of our name in the sections titled "*Certain Canadian Federal Income Tax Considerations*" and "*Experts*" in the management information circular of Killam Properties Inc. dated November 6, 2015 relating to the plan of arrangement providing for the reorganization of Killam Properties Inc. and capitalization of Killam Apartment Real Estate Investment Trust.

(signed) **BENNETT JONES LLP**

November 6, 2015

## APPENDIX A

### ARRANGEMENT RESOLUTION

#### FOR CONSIDERATION AT THE SPECIAL MEETING OF SHAREHOLDERS OF KILLAM PROPERTIES INC.

##### BE IT RESOLVED THAT:

1. the Arrangement under section 192 of the *Canada Business Corporations Act* substantially as set forth in the Plan of Arrangement attached as Exhibit 1 to the Arrangement Agreement attached as Appendix E to the information circular accompanying the notice of this meeting is hereby approved and authorized;
2. the Arrangement Agreement dated October 28, 2015 among Killam Properties Inc. (the "**Corporation**"), Killam Apartment Real Estate Investment Trust, Killam Apartment General Partner Ltd. and Killam Apartment Limited Partnership a copy of which is attached as Appendix E to the Information Circular accompanying the notice of this meeting, with such amendments or variations thereto made in accordance with the terms of the Arrangement Agreement as may be approved by the persons referred to in paragraph 4 hereof, such approval to be evidenced conclusively by their execution and delivery of any such amendments or variations, is hereby confirmed, ratified and approved;
3. notwithstanding that this resolution has been duly passed and/or received the approval of the Ontario Superior Court of Justice (Commercial List), the Board of Directors of the Corporation may, without further notice to or approval of the holders of Common Shares, amend or terminate the Arrangement Agreement or the Plan of Arrangement or revoke this resolution at any time prior to the filing of Articles of Arrangement giving effect to the Arrangement; and
4. any director or officer of the Corporation is hereby authorized, for and on behalf of the Corporation, to execute and deliver Articles of Arrangement and to execute, with or without the corporate seal, and, if, appropriate, deliver all other documents and instruments and to do all other things as in the opinion of such director or officer may be necessary or desirable to implement this resolution and the matters authorized hereby, such determination to be conclusively evidenced by the execution and delivery of any such document or instrument, and the taking of any such action.

**APPENDIX B**  
**INTERIM ORDER**  
**(attached)**



**ONTARIO**

**SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

**IN THE MATTER OF AN APPLICATION** under section 192 of the  
*Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended

**AND IN THE MATTER OF** Rule 14.05(2) and Rule 14.05(3) of the  
*Rules of Civil Procedure*, R.R.O. 1990, Reg. 194

**AND IN THE MATTER OF** a proposed arrangement involving  
Killam Properties Inc.

**KILLAM PROPERTIES INC.**

**Applicant**

**NOTICE OF APPLICATION**

**TO THE RESPONDENTS:**

**A LEGAL PROCEEDING HAS BEEN COMMENCED** by the Applicant. The application made by the Applicant appears on the following pages.

**THIS APPLICATION** will come on for a hearing before a Judge presiding over the Commercial List on December 11, 2015 or such later date as the Court may direct at 10:00 a.m., or as soon after that time as the application may be heard, at 330 University Avenue, Toronto, Ontario.

**IF YOU WISH TO OPPOSE THIS APPLICATION**, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

**IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION**, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in the court office

where the application is to be heard as soon as possible, but not later than 2:00 p.m. on the day before the hearing.

**IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.**

Date: October 27, 2015

Issued by:

  
Local Registrar  
**Giuseppe Di Pietro**  
**Registrar**

Address of court office: 330 University Avenue, 7<sup>th</sup> Floor  
Toronto, Ontario M5G 1R7

**TO: THE DIRECTOR**  
*Canada Business Corporations Act*  
Industry Canada  
Jean Edmonds Tower South  
365 Laurier Avenue West, 9<sup>th</sup> Floor  
Ottawa, ON K1A 0C8

**AND TO: ALL HOLDERS OF COMMON SHARES OF KILLAM PROPERTIES INC.**

**AND TO: ALL DIRECTORS OF KILLAM PROPERTIES INC.**

**AND TO: ERNST & YOUNG LLP**  
RBC Waterside Centre  
1871 Hollis Street, Suite 500  
Halifax, NS B3J 0C3

**Gina M. Kinsman**  
gina.m.kinsman@ca.ey.com

Auditors for Killam Properties Inc.

## APPLICATION

### 1. THE APPLICANT MAKES AN APPLICATION FOR:

- (a) an interim order (the "**Interim Order**") for advice and directions pursuant to section 192(4) of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended (the "**CBCA**"), with respect to an arrangement (the "**Arrangement**") involving Killam Properties Inc. ("**Killam**"), whereby Killam will be converted from a corporation into a real estate investment trust (the "**Killam REIT**");
- (b) a final order approving the Arrangement pursuant to section 192 of the CBCA;
- (c) such further orders or directions as are required for the administration of the Arrangement; and
- (d) such further and other relief as this Honourable Court may deem just.

### 2. THE GROUNDS FOR THE APPLICATION ARE:

- (a) the Applicant, Killam, is a company incorporated under the CBCA, with its head office and principal place of business located at 3700 Kempt Road, Suite 100, Halifax, Nova Scotia, B3K 4X8;
- (b) the common shares of Killam (the "**Common Shares**") are listed on the Toronto Stock Exchange under the symbol "KMP";
- (c) under the proposed Arrangement, holders of Common Shares may elect to receive, in exchange for each of their Common Shares on a one-for-one basis, either (i) one unit of the Killam REIT (a "**Killam REIT Unit**"), or (ii) one Class B limited partnership unit (referred to as an "**Exchangeable LP Unit**") of Killam Apartment Limited Partnership, a subsidiary of the Killam REIT;
- (d) Exchangeable LP Units are intended to be economically equivalent to and exchangeable for Killam REIT Units on a one-for-one basis, and will be accompanied by special voting units of the Killam REIT that provide their holders with equivalent voting rights to holders of Killam REIT Units;

- (e) the Arrangement is, in all the circumstances, fair and reasonable to the holders of the Common Shares;
- (f) the relief sought in the Interim Order is within the scope of section 192 of the CBCA and will enable the court to consider the Arrangement on the return of this Application;
- (g) the Applicant is not insolvent and it is not practicable for the Applicant to effect a fundamental change in the nature of the Arrangement under any other provision of the CBCA;
- (h) if the Arrangement is approved, the final order approving the Arrangement will constitute the basis for an exemption from the registration requirements of the *U.S. Securities Act of 1933*, as amended, as set forth in Section 3(a)(10) thereof, in respect of any securities to be issued or distributed under the Arrangement;
- (i) section 192 of the CBCA;
- (j) rules 2.03, 3.02, 14.05(2), 14.05(3), 17.02(c), 17.02(n), 38 and 39 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194; and
- (k) such further and other grounds as counsel may advise and this Honourable Court may permit.

**3. THE FOLLOWING DOCUMENTARY EVIDENCE WILL BE USED AT THE HEARING OF THE APPLICATION:**

- (a) the affidavit of Philip D. Fraser, to be sworn, with exhibits thereto, outlining the basis for the Interim Order for advice and directions;
- (b) the further affidavit(s), with exhibits thereto, including an affidavit outlining the basis for the final order approving the Arrangement, and reporting as to compliance with the Interim Order and the results of any meeting conducted pursuant to the Interim Order; and

- (c) such further and other material as counsel may advise and this Honourable Court may permit.

October 27, 2015

**BENNETT JONES LLP**

1 First Canadian Place  
Suite 3400, P.O. Box 130  
Toronto, ON M5X 1A4

**Derek J. Bell (LSUC No. 43420J)**

Tel: 416-777-4638  
belld@bennettjones.com

**Joseph Marcus (LSUC No. 65619S)**

Tel: 416-777-6234  
Fax: 416-863-1716  
marcusj@bennettjones.com

Lawyers for the Applicant,  
Killam Properties Inc.

**IN THE MATTER OF AN APPLICATION** under section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, involving Killam Properties Inc.

Court File No. **CJ-15-11153-000**

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

**NOTICE OF APPLICATION**

**BENNETT JONES LLP**  
1 First Canadian Place  
Suite 3400, P.O. Box 130  
Toronto, ON M5X 1A4

**Derek J. Bell (LSUC No. 43420J)**  
Tel: 416-777-4638  
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**Joseph Marcus (LSUC No. 65619S)**  
Tel: 416-777-6234  
Fax: 416-863-1716  
marcusj@bennettjones.com

Lawyers for the Applicant,  
Killam Properties Inc.

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

THE HONOURABLE	)	TUESDAY, THE 3 <sup>rd</sup>
	)	
JUSTICE PENNY	)	DAY OF NOVEMBER, 2015

**IN THE MATTER OF** an application under section 192 of the  
*Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended;

**AND IN THE MATTER OF** Rule 14.05(2) and Rule 14.05(3) of the  
*Rules of Civil Procedure*

**AND IN THE MATTER OF** a proposed arrangement involving  
Killam Properties Inc.



**INTERIM ORDER**

**THIS MOTION** made by the Applicant, Killam Properties Inc. ("**Killam**"), for an interim order for advice and directions pursuant to section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, (the "**CBCA**") was heard this day at 330 University Avenue, Toronto, Ontario.

**ON READING** the Notice of Motion, the Notice of Application issued October 27, 2015 and the affidavit of Philip D. Fraser sworn October 28, 2015 (the "**Fraser Affidavit**"), including the Plan of Arrangement, which is attached to the draft Management Information Circular of Killam (the "**Circular**"), which is attached as Exhibit "A" to the Fraser Affidavit,

and on hearing the submissions of counsel for Killam, and on being advised that the Director appointed under the CBCA (the "**Director**") does not consider it necessary to appear,

**AND UPON BEING ADVISED** that Killam intends to rely on the exemption from registration provided by Section 3(a)(10) of the *U.S. Securities Act of 1933*, as amended, in connection with the issuance or distribution of securities, based on this Court's approval of the transactions contemplated in the Arrangement Agreement and the Plan of Arrangement after this Court's consideration of the procedural and substantive fairness of the proposed transactions and after holding a hearing open to the shareholders of Killam.

### **Definitions**

1. **THIS COURT ORDERS** that all definitions used in this Interim Order shall have the meaning ascribed thereto in the Circular or otherwise as specifically defined herein.

### **The Meeting**

2. **THIS COURT ORDERS** that Killam is permitted to call, hold and conduct a special meeting (the "**Meeting**") of the holders (the "**Shareholders**") of the voting common shares in the capital of Killam (the "**Common Shares**") to be held at the Courtyard by Marriott, 5120 Salter Street, Halifax, Nova Scotia, on December 8, 2015 at 11:00 a.m. (Halifax time) in order for the Shareholders to consider and, if determined advisable, pass a special resolution authorizing, adopting and approving, with or without variation, the Arrangement and the Plan of Arrangement (collectively, the "**Arrangement Resolution**").

3. **THIS COURT ORDERS** that the Meeting shall be called, held and conducted in accordance with the CBCA, the notice of meeting of Shareholders, which accompanies the



Circular (the "**Notice of Meeting**") and the articles and by-laws of Killam, subject to what may be provided hereafter and subject to further order of this court.

4. **THIS COURT ORDERS** that the record date (the "**Record Date**") for determination of the Shareholders entitled to notice of, and to vote at, the Meeting shall be November 3, 2015.

5. **THIS COURT ORDERS** that the only persons entitled to attend or speak at the Meeting shall be:

- a) the Shareholders or their respective proxyholders;
- b) the officers, directors, auditors and advisors of Killam;
- c) the Director; and
- d) other persons who may receive the permission of the Chairman of the Meeting.

6. **THIS COURT ORDERS** that Killam may transact such other business at the Meeting as is contemplated in the Circular, or as may otherwise be properly before the Meeting.

#### **Quorum**

7. **THIS COURT ORDERS** that the Chairman of the Meeting shall be determined by Killam and that the quorum at the Meeting shall be not less than two (2) persons present in person or represented by proxy, holding not less than five (5) per cent of the Common Shares entitled to a vote at the Meeting.

#### **Amendments to the Arrangement and Plan of Arrangement**

8. **THIS COURT ORDERS** that Killam is authorized to make, subject to the terms of the Arrangement Agreement, and paragraph 9, below, such amendments, modifications or

supplements to the Arrangement and the Plan of Arrangement as it may determine without any additional notice to the Shareholders, or others entitled to receive notice under paragraph 12 hereof and the Arrangement and Plan of Arrangement, as so amended, modified or supplemented shall be the Arrangement and Plan of Arrangement to be submitted to the Shareholders at the Meeting and shall be the subject of the Arrangement Resolution. Amendments, modifications or supplements may be made following the Meeting, but shall be subject to review and, if appropriate, further direction by this Honourable Court at the hearing for the final approval of the Arrangement.

9. **THIS COURT ORDERS** that, if any amendments, modifications or supplements to the Arrangement or Plan of Arrangement as referred to in paragraph 8, above, would, if disclosed, reasonably be expected to affect a Shareholder's decision to vote for or against the Arrangement Resolution, notice of such amendment, modification or supplement shall be distributed, subject to further order of this Honourable Court, by press release, newspaper advertisement, prepaid ordinary mail, or by the method most reasonably practicable in the circumstances, as Killam may determine.

#### **Amendments to the Circular**

10. **THIS COURT ORDERS** that Killam is authorized to make such amendments, revisions and/or supplements to the draft Circular as it may determine and the Circular, as so amended, revised and/or supplemented, shall be the Circular to be distributed in accordance with paragraph 12.

### **Adjournments and Postponements**

11. **THIS COURT ORDERS** that Killam, if it deems advisable and subject to the terms of the Arrangement Agreement, is specifically authorized to adjourn or postpone the Meeting on one or more occasions, without the necessity of first convening the Meeting or first obtaining any vote of the Shareholders respecting the adjournment or postponement, and notice of any such adjournment or postponement shall be given by such method as Killam may determine is appropriate in the circumstances. This provision shall not limit the authority of the Chairman of the Meeting in respect of adjournments and postponements.

### **Notice of Meeting**

12. **THIS COURT ORDERS** that, in order to effect notice of the Meeting, Killam shall send the Circular (including the Notice of Application and this Interim Order), the Notice of Meeting, the form of proxy and letter of transmittal and election form, along with such amendments or additional documents as Killam may determine are necessary or desirable and are not inconsistent with the terms of this Interim Order (collectively, the "**Meeting Materials**"), to the following:

- a) the registered Shareholders at the close of business on the Record Date, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting, by one or more of the following methods:
  - i) by pre-paid ordinary or first class mail at the addresses of the Shareholders as they appear on the books and records of Killam, or its registrar and transfer agent, at the close of business on the Record Date

and if no address is shown therein, then the last address of the person known to the Corporate Secretary of Killam;

- ii) by delivery, in person or by recognized courier service or inter-office mail, to the address specified in (i) above; or
  - iii) by facsimile or electronic transmission to any Shareholder, who is identified to the satisfaction of Killam, who requests such transmission in writing and, if required by Killam, who is prepared to pay the charges for such transmission;
- b) non-registered Shareholders by providing sufficient copies of the Meeting Materials to intermediaries and registered nominees in a timely manner, in accordance with National Instrument 54-101 of the Canadian Securities Administrators; and
- c) the respective directors and auditors of Killam, and to the Director appointed under the CBCA, by delivery in person, by recognized courier service, by pre-paid ordinary or first class mail or, with the consent of the person, by facsimile or electronic transmission, at least twenty-one (21) days prior to the date of the Meeting, excluding the date of sending and the date of the Meeting;

and that compliance with this paragraph shall constitute sufficient notice of the Meeting.

13. **THIS COURT ORDERS** that accidental failure or omission by Killam to give notice of the Meeting or to distribute the Meeting Materials to any person entitled by this Interim Order to receive notice, or any failure or omission to give such notice as a result of events

beyond the reasonable control of Killam, or the non-receipt of such notice shall, subject to further order of this Honourable Court, not constitute a breach of this Interim Order nor shall it invalidate any resolution passed or proceedings taken at the Meeting. If any such failure or omission is brought to the attention of Killam, it shall use its best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

14. **THIS COURT ORDERS** that Killam is hereby authorized to make such amendments, revisions or supplements to the Meeting Materials, as Killam may determine in accordance with the terms of the Arrangement Agreement ("**Additional Information**"), and that notice of such Additional Information may, subject to paragraph 9, above, be distributed by press release, newspaper advertisement, pre-paid ordinary mail, or by the method most reasonably practicable in the circumstances, as Killam may determine.

15. **THIS COURT ORDERS** that distribution of the Meeting Materials pursuant to paragraph 12 of this Interim Order shall constitute notice of the Meeting and good and sufficient service of the within Application upon the persons described in paragraph 12 and that those persons are bound by any orders made on the within Application. Further, no other form of service of the Meeting Materials or any portion thereof need be made, or notice given or other material served in respect of these proceedings and/or the Meeting to such persons or to any other persons, except to the extent required by paragraph 9, above.

#### **Solicitation and Revocation of Proxies**

16. **THIS COURT ORDERS** that Killam is authorized to use the letter of transmittal and election form and proxies substantially in the form of the drafts accompanying the Circular, with such amendments and additional information as Killam may determine are necessary or

desirable, subject to the terms of the Arrangement Agreement. Killam is authorized, at its expense, to solicit proxies, directly or through its officers, directors or employees, and through such agents or representatives as they may retain for that purpose, and by mail or such other forms of personal or electronic communication as it may determine. Killam may waive generally, in its discretion, the time limits set out in the Circular for the deposit or revocation of proxies by Shareholders, if Killam deems it advisable to do so.

17. **THIS COURT ORDERS** that Shareholders shall be entitled to revoke their proxies in accordance with section 148(4) of the CBCA (except as the procedures of that section are varied by this paragraph) provided that any instruments in writing delivered pursuant to s.148(4)(a)(i) of the CBCA: (a) may be deposited at the registered office of Killam as set out in the Circular; and (b) any such instruments must be received by Killam not later than 5:00 p.m. (Halifax time) on the last Business Day preceding the day of the Meeting (or any adjournment or postponement thereof).

### **Voting**

18. **THIS COURT ORDERS** that the only persons entitled to vote in person or by proxy on the Arrangement Resolution, or such other business as may be properly brought before the Meeting, shall be those Shareholders holding Common Shares as of the close of business on the Record Date. Illegible votes, spoiled votes, defective votes and abstentions shall be deemed to be votes not cast. Proxies that are properly signed and dated but which do not contain voting instructions shall be voted in favour of the Arrangement Resolution.

19. **THIS COURT ORDERS** that votes shall be taken at the Meeting on the basis of one vote per Common Share and that in order for the Plan of Arrangement to be implemented,

subject to further Order of this Honourable Court, the Arrangement Resolution must be passed, with or without variation, at the Meeting by:

an affirmative vote of at least two-thirds ( $66\frac{2}{3}\%$ ) of the votes cast in respect of the Arrangement Resolution at the Meeting in person or by proxy by the Shareholders.

Such votes shall be sufficient to authorize Killam to do all such acts and things as may be necessary or desirable to give effect to the Arrangement and the Plan of Arrangement on a basis consistent with what is provided for in the Circular without the necessity of any further approval by the Shareholders, subject only to final approval of the Arrangement by this Honourable Court.

20. **THIS COURT ORDERS** that in respect of matters properly brought before the Meeting pertaining to items of business affecting Killam (other than in respect of the Arrangement Resolution), each Shareholder is entitled to one vote for each Common Share held.

#### **Dissent Rights**

21. **THIS COURT ORDERS** that each registered Shareholder shall be entitled to exercise Dissent Rights in connection with the Arrangement Resolution in accordance with section 190 of the CBCA (except as the procedures of that section are varied by this Interim Order and the Plan of Arrangement) provided that, notwithstanding subsection 190(5) of the CBCA, any Shareholder who wishes to dissent must, as a condition precedent thereto, provide written objection to the Arrangement Resolution to Killam in the form required by section 190 of the CBCA and the Arrangement Agreement, which written objection must be received by Killam not later than 5:00 p.m. (Halifax time) on the Business Day that is two (2) Business Days prior

to the day of the Meeting (or any adjournment or postponement thereof), and must otherwise strictly comply with the requirements of the CBCA. For purposes of these proceedings, the "court" referred to in section 190 of the CBCA means this Honourable Court.

22. **THIS COURT ORDERS** that, notwithstanding section 190(3) of the CBCA, Killam shall be required to offer to pay fair value, as of the day prior to approval of the Arrangement Resolution, for Common Shares held by Shareholders who duly exercise Dissent Rights, and to pay the amount to which such Shareholders may be entitled pursuant to the terms of the Arrangement Agreement and Plan of Arrangement. In accordance with the Plan of Arrangement and the Circular, all references to the "corporation" in subsections 190(3) and 190(11) to 190(26), inclusive, of the CBCA (except for the second reference to the "corporation" in subsection 190(12) and the two references to the "corporation" in subsection 190(17)) shall be deemed to refer to Killam in place of the "corporation", and Killam shall have all of the rights, duties and obligations of the "corporation" under subsections 190(11) to 190(26), inclusive, of the CBCA.

23. **THIS COURT ORDERS** that any Shareholder who duly exercises such Dissent Rights set out in paragraph 21 above and who:

- i) is ultimately determined by this Honourable Court to be entitled to be paid fair value for his, her or its Common Shares, shall be deemed to have transferred those Common Shares as of the Effective Time, without any further act or formality and free and clear of all liens, claims, encumbrances, charges, adverse interests or security interests, to Killam in consideration for a payment of cash from Killam equal to such fair value; or



- ii) is for any reason ultimately determined by this Honourable Court not to be entitled to be paid fair value for his, her or its Common Shares pursuant to the exercise of the Dissent Right, shall be deemed to have participated in the Arrangement on the same basis and at the same time as any non-dissenting Shareholder;

but in no case shall Killam or any other person be required to recognize such Shareholders as holders of Common Shares at or after the date upon which the Arrangement becomes effective and the names of such Shareholders shall be deleted from Killam's register of Shareholders at that time.

#### **Hearing of Application for Approval of the Arrangement**

24. **THIS COURT ORDERS** that upon approval by the Shareholders of the Plan of Arrangement in the manner set forth in this Interim Order, Killam may apply to this Honourable Court for final approval of the Arrangement.

25. **THIS COURT ORDERS** that distribution of the Notice of Application and the Interim Order in the Circular, when sent in accordance with paragraph 12 shall constitute good and sufficient service of the Notice of Application and this Interim Order and no other form of service need be effected and no other material need be served unless a Notice of Appearance is served in accordance with paragraph 26.

26. **THIS COURT ORDERS** that any Notice of Appearance served in response to the Notice of Application shall be served on the lawyers for Killam as soon as reasonably practicable, and, in any event, no less than two (2) Business Days before the hearing of this Application at the following addresses:

**BENNETT JONES LLP**  
Suite 3400, 1 First Canadian Place  
P.O. Box 130  
Toronto, Ontario M5X 1A4

Attn: Derek J. Bell  
belld@bennettjones.com

Lawyers for Killam Properties Inc.

27. **THIS COURT ORDERS** that, subject to further order of this Honourable Court, the only persons entitled to appear and be heard at the hearing of the within application shall be:

- i) Killam;
- ii) the Director; and
- iii) any person who has filed a Notice of Appearance herein in accordance with the Notice of Application, this Interim Order and the *Rules of Civil Procedure*.

28. **THIS COURT ORDERS** that any materials to be filed by Killam in support of the within Application for final approval of the Arrangement may be filed up to one (1) day prior to the hearing of the Application without further order of this Honourable Court.

29. **THIS COURT ORDERS** that in the event the within Application for final approval does not proceed on the date set forth in the Notice of Application, and is adjourned, only those

persons who served and filed a Notice of Appearance in accordance with paragraph 26 shall be entitled to be given notice of the adjourned date.

**Precedence**

30. **THIS COURT ORDERS** that, to the extent of any inconsistency or discrepancy between this Interim Order and the terms of any instrument creating, governing or collateral to the Common Shares, or the articles or by-laws of Killam, this Interim Order shall govern.

**Extra-Territorial Assistance**


31. **THIS COURT** seeks and requests the aid and recognition of any court or any judicial, regulatory or administrative body in any province of Canada and any judicial, regulatory or administrative tribunal or other court constituted pursuant to the Parliament of Canada or the legislature of any province and any court or any judicial, regulatory or administrative body of the United States or other country to act in aid of and to assist this Honourable Court in carrying out the terms of this Interim Order.

**Variance**

32. **THIS COURT ORDERS** that Killam shall be entitled to seek leave to vary this Interim Order upon such terms and upon the giving of such notice as this Honourable Court may direct.

ENTERED AT / INSCRIT A TORONTO  
ON / BOOK NO:  
LE / DANS LE REGISTRE NO.

NOV 03 2015



**IN THE MATTER OF AN APPLICATION** under section 192 of the *Canada Business Corporations Act*, R.S.C. 1985, c. C-44, as amended, involving Killam Properties Inc.

Court File No. CV-11153-00CL

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**ONTARIO  
SUPERIOR COURT OF JUSTICE  
(COMMERCIAL LIST)**

Proceeding commenced at Toronto

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**ORDER**

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**BENNETT JONES LLP**

1 First Canadian Place  
Suite 3400, P.O. Box 130  
Toronto, ON M5X 1A4

**Derek J. Bell (LSUC No. 43420J)**

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marcusj@bennettjones.com

Lawyers for the Applicant,  
Killam Properties Inc.

## **APPENDIX C**

### **SECTION 190 OF THE CANADA BUSINESS CORPORATIONS ACT**

#### **Right to dissent**

190. (1) Subject to sections 191 and 241, a holder of shares of any class of a corporation may dissent if the corporation is subject to an order under paragraph 192(4)(d) that affects the holder or if the corporation resolves to

(a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue, transfer or ownership of shares of that class;

(b) amend its articles under section 173 to add, change or remove any restriction on the business or businesses that the corporation may carry on;

(c) amalgamate otherwise than under section 184;

(d) be continued under section 188;

(e) sell, lease or exchange all or substantially all its property under subsection 189(3); or

(f) carry out a going-private transaction or a squeeze-out transaction.

#### **Further right**

(2) A holder of shares of any class or series of shares entitled to vote under section 176 may dissent if the corporation resolves to amend its articles in a manner described in that section.

#### **If one class of shares**

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares.

#### **Payment for shares**

(3) In addition to any other right the shareholder may have, but subject to subsection (26), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents or an order made under subsection 192(4) becomes effective, to be paid by the corporation the fair value of the shares in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted or the order was made.

#### **No partial dissent**

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

#### **Objection**

(5) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting and of their right to dissent.

### **Notice of resolution**

(6) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (5) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn their objection.

### **Demand for payment**

(7) A dissenting shareholder shall, within twenty days after receiving a notice under subsection (6) or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing

- (a) the shareholder's name and address;
- (b) the number and class of shares in respect of which the shareholder dissents; and
- (c) a demand for payment of the fair value of such shares.

### **Share certificate**

(8) A dissenting shareholder shall, within thirty days after sending a notice under subsection (7), send the certificates representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent.

### **Forfeiture**

(9) A dissenting shareholder who fails to comply with subsection (8) has no right to make a claim under this section.

### **Endorsing certificate**

(10) A corporation or its transfer agent shall endorse on any share certificate received under subsection (8) a notice that the holder is a dissenting shareholder under this section and shall forthwith return the share certificates to the dissenting shareholder.

### **Suspension of rights**

(11) On sending a notice under subsection (7), a dissenting shareholder ceases to have any rights as a shareholder other than to be paid the fair value of their shares as determined under this section except where

- (a) the shareholder withdraws that notice before the corporation makes an offer under subsection (12),
- (b) the corporation fails to make an offer in accordance with subsection (12) and the shareholder withdraws the notice, or
- (c) the directors revoke a resolution to amend the articles under subsection 173(2) or 174(5), terminate an amalgamation agreement under subsection 183(6) or an application for continuance under subsection 188(6), or abandon a sale, lease or exchange under subsection 189(9),

in which case the shareholder's rights are reinstated as of the date the notice was sent.

### **Offer to pay**

(12) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (7), send to each dissenting shareholder who has sent such notice

- (a) a written offer to pay for their shares in an amount considered by the directors of the corporation to be the fair value, accompanied by a statement showing how the fair value was determined; or
- (b) if subsection (26) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares.

#### **Same terms**

- (13) Every offer made under subsection (12) for shares of the same class or series shall be on the same terms.

#### **Payment**

- (14) Subject to subsection (26), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (12) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made.

#### **Corporation may apply to court**

- (15) Where a corporation fails to make an offer under subsection (12), or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as a court may allow, apply to a court to fix a fair value for the shares of any dissenting shareholder.

#### **Shareholder application to court**

- (16) If a corporation fails to apply to a court under subsection (15), a dissenting shareholder may apply to a court for the same purpose within a further period of twenty days or within such further period as a court may allow.

#### **Venue**

- (17) An application under subsection (15) or (16) shall be made to a court having jurisdiction in the place where the corporation has its registered office or in the province where the dissenting shareholder resides if the corporation carries on business in that province.

#### **No security for costs**

- (18) A dissenting shareholder is not required to give security for costs in an application made under subsection (15) or (16).

#### **Parties**

- (19) On an application to a court under subsection (15) or (16),
  - (a) all dissenting shareholders whose shares have not been purchased by the corporation shall be joined as parties and are bound by the decision of the court; and
  - (b) the corporation shall notify each affected dissenting shareholder of the date, place and consequences of the application and of their right to appear and be heard in person or by counsel.

#### **Powers of court**

- (20) On an application to a court under subsection (15) or (16), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall then fix a fair value for the shares of all dissenting shareholders.

### **Appraisers**

(21) A court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders.

### **Final order**

(22) The final order of a court shall be rendered against the corporation in favour of each dissenting shareholder and for the amount of the shares as fixed by the court.

### **Interest**

(23) A court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment.

### **Notice that subsection (26) applies**

(24) If subsection (26) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (22), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

### **Effect where subsection (26) applies**

(25) If subsection (26) applies, a dissenting shareholder, by written notice delivered to the corporation within thirty days after receiving a notice under subsection (24), may

- (a) withdraw their notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to their full rights as a shareholder; or
- (b) retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

### **Limitation**

(26) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

- (a) the corporation is or would after the payment be unable to pay its liabilities as they become due; or
- (b) the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities.

R.S., 1985, c. C-44, s. 190; 1994, c. 24, s. 23; 2001, c. 14, ss. 94, 134(F), 135(E); 2011, c. 21, s. 60(F).



**APPENDIX D**

**PRO FORMA FINANCIAL STATEMENTS OF THE REIT**

**(attached)**

**Killam Apartment REIT**  
**Pro Forma Condensed Consolidated Statement of Financial Position**  
**September 30, 2015 (unaudited)**  
**(in thousands of Canadian dollars)**

	<b>Killam Apartment REIT</b>	<b>Killam Properties Inc.</b>	<b>Subtotal</b>	<b>Pro Forma Adjustments</b>	<b>Note 3</b>	<b>Pro Forma</b>
<b>ASSETS</b>						
<b>Non-current</b>						
Investment properties	\$ -	\$1,822,090	\$1,822,090	\$ -		\$1,822,090
Property and equipment	-	4,852	4,852	-		4,852
Loans receivable	-	4,950	4,950	-		4,950
Other non-current assets	-	18	18	-		18
	-	1,831,910	1,831,910	-		1,831,910
<b>Current Assets</b>						
Cash	10	15,740	15,750	(1,000)	(f)	14,750
Rent and other receivables	-	5,141	5,141	-		5,141
Inventory	-	300	300	-		300
Other current assets	-	16,868	16,868	-		16,868
	10	38,049	38,059	(1,000)		37,059
<b>Total Assets</b>	<b>\$10</b>	<b>\$1,869,959</b>	<b>\$1,869,969</b>	<b>(\$1,000)</b>		<b>\$1,868,969</b>
<b>EQUITIES AND LIABILITIES</b>						
Unitholders' equity	\$10	\$670,422	\$670,432	(\$94,043)	(a), (b), (c), (d), (f)	\$576,389
Accumulated other comprehensive loss	-	(167)	(167)	-		(167)
Non-controlling interest	-	14,853	14,853	-		14,853
<b>Total Equity</b>	<b>10</b>	<b>685,108</b>	<b>685,118</b>	<b>(94,043)</b>		<b>591,075</b>
<b>Non-current liabilities</b>						
Mortgages and loans payable	-	796,834	796,834	-		796,834
Convertible debentures	-	99,199	99,199	4,470	(c)	103,669
Other liabilities	-	5,582	5,582	-		5,582
Exchangable Units	-	-	-	124,680	(a)	124,680
Deferred tax	-	116,097	116,097	(38,033)	(b)	78,064
	-	1,017,712	1,017,712	91,117		1,108,829
<b>Current liabilities</b>						
Mortgages and loans payable	-	120,235	120,235	-		120,235
Construction loans	-	19,977	19,977	-		19,977
Accounts payable and accrued liabilities	-	26,927	26,927	-		26,927
Unit-based compensation financial liabilities	-	-	-	1,926	(d)	1,926
	-	167,139	167,139	1,926		169,065
<b>Total Liabilities</b>	<b>-</b>	<b>1,184,851</b>	<b>1,184,851</b>	<b>93,043</b>		<b>1,277,894</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>\$10</b>	<b>\$1,869,959</b>	<b>\$1,869,969</b>	<b>(\$1,000)</b>		<b>\$1,868,969</b>

**Killam Apartment REIT**
**Pro Forma Condensed Consolidated Statement of Income and Comprehensive Income**
**September 30, 2015 (unaudited)**
**(in thousands of Canadian dollars)**

	<b>Killam Apartment REIT</b>	<b>Killam Properties Inc.</b>	<b>Subtotal</b>	<b>Pro Forma Adjustments</b>	<b>Note 3</b>	<b>Pro Forma</b>
Property revenue	\$ -	\$124,181	\$124,181	\$ -		\$124,181
Property operating expenses	-	(51,152)	(51,152)	-		(51,152)
<b>Net operating income</b>	-	73,029	73,029	-		73,029
<b>Other income</b>						
Home sales	-	29	29	-		29
Corporate income	-	1,076	1,076	-		1,076
	-	1,105	1,105	-		1,105
<b>Other expenses</b>						
Financing costs	-	(27,718)	(27,718)	(4,810)	(a), (d)	(32,528)
Depreciation	-	(566)	(566)	-		(566)
Amortization of deferred financing costs	-	(1,409)	(1,409)	-		(1,409)
Administration	-	(7,356)	(7,356)	(203)	(e)	(7,559)
	-	(37,049)	(37,049)	(5,013)		(42,062)
<b>Income before fair value gain, loss on disposition and income taxes</b>	-	37,085	37,085	(5,013)		32,072
Fair value adjustment for Exchangeable Units	-	-	-	3,884	(a)	3,884
Fair value adjustment for convertible debentures	-	-	-	327	(c)	327
Fair value gain on investment properties	-	1,548	1,548	-		1,548
Loss on disposition	-	(109)	(109)	-		(109)
<b>Income before income taxes</b>	-	38,524	38,524	(802)		37,722
Deferred tax expense	-	(10,125)	(10,125)	10,125	(b)	-
<b>Net income</b>	\$ -	28,399	28,399	\$9,323		37,722
<b>Other comprehensive loss</b>						
<b>Item that may be reclassified subsequently to net income</b>						
Amortization of loss in AOCL to finance costs	-	31	31	14	(e)	45
<b>Comprehensive income</b>	\$ -	28,430	28,430	\$14		37,767

**Killam Apartment REIT**
**Pro Forma Condensed Consolidated Statement of Income and Comprehensive Income**
**December 31, 2014 (unaudited)**

(in thousands of Canadian dollars)

	<b>Killam Apartment</b>	<b>Killam Properties Inc.</b>	<b>Subtotal</b>	<b>Pro Forma Adjustments</b>	<b>Note 3</b>	<b>Pro Forma</b>
Property revenue	\$ -	\$147,507	\$147,507	\$ -		\$147,507
Property operating expenses	-	(62,906)	(62,906)	-		(62,906)
<b>Net operating income</b>	-	84,601	84,601	-		84,601
<b>Other income</b>						
Equity income	-	829	829	-		829
Home sales	-	61	61	-		61
Corporate income	-	1,175	1,175	-		1,175
	-	2,065	2,065	-		2,065
<b>Other expenses</b>						
Financing costs	-	(34,609)	(34,609)	(5,906)	(a), (d)	(40,515)
Depreciation	-	(644)	(644)	-		(644)
Amortization of deferred financing costs	-	(1,711)	(1,711)	-		(1,711)
Administration	-	(8,525)	(8,525)	(192)	(e)	(8,717)
	-	(45,489)	(45,489)	(6,098)		(51,587)
<b>Income before fair value gain, loss on disposition and income taxes</b>	-	41,177	41,177	(6,098)		35,079
Fair value adjustments for Exchangeable Units	-	-	-	2,506	(a)	2,506
Fair value adjustment for convertible debentures	-	-	-	(3,535)	(c)	(3,535)
Fair value gain on investment properties	-	4,768	4,768	-		4,768
Loss on disposition	-	(1,257)	(1,257)	-		(1,257)
<b>Income before income taxes</b>	-	44,688	44,688	(7,127)		37,561
Current tax recovery	-	1,451	1,451	(1,451)	(b)	-
Deferred tax expense	-	(13,472)	(13,472)	13,472	(b)	-
<b>Net income</b>	\$ -	\$32,667	\$32,667	\$4,894		\$37,561
<b>Other comprehensive loss</b>						
<b>Item that may be reclassified subsequently to net income</b>						
Net loss on interest rate hedge	-	(198)	(198)	(82)	(e)	(280)
<b>Comprehensive income</b>	\$ -	\$32,469	\$32,469	(\$82)		\$37,281

## **Killam Apartment REIT**

### **Notes to the Pro Forma Condensed Consolidated Financial Statements**

*Tabular amounts in thousands of Canadian dollars (except share, per share or as noted amounts)*

*(Unaudited)*

#### **1. Basis of Preparation**

Killam Apartment Real Estate Investment Trust (the “REIT” or the “Trust”) was created pursuant to the Declaration of Trust dated October 28, 2015, when one trust unit was issued for cash consideration of \$10. The accompanying unaudited pro forma condensed consolidated financial statements (the “Pro Formas”) have been prepared for inclusion in the Information Circular dated November 6, 2015 relating to the conversion of Killam Properties Inc. (“Killam” or the “Company”) into the REIT. The pro forma condensed consolidated statement of financial position as at December 31, 2014, and the condensed consolidated statements of income and comprehensive income for the nine months ended September 30, 2015 and the year ended December 31, 2014 assumes that the REIT conversion had occurred on September 30, 2015 and January 1, 2014, respectively.

Since the conversion to the REIT does not contemplate a change of control for accounting purposes, the financial statements of the REIT will be the continuation of Killam’s financial statements. As a result of the conversion, the Pro Formas reflect the assets and liabilities of Killam at the respective Killam carrying amounts subject to the pro forma adjustments in note 3.

These Pro Formas have been prepared in accordance with the accounting policies of the Company as contained in its September 30, 2015, unaudited condensed consolidated financial statements and in its December 31, 2014 audited consolidated financial statements. These policies are in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The Pro Formas do not include all of the information and disclosures required by IFRS for annual financial statements and therefore should be read in conjunction with the September 30, 2015 unaudited condensed consolidated financial statements of the Company and the December 31, 2014 audited consolidated financial statements of the Company.

The Pro Formas include estimates and assumptions effective November 6, 2015.

#### **2. Transaction**

The Company is proposing to convert to the REIT under the Plan of Arrangement (the “Arrangement”). Through a series of steps, the Arrangement will result in shareholders transferring their common shares to the Company in consideration for an equal number of REIT units or of an equal number of exchangeable units in Class B limited partnership units of Killam Apartment Limited Partnership (“Exchangeable Units”).

#### **3. Pro Forma Adjustments**

##### *(a) Trust Units*

The Trust Units are redeemable at the holder’s option, and as a result, are accounted for as liabilities, however are presented as equity in accordance with International Accounting Standard 32 – Financial Instruments: Presentation (“IAS 32”).

##### *(b) Exchangeable Units*

The Pro Formas have been prepared using the assumption that 20% of the common shares will be exchanged for Exchangeable Units (the maximum number of exchangeable units to be issued pursuant to the Arrangement). The Pro Formas use the number of outstanding shares at September 30, 2015 to calculate the number of Exchangeable Units assumed to be issued, which has been calculated as 12,530,613 Exchangeable Units. The distributions on the Exchangeable Units are recognized in the condensed

**Killam Apartment REIT****Notes to the Pro Forma Condensed Consolidated Financial Statements**

*Tabular amounts in thousands of Canadian dollars (except share, per share or as noted amounts)*

*(Unaudited)*

consolidated statements of income and comprehensive income as financing costs. The Exchangeable Units are remeasured at each reporting date at their fair value, as they are exchangeable at the holders' option into puttable instruments, with changes in fair value recognized in the consolidated statements of income and comprehensive income.

The fair value of the Exchangeable Units in the Pro Formas has been assumed to be equal to the Killam share prices at the relevant dates, and distributions have been assumed to be equal to dividends paid by Killam during the relevant periods.

*(c) Current and deferred income taxes*

Included in the Pro Formas is the reversal of the deferred tax expense for the periods ended December 31, 2014 and September 30, 2015 to reflect the tax status of the REIT as a flow-through vehicle. The deferred income tax liability recorded of the statement of financial position relates only to the corporate subsidiary entity of the REIT.

Included in the Pro Formas is the reversal of a current tax recovery to reflect the amalgamation of Killam Properties Inc. with Newco as part of the REIT structure and the fact that losses cannot be carried back to the predecessor entity.

*(d) Convertible debentures*

Included in the Pro Formas is the reclassification of the equity component of the convertible debentures from other paid-in capital to non-current liabilities. In addition, the conversion option embedded in the convertible debentures is considered to be a derivative liability because there is a contractual obligation for the Trust to deliver Trust Units (which are accounted for as liabilities but presented as equity instruments under IAS 32) upon conversion of the convertible debentures. Accretion on the convertible debentures (recorded in finance costs) has also been reversed as convertible debentures are recorded at fair value.

The Company has elected to account for the convertible debentures in their entirety at fair value through profit or loss. The fair value was assumed to be equal to the trading price of the Killam convertible debentures at the relevant dates. The convertible debentures are measured at fair value using the market price of the convertible debentures on each reporting date with changes in fair value recognized in the consolidated statements of income and comprehensive income.

*(e) Restricted Trust Units*

Included in the Pro Formas is the reclassification between contributed surplus and current liabilities related to the Trust's restricted trust unit plan. The restricted trust units are considered to be a financial liability because there is a contractual obligation for the Trust to deliver Trust Units (which are accounted for as liabilities but presented as equity instruments under IAS 32) upon conversion of the restricted trust units.

The fair value of the vested portion of the restricted trust units has been assumed to be equal to the Killam share prices at the relevant dates.

*(f) Other Comprehensive Loss*

Included in the Pro Formas is an adjustment to reflect the tax status of the REIT as a flow-through vehicle.

**Killam Apartment REIT****Notes to the Pro Forma Condensed Consolidated Financial Statements**

*Tabular amounts in thousands of Canadian dollars (except share, per share or as noted amounts)*

*(Unaudited)*

*(g) Transaction costs*

Estimated non-recurring costs associated with the conversion to a REIT of approximately \$1.0 million have been reflected as an adjustment to cash and retained earnings. Although these costs will be reflected in the consolidated statements of income and comprehensive income when incurred, they have not been reflected in the Pro Forma consolidated statements of income and comprehensive income due to their non-recurring nature.

**APPENDIX E**  
**ARRANGEMENT AGREEMENT**  
**(attached)**



## **ARRANGEMENT AGREEMENT**

**THIS AGREEMENT** made as of the 28<sup>th</sup> day of October, 2015.

BETWEEN:

**KILLAM APARTMENT REAL ESTATE INVESTMENT TRUST,**  
a trust governed by the laws of the Province of Ontario

(hereinafter referred to as the "**REIT**")

- and -

**KILLAM PROPERTIES INC.,**  
a corporation existing under the laws of Canada

(hereinafter referred to as the "**Corporation**")

- and -

**KILLAM APARTMENT GENERAL PARTNER LTD.,**  
a corporation existing under the laws of Canada

(hereinafter referred to as the "**General Partner**")

- and -

**KILLAM APARTMENT LIMITED PARTNERSHIP,**  
a limited partnership existing under the laws of the Province of Ontario

(hereinafter referred to as "**Killam LP**")

**WHEREAS** the board of directors of the Corporation has approved and agreed to effect, subject to obtaining approval of the Corporation's shareholders at the Meeting (as defined below), a statutory plan of arrangement under Section 192 of the *Canada Business Corporations Act* on the terms and conditions set out in this Agreement and the Plan of Arrangement annexed hereto as Exhibit 1;

**AND WHEREAS** each of the REIT, the General Partner and Killam LP has been established to participate in the Arrangement on the terms and conditions set forth herein;

**NOW THEREFORE THIS AGREEMENT WITNESSES THAT**, in consideration of the premises and the covenants and agreements herein contained and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged by each of the Parties to the others, the Parties covenant and agree as follows:

## **ARTICLE 1 INTERPRETATION**

### **1.1 Definitions**

In this Agreement the following terms have the following meanings, respectively:

"**Affiliate**" has the meaning ascribed thereto in Section 1.2 of National Instrument 45-106 – *Prospectus and Registration Exemptions*, on the date hereof;

"**Agreement**" means this agreement including the Exhibits hereto and all amendments made hereto;

"**Amended RU Plan**" means the amended and restated restricted unit plan of the REIT providing for issuances of REIT RUs, effective as of the Effective Date;

"**Arrangement**" means the proposed arrangement under Section 192 of the CBCA on and subject to the terms and conditions set forth in the Plan of Arrangement and any supplement, modification or amendment thereto made in accordance with Section 5.1;

"**Arrangement Filings**" has the meaning ascribed thereto in the Plan of Arrangement;

"**Arrangement Resolution**" means the special resolution in respect of the Arrangement in substantially the form attached as Appendix A to the Information Circular to be voted upon by Shareholders at the Meeting;

"**Authority**" means any: (i) multinational, federal, provincial, state, municipal, local or foreign governmental or public department, court, or commission, domestic or foreign; (ii) any subdivision or authority of any of the foregoing; or (iii) any quasi-governmental or self-regulatory organization exercising any regulatory, expropriation or taxing authority under or for the account of its members or any of the above;

"**Business Day**" means a day, other than a Saturday, Sunday or statutory or civil holiday, when banks are generally open for the transaction of business in Halifax, Nova Scotia;

"**CBCA**" means the *Canada Business Corporations Act*, as amended, including the regulations promulgated thereunder;

"**Class A LP Units**" means the Class A limited partnership units of Killam LP;

"**Closing**" means the completion of the transactions contemplated by this Agreement;

"**Convertible Debentures**" means, together, the outstanding convertible debentures bearing interest at a rate of 5.65% issued by the Corporation on November 30, 2010 and the outstanding convertible debentures bearing interest at a rate of 5.45% issued by the Corporation on June 2, 2011, each issued pursuant to the Convertible Debenture Indenture;

**"Convertible Debenture Indenture"** means the trust indenture dated as of November 30, 2010 between the Corporation and the Convertible Debenture Trustee, as supplemented on June 2, 2011;

**"Convertible Debenture Trustee"** means Computershare Trust Company of Canada and its successors, or any other trustee appointed pursuant to the Convertible Debenture Indenture;

**"Court"** means the Ontario Court of Justice;

**"Declaration of Trust"** means the declaration of trust dated October 28, 2015, governing the REIT, as the same may be amended and/or restated from time to time;

**"Director"** means the Director appointed under Section 260 of the CBCA;

**"Dissent Rights"** means the right of a Shareholder, pursuant to the Interim Order and Section 190 of the CBCA, to dissent to the Arrangement Resolution and to be paid the fair value of the Shares in respect of which the Shareholder dissents, all in accordance with Section 190 of the CBCA, subject to and as modified by the Interim Order and the Plan of Arrangement;

**"Dissenting Shareholder"** means a registered holder of Shares who exercises such registered holder's Dissent Rights;

**"Effective Date"** means the effective date on which the Arrangement Filings are duly filed pursuant to the CBCA and the Final Order;

**"Effective Time"** means the time on the Effective Date at which the Arrangement is effective, as specified in the Arrangement Filings filed pursuant to the CBCA and the Final Order;

**"Encumbrance"** means any mortgage, charge, pledge, lien, hypothec, security interest, encumbrance, adverse claim and right of third parties to acquire or restrict the use of property;

**"Exchange Agreement"** means the exchange and support agreement to be entered into on the Effective Date substantially on the terms described in the Information Circular among the REIT, the General Partner, Killam LP and each Person who from time to time becomes or is deemed to become a party thereto by reason of his, her or its registered ownership of Exchangeable LP Units, as the same may be amended, supplemented or restated from time to time;

**"Exchange Rights"** means the exchange rights set out in the Exchange Agreement and the limited partnership agreement governing Killam LP;

**"Exchangeable LP Units"** means the Class B limited partnership units of Killam LP;

**"Final Order"** means the final order of the Court approving the Arrangement to be applied for following the Meeting and to be granted pursuant to the provisions of Section 190 of the CBCA as such order may be affirmed, amended or modified by any court of competent jurisdiction;

**"GP Shares"** means the common shares in the capital of the General Partner;

**"Information Circular"** means the management proxy circular of the Corporation relating to the Arrangement to be sent to Shareholders in connection with the Meeting;

**"Interim Order"** means the interim order of the Court to be issued pursuant to the application referred to in Section 3.2 of this Agreement, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

**"Killam LP Units"** means, collectively, the general partner interest in Killam LP, Class A LP Units and Exchangeable LP Units;

**"Meeting"** means the special meeting of Shareholders, and any adjournment(s) or postponement(s) thereof, to be held for the purpose of considering and, if thought fit, approving the Arrangement and other matters set out in the notice of meeting accompanying the Information Circular;

**"Parties"** means, collectively, the REIT, the General Partner, Killam LP and the Corporation, and **"Party"** means any one of them;

**"Person"** means any individual, partnership, association, body corporate, trust, trustee, executor, administrator, legal representative, government, regulatory authority or other entity;

**"Plan of Arrangement"** means the plan of arrangement set out as Exhibit 1 hereto, as the same may be amended or supplemented from time to time in accordance with the terms thereof;

**"REIT Group"** means, collectively, the REIT and its Affiliates;

**"REIT RUs"** means restricted units of the REIT, entitling the holder thereof to one REIT Unit upon vesting pursuant to the Amended RU Plan;

**"REIT Unit"** means a unit (other than a Special Voting Unit) authorized and issued under the Declaration of Trust for the time being outstanding and entitled to the benefits and subject to the limitations set forth therein;

**"REIT Unitholders"** means the holders of REIT Units from time to time;

**"RSUs"** means restricted share units of the Corporation;

**"RSU Plan"** means the restricted share unit plan of the Corporation;

**"Shares"** means the common shares in the capital of the Corporation;

**"Shareholders"** means the holders of the Shares from time to time;

**"Special Voting Units"** means the special voting units of the REIT received by the holders of Exchangeable LP Units and authorized under the Declaration of Trust for the time being outstanding and entitled to the benefits and subject to the limitations set forth therein;

**"Subsidiary"** has the meaning ascribed thereto in Section 1.2 of National Instrument 45-106 – *Prospectus and Registration Exemptions* on the date hereof;

**"Trustees"** means the trustees of the REIT from time to time; and

**"TSX"** means the Toronto Stock Exchange.

## **1.2 Exhibits**

The following Exhibit is attached to this Agreement and forms part hereof: Exhibit 1 — Plan of Arrangement.

### **Construction**

In this Agreement, unless otherwise expressly stated or the context otherwise requires:

- (a) references to an "Article", "Section" or "Exhibit" are references to an Article, Section or Exhibit of or to this Agreement;
- (b) words importing the singular shall include the plural and vice versa, words importing gender shall include the masculine, feminine and neuter genders, and references to a "person" or "persons" shall include individuals, corporations, partnerships, associations, political bodies and other entities, all as may be applicable in the context;
- (c) the use of headings is for convenience of reference only and shall not affect the construction or interpretation hereof;
- (d) the word "including", when following any general term or statement, is not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters, but rather as referring to all other items or matters that could reasonably fall within the broadest possible scope of the general term or statement; and
- (e) a reference to a statute or code includes every regulation made pursuant thereto, all amendments to the statute or code or to any such regulation in force from time to time, and any statute, code or regulation which supplements or supersedes such statute, code or regulation.

## **1.3 Currency**

All references to currency herein are to lawful money of Canada unless otherwise specified.

## **ARTICLE 2 REPRESENTATIONS AND WARRANTIES**

### **2.1 Mutual Representations and Warranties of the REIT, Killam LP, the General Partner and the Corporation**

The REIT, Killam LP, the General Partner and the Corporation each represents and warrants to each other as follows, and acknowledges that each of them is relying upon such representations and warranties in connection with the matters contemplated by this Agreement:

- (a) the Corporation (i) is a corporation duly incorporated and validly existing under the laws of Canada, (ii) is duly qualified to carry on its business in each jurisdiction where the conduct of its business is currently conducted and is presently proposed to be conducted, or the ownership, leasing or operation of its property and assets requires such qualification, and (iii) has all requisite corporate power and authority to carry on its business and to enter into and perform its obligations under this Agreement;
- (b) the General Partner (i) is a corporation duly incorporated and validly existing under the laws of Canada, (ii) is duly qualified to carry on its business in each jurisdiction where the conduct of its business is currently conducted and is presently proposed to be conducted, or the ownership, leasing or operation of its property and assets requires such qualification, and (iii) has all requisite corporate power and authority to carry on its business and to enter into and perform its obligations under this Agreement;
- (c) Killam LP (i) is a limited partnership duly formed and validly existing under the laws of the Province of Ontario, (ii) is duly registered to carry on its business in each jurisdiction where the conduct of its business is currently conducted and is presently proposed to be conducted, or the ownership, leasing or operation of its property and assets requires such registration, and (iii) has all requisite power and authority to carry on its business and to enter into and perform its obligations under this Agreement;
- (d) the REIT is a trust duly settled and existing under the laws of the Province of Ontario and has the power and capacity to enter into this Agreement and to perform its obligations hereunder;
- (e) the execution and delivery of this Agreement by it and the completion by it of the transactions contemplated herein and in the Plan of Arrangement do not and will not:
  - (i) result in the breach of, or violate any term or provision of, its articles or by-laws or other constating documents;
  - (ii) conflict with, result in the breach of, constitute a default under, or accelerate or permit the acceleration of the performance required by, any agreement, instrument, licence or permit to which it is a party or by which

it is bound and which is material to it, or to which any material property of such Party is subject, or result in the creation of any Encumbrance upon any of its material assets under any such agreement, instrument licence or permit or give to others any material interest or right, including rights of purchase, termination, cancellation or acceleration, under any such agreement, instrument, licence or permit; or

- (iii) violate any provision of law or administrative regulation or any judicial or administrative award, judgment, order or decree applicable and known to it, the breach of which would have a material adverse effect on it;
- (f) there are no actions, suits, proceedings or investigations commenced, contemplated or threatened against or affecting it, at law or in equity, before or by any Authority nor are there any existing facts or conditions which may reasonably be expected to form a proper basis for any actions, suits, proceedings or investigations, which, in any case, would prevent or hinder the consummation of the transactions contemplated by this Agreement;
- (g) no dissolution, winding up, bankruptcy, liquidation or similar proceeding has been commenced or is pending or proposed in respect of it;
- (h) the execution and delivery of this Agreement, and the completion of the transactions contemplated herein and in the Plan of Arrangement have been duly approved by its board of directors (or in the case of Killam LP, by the board of directors of the General Partner, in its capacity as the general partner of Killam LP and in the case of the REIT, the board of trustees of the REIT) and this Agreement constitutes a valid and binding obligation of such Party enforceable against it in accordance with its terms, subject to bankruptcy, insolvency and other laws affecting the enforcement of creditors' rights generally and to general principles of equity and limitations upon the enforcement of indemnification for fines or penalties imposed by law; and
- (i) there are no actions, suits, proceedings or investigations commenced, contemplated or threatened against or affecting it, at law or in equity, before or by any Authority nor are there any existing facts or conditions which may reasonably be expected to form a proper basis for any actions, suits, proceedings or investigations, which, in any case, would prevent or hinder the consummation of the transactions contemplated by this Agreement.

## **2.2 Representations and Warranties of the Corporation**

The Corporation represents and warrants to and in favour of each of the REIT, the General Partner and Killam LP as follows, and acknowledges that each of them is relying upon such representations and warranties in connection with the matters contemplated by this Agreement:

- (a) the authorized capital of the Corporation consists of an unlimited number of Shares;

- (b) at the date hereof, no Person holds any securities convertible into Shares or any other shares of the Corporation or has any agreement, warrant, option or any other right capable of becoming an agreement, warrant or option for the purchase or other acquisition of any unissued shares of the Corporation, other than:
  - (i) pursuant to RSUs granted pursuant to the RSU Plan; and
  - (ii) pursuant to the Convertible Debentures.

### **2.3 Representations and Warranties of the REIT**

The REIT represents and warrants to and in favour of each of the other Parties as follows, and acknowledges that each of them is relying upon such representations and warranties in connection with the matters contemplated by this Agreement:

- (a) the REIT currently has one (1) outstanding REIT Unit, which is fully-paid and is owned legally and beneficially by the Corporation; and
- (b) the REIT has not carried on any business since it was settled, nor has it undertaken any activity, other than as provided for herein and in the Plan of Arrangement.

### **2.4 Representations and Warranties of the General Partner**

The General Partner represents and warrants to and in favour of each of the other Parties and acknowledges that each of them is relying on such representations and warranties in connection with the matters contemplated in this Agreement:

- (a) the authorized capital of the General Partner consists of an unlimited number of GP Shares;
- (b) at the date hereof, no Person holds any securities convertible into GP Shares or has any agreement, warrant, option or other right capable of becoming an agreement, warrant or option for the purchase or other acquisition of any issued or unissued shares of the General Partner, except as contemplated by the Plan of Arrangement; and
- (c) the General Partner has no liabilities and has not carried on any business since its date of incorporation.

### **2.5 Representations and Warranties of Killam LP**

Killam LP represents and warrants to and in favour of each of the other Parties as follows, and acknowledges that each of them is relying on such representations and warranties in connection with the matters contemplated in this Agreement:



- (a) the authorized capital of Killam LP consists of a general partner interest and an unlimited number of Class A LP Units, and an unlimited number of Exchangeable LP Units;
- (b) at the date hereof, no Person holds any securities convertible into partnership units of Killam LP or has any agreement, warrant, option or other right capable of becoming an agreement, warrant or option for the purchase or other acquisition of any issued or unissued partnership units of Killam LP Units, except as contemplated by the Plan of Arrangement; and
- (c) Killam LP has no liabilities and has not carried on any business since its date of formation, other than as provided herein and in the Plan of Arrangement.

### **ARTICLE 3 COVENANTS**

#### **3.1 General Covenants**

Each of the Parties covenants with the other Parties that it will:

- (a) use commercially reasonable efforts and do all things reasonably required of it to cause the Arrangement to become effective on or about January 1, 2016;
- (b) do and perform all such acts and things, and execute and deliver all such agreements, assurances, notices and other documents and instruments as may reasonably be required, both prior to and following the Effective Date, to facilitate the carrying out of the intent and purposes of this Agreement; and
- (c) use commercially reasonable efforts to cause each of the conditions precedent set forth in Article 4, which are within its control, to be satisfied on or prior to the Effective Date.

#### **3.2 Covenants of the Corporation**

The Corporation hereby covenants and agrees with each of the other Parties that it will:

- (a) until the Effective Date, not perform any act or enter into any transaction, nor permit the Corporation or any of its Subsidiaries to perform any act or enter into any transaction, which interferes or is inconsistent with the completion of the Arrangement;
- (b) apply to the Court for the Interim Order;
- (c) prepare, as soon as practicable, the Information Circular and proxy solicitation materials and any amendments or supplements thereto as required by, and in compliance with, the Interim Order and applicable law and, subject to receipt of the Interim Order, convene the Meeting as ordered by the Interim Order and

conduct the Meeting in accordance with the Interim Order and as otherwise required by law;

- (d) in a timely and expeditious manner, file the Information Circular in all jurisdictions where the same is required to be filed by it and mail the same to the holders of Shares in accordance with the Interim Order and applicable law;
- (e) prior to the Effective Date, make application to list the REIT Units (including REIT Units to be issued from time to time upon: (i) exchange of the Exchangeable LP Units; (ii) exercise of the REIT RUs; and (iii) conversion of the Convertible Debentures) on the TSX;
- (f) perform the obligations required to be performed by it under the Plan of Arrangement and do all such other acts and things as may be necessary or desirable and are within its power and control in order to carry out and give effect to the Arrangement, including (without limitation) using commercially reasonable efforts to obtain:
  - (i) the approval of holders of the Shares required for the implementation of the Arrangement;
  - (ii) the Interim Order and, subject to the obtaining of all required consents, orders, rulings and approvals (including, without limitation, required approvals of Shareholders), the Final Order;
  - (iii) such other consents, orders, rulings or approvals and assurances as are necessary or desirable for the implementation of the Arrangement, including those referred to in Section 5.1; and
  - (iv) satisfaction of the other conditions precedent referred to in Section 4.1; and
- (g) upon issuance of the Final Order and subject to the conditions precedent in Article 4, forthwith proceed to file the Arrangement Filings in accordance with the CBCA.

### **3.3 Covenants of the REIT, the General Partner and Killam LP**

Each of the REIT, the General Partner and Killam LP hereby covenants and agrees with each of the other Parties that it will, subject to the terms of this Agreement:

- (a) until the Effective Date, not carry on business or undertake any activity, except as otherwise contemplated by this Agreement and the Plan of Arrangement;
- (b) until the Effective Date, not perform any act or enter into any transaction, nor permit any of its Subsidiaries to perform any act or enter into any transaction, which interferes or is inconsistent with the completion of the Arrangement;

- (c) cooperate with and support the Corporation in its application for the Interim Order;
- (d) perform the obligations required to be performed by it under the Plan of Arrangement and do all such other acts and things as may be necessary or desirable and are within its power and control in order to carry out and give effect to the Arrangement, including (without limitation) using commercially reasonable efforts to obtain:
  - (i) such consents, orders, rulings or approvals and assurances as are necessary or desirable for the implementation of the Arrangement, including those referred to in Section 4.1, and
  - (ii) satisfaction of the other conditions precedent referred to in Section 4.1.

### **3.4 Additional Covenants of the REIT**

The REIT hereby covenants and agrees with each of the other Parties that it will:

- (a) prior to the Effective Date, cooperate with the Corporation in making the application to list the REIT Units (including any REIT Units to be issued from time to time upon exchange of the Exchangeable LP Units and vesting of the REIT RUs) on the TSX; and
- (b) authorize for issuance the REIT Units which are to be issued from time to time upon exchange of the Exchangeable LP Units and vesting of REIT RUs.

### **3.5 Interim Order**

As soon as practicable, the Corporation shall apply to the Court pursuant to Section 192 of the CBCA for the Interim Order providing for, among other things, the calling and holding of the Meeting.

### **3.6 Final Order**

If the Interim Order and all Shareholder approvals as required in respect of the Arrangement are obtained, the Corporation shall promptly thereafter take the necessary steps to submit the Arrangement to the Court and apply for the Final Order in such fashion as the Court may direct and following receipt of the Final Order, and subject to the satisfaction or waiver of the other conditions provided for in Article 4 hereof, the Corporation shall file the Arrangement Filings to give effect to the Arrangement pursuant to the Final Order at such time as the Corporation deems appropriate in its sole discretion.

## **ARTICLE 4 CONDITIONS**

### **4.1 Mutual Conditions Precedent**

The respective obligations of the Parties to complete the transactions contemplated by this Agreement and to file the Arrangement Filings in order to give effect to the Arrangement shall be subject to satisfaction of the following conditions:

- (a) the Arrangement Resolution shall have been approved by not less than two-thirds of the votes cast by the Shareholders, in person or by proxy, at the Meeting;
- (b) the Final Order approving the Arrangement shall have been obtained from the Court in form and substance satisfactory to the parties to the Arrangement Agreement;
- (c) the Articles of Arrangement, together with a copy of the Plan of Arrangement and the Final Order and such other materials as may be required by the Director, in form and substance satisfactory to the parties to the Arrangement Agreement, shall have been filed with the Director in accordance with subsection 192(6) of the CBCA;
- (d) all necessary consents, orders, rulings, approvals, opinions and assurances, including regulatory, judicial, third party and advisor approvals, opinions and orders, required for the completion of the transactions provided for in the Arrangement Agreement and the Plan of Arrangement shall have been obtained or received;
- (e) no action shall have been instituted and be continuing on the Effective Date for an injunction to restrain, a declaratory judgment in respect of, or damages on account of, or relating to, the Arrangement, there shall not be in force any order or decree restraining or enjoining the consummation of the transactions contemplated by the Arrangement Agreement and no cease trading or similar order with respect to any securities of any of the parties to the Arrangement Agreement shall have been issued and remain outstanding;
- (f) none of the consents, orders, rulings, decisions, approvals, opinions or assurances required for the implementation of the Arrangement shall contain terms or conditions or require undertakings or security deemed unsatisfactory or unacceptable by any of the parties to the Arrangement Agreement;
- (g) no law, regulation or policy shall have been proposed, enacted, promulgated or applied which interferes or is inconsistent with the completion of the Arrangement, including any material change to the income tax laws of Canada, or any province or territory thereof, or which would have a material adverse effect upon Shareholders or the REIT Group if the Arrangement is completed;

- (h) the conditional approval of the TSX of the Arrangement and listing of the REIT Units to be issued pursuant to the Arrangement (and upon: (i) exchange of the Exchangeable LP Units; (ii) exercise of the REIT RUs; and (iii) conversion of the Convertible Debentures) shall have been obtained, subject only to the filing of required documents which cannot be filed prior to the Effective Date;
- (i) Shareholders shall not have exercised (and not withdrawn) Dissent Rights in connection with the Arrangement in respect of Shares representing, in the aggregate, more than 5% of the issued and outstanding Shares;
- (j) Shareholders who immediately prior to the Effective Time are not resident in Canada for the purposes of the *Tax Act* (based on reasonable evidence available to the board of directors of the Corporation) and who are to receive REIT Units under the Arrangement shall not, in the aggregate, immediately following Closing, own in excess of 49% of all then outstanding REIT Units; and
- (k) this Agreement shall not have been terminated under Article 5.

#### **4.2 Additional Conditions to Obligations of Each Party**

The obligation of each Party to complete the transactions contemplated by this Agreement is further subject to the condition, which may be waived by such Party without prejudice to its right to rely on any other condition in its favour, that the covenants of the other Parties to be performed on or before the Effective Date pursuant to the terms of this Agreement shall have been duly performed by them and that the representations and warranties of the other Parties shall be true and correct in all material respects as at the Effective Date, with the same effect as if such representations and warranties had been made at, and as of, such time and each such Party shall receive a certificate, dated the Effective Date, of a senior officer of each other Party confirming the same.

#### **4.3 Merger of Conditions**

The conditions set out in this Article 4 shall be conclusively deemed to have been satisfied, waived or released on the filing by the Corporation of the Arrangement Filings under the OBCA to give effect to the Plan of Arrangement.

### **ARTICLE 5 AMENDMENT AND TERMINATION**

#### **5.1 Amendment and Waiver**

This Agreement may, at any time and from time to time before and after the holding of the Meeting, but not later than the Effective Date, be amended by the unanimous written agreement of the Parties without, subject to applicable law, further notice to or authorization on the part of their respective shareholders, REIT Unitholders, members or partners, as the case may be. Without limiting the generality of the foregoing, any such amendment may:

- (a) waive compliance with or modify any of the covenants herein contained or waive or modify performance of any of the obligations of the Parties or satisfaction of any of the conditions precedent set forth in Article 4 of this Agreement;
- (b) waive any inaccuracies or modify any representation contained herein or in any document to be delivered pursuant hereto;
- (c) change the time for performance of any of the obligations, covenants or other acts of the Parties; or
- (d) make such alterations in this Agreement as the Parties may consider necessary or desirable in connection with the Interim Order.

## **5.2 Termination**

This Agreement may, at any time before or after the holding of the Meeting but prior to the filing of the Arrangement Filings giving effect to the Arrangement, be terminated by the mutual agreement of the Parties, without approval of the Shareholders or any other person.

## **5.3 Exclusivity**

None of the covenants of the Corporation contained herein shall prevent the board of directors of the Corporation from (i) responding as required by law to any unsolicited submission or proposal regarding any acquisition or disposition of its assets or assets of any of its Subsidiaries, or any unsolicited proposal to amalgamate, merge or effect an arrangement or any unsolicited acquisition proposal generally involving the Corporation or any of its Subsidiaries, or (ii) make any disclosure to its Shareholders with respect thereto, which in the judgment of the board of directors of the Corporation is required under applicable law.

# **ARTICLE 6 GENERAL**

## **6.1 Notices**

Any notice or other communication required or permitted to be given hereunder will be in writing and will be given by prepaid first-class mail, by facsimile or other means of electronic communication or by delivery as hereafter provided. Any such notice or other communication, if mailed by prepaid first-class mail at any time other than during a general discontinuance of postal service due to strike, lockout or otherwise, will be deemed to have been received on the fourth Business Day after the post-marked date thereof, or if sent by facsimile or other means of electronic communication, will be deemed to have been received on the Business Day following the sending, or if delivered by hand, will be deemed to have been received at the time it is delivered to the applicable address noted below either to the individual designated below or to an individual at such address having apparent authority to accept deliveries on behalf of the addressee. Notice of change of address will also be governed by this Section. In the event of a general discontinuance of postal service due to strike, lock-out or otherwise, notices or other communications will be delivered by hand or sent by facsimile or other means of electronic

communication and will be deemed to have been received in accordance with this Section. Notices and other communications will be addressed, in the case of each party, to or care of:

Killam Properties Inc.  
Suite 100  
3700 Kempt Road  
Halifax, Nova Scotia B3K 4X8

Attention: Philip Fraser

with a copy to:

Bennett Jones LLP  
Suite 4500, Bankers Hall East  
855 2<sup>nd</sup> Street S.W.  
Calgary, Alberta T2P 4K7

Attention: Ronald Barron

## **6.2 Severability**

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule or law, or public policy, all other conditions and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party to this Agreement. Upon any determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties to this Agreement will negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated by this Agreement are fulfilled to the fullest extent possible.

## **6.3 Enurement**

This Agreement will be binding upon and enure to the benefit of the parties to this Agreement and their respective successors and permitted assigns from time to time.

## **6.4 Assignment**

This Agreement may not be assigned by any party to this Agreement without the prior written consent of each of the other parties.

Notwithstanding anything to the contrary contained herein, each party to this Agreement shall have the right, without being released, to transfer or assign this Agreement to any third party as security for any bona fide financing or as security for any guarantee granted by such transferor in respect of the obligations of its Affiliates to such third party for any bona fide financing.

## **6.5 Governing Law**

This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

Each of the Parties agrees that any action or proceeding arising out of or relating to this Agreement may be instituted in the courts of Ontario, waives any objection which it may have now or later to the venue of that action or proceeding, irrevocably submits to the non-exclusive jurisdiction of those courts in that action or proceeding and agrees to be bound by any judgment of those courts.

## **6.6 No Personal Liability**

Each of the parties hereto acknowledges that the trustees of the REIT are entering into this Agreement solely in their capacity as trustees of the REIT, and that the obligations or liabilities (including those arising hereunder or arising in connection herewith or from the matters to which this Agreement relates, if any, including without limitation, claims based on negligence or otherwise tortious behavior of the trustees, managers, officers or employees of the REIT, hereunder will not be binding upon, nor will resort be had to the property of, any of the holders of REIT Units, or any annuitant under a plan of which a holder thereof is a trustee or carrier (an "**annuitant**"). The obligations or liabilities, if any, of the trustees, managers, officers or employees of the REIT hereunder shall be satisfied only out of the property of the REIT and no resort may be had to the property of any trustee, manager, officer or employee thereof. The provisions of this paragraph shall enure to the benefit of the heirs, successors, assigns and personal representatives of the trustees, managers, officers or employees of the REIT, and of the holders of units and annuitants and, to the extent necessary to provide effective enforcement of such provisions, the trustees of the REIT are hereby acknowledged to be acting, and shall be entitled to act as, trustees for the holders of units and annuitants.

## **6.7 Counsel Acting for More than One Party**

Each of the parties has been advised and acknowledges that Bennett Jones LLP is acting as counsel to and jointly representing more than one of the parties (each a "**Client**" and, collectively, "**Clients**") and, in this role, information disclosed to Bennett Jones LLP by one Client will not be kept confidential and shall be disclosed to all Clients and each of the parties consents to Bennett Jones LLP so acting. In addition, should a conflict arise between any Clients, Bennett Jones LLP may not be able to continue to act for any of such Clients.

## **6.8 Time of Essence**

Time is of the essence in respect of this Agreement.

## **6.9 Entire Agreement**

This Agreement, the Plan of Arrangement and the other agreements contemplated hereby and thereby constitute the entire agreement between the parties to this Agreement pertaining to the subject matter hereof. There are no warranties, conditions, or representations (including any that may be implied by statute) and there are no agreements in connection with such subject matter



except as specifically set forth or referred to in this Agreement or as otherwise set out in writing and delivered at Closing. No reliance is placed on any warranty, representation, opinion, advice or assertion of fact made by any Party or its trustees, directors, officers, employees or agents, to any other Party or its trustees, directors, officers, employees or agents, except to the extent that the same has been reduced to writing and included as a term of this Agreement. Accordingly, there will be no liability, either in tort or in contract, assessed in relation to any such warranty, representation, opinion, advice or assertion of fact, except to the extent aforesaid.

#### **6.10 Counterparts**

This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original and all of which taken together will be deemed to constitute one and the same instrument. Counterparts may be executed and delivered either in original, pdf or faxed form and the Parties adopt any signatures received by pdf or a receiving fax machine as original signatures of the Parties.

#### **6.11 Further Assurances**

Each of the Parties will promptly do, make, execute or deliver, or cause to be done, made, executed or delivered, all such further acts, documents and things as the other Party may reasonably require from time to time for the purpose of giving effect to this Agreement and will use reasonable efforts and take all such steps as may be reasonably within its power to implement to their full extent the provisions of this Agreement.

#### **6.12 Language**

The Parties confirm their express wish that this Agreement and all documents and agreements directly or indirectly relating thereto be drawn up in the English language. Les parties reconnaissent leur volonté express que la présente entente ainsi que tous les documents et contrats s'y rattachant directement ou indirectement soient rédigés en anglais.

**[Remainder of this page intentionally left blank.]**

**IN WITNESS WHEREOF** the parties hereto have executed this Agreement.

**KILLAM APARTMENT REAL  
ESTATE INVESTMENT TRUST**

Per: (signed) "Philip Fraser"  
Philip Fraser  
Trustee

**KILLAM PROPERTIES INC.**

Per: (signed) "Philip Fraser"  
Philip Fraser  
President & CEO

**KILLAM APARTMENT LIMITED  
PARTNERSHIP, by its general partner,  
KILLAM APARTMENT GENERAL  
PARTNER LTD.**

Per: (signed) "Philip Fraser"  
Philip Fraser  
Director

**KILLAM APARTMENT GENERAL  
PARTNER LTD.**

Per: (signed) "Philip Fraser"  
Philip Fraser  
Director

**EXHIBIT 1**  
**PLAN OF ARRANGEMENT**

**PLAN OF ARRANGEMENT  
UNDER THE PROVISIONS OF SECTION 192  
OF THE CANADA BUSINESS CORPORATIONS ACT**

**ARTICLE I  
INTERPRETATION**

**1.1** Definitions.

In this Plan of Arrangement, the following terms have the following meanings:

**"adjusted cost base"** means adjusted cost base as computed pursuant to the rules in the Tax Act;

**"Ancillary Rights"** means, in respect of an Exchangeable LP Unit, the Support Rights and related Special Voting Units, collectively;

**"Aggregate Cost Amount"** has the meaning given thereto in the Asset Conveyance Agreement;

**"Arrangement"**, **"herein"**, **"hereof"**, **"hereto"**, **"hereunder"** and similar expressions mean and refer to the proposed arrangement under Section 192 of the CBCA on the terms and conditions set forth in this Plan of Arrangement, subject to any amendments or variations thereto made in accordance with the Arrangement Agreement and this Plan of Arrangement, respectively, together with those which may be made at the discretion of the Court in the Final Order;

**"Arrangement Agreement"** means the arrangement agreement dated October 28, 2015 among Killam REIT, Killam, the Limited Partnership and the Limited Partnership GP, pursuant to which such parties have proposed to implement the Arrangement, as amended, supplemented or modified from time to time in accordance with the terms thereof;

**"Arrangement Filings"** means a certified copy of the Final Order, together with this Plan of Arrangement, Articles of Arrangement and Notice of Registered Officers and Directors to be filed pursuant to the CBCA;

**"Arrangement Resolution"** means the special resolution in respect of the Arrangement in substantially the form attached as Appendix A to the Circular;

**"Asset Conveyance Agreement"** means the conveyance agreement respecting the Subject Assets between Killam Amalco 2 and SLP dated as of the Effective Date;

**"Assumed Liabilities"** has the meaning given thereto in the Asset Conveyance Agreement;

**"Assumption Agreement(s)"** means one or more assumption agreements with the Convertible Debenture Trustee(s), in accordance with the applicable requirements of the Convertible Debenture Indenture(s), pursuant to which Killam REIT shall assume the obligations under the Convertible Debentures from Killam Amalco 2;

**"Assumption Note"** means subordinated promissory notes issued by Killam Amalco 2 with aggregate principal amounts equal to the principal amount of the Convertible Debentures on the Effective Date and having such other terms and conditions as agreed to between Killam Amalco 2 and Killam REIT;

**"Business Day"** means a day, other than a Saturday, Sunday or statutory or civic holiday, when banks are generally open for the transaction of business in Toronto, Ontario;

**"CBCA"** means the *Canada Business Corporations Act*, R.S.C. 1985 c. C-44, as amended, including the regulations promulgated thereunder;

**"Certificate"** means the certificate or certificates or other confirmation of filing to be issued by the Director pursuant to subsection 192(7) of the CBCA, in order to give effect to the Arrangement;

**"Circular"** means the management proxy circular of Killam relating to the Arrangement sent to Shareholders in connection with the Meeting;

**"Class A LP Units"** means the Class A limited partnership units of the Limited Partnership;

**"Class A SLP Units"** means the Class A limited partnership units of SLP;

**"Class B SLP Units"** means the Class B limited partnership units of SLP;

**"Closing"** means the completion of the transactions contemplated by the Arrangement Agreement;

**"Common Share"** means, as the context requires, a common share in the share capital of Killam, Killam Amalco and Killam Amalco 2;

**"Convertible Debentures"** means, together, the outstanding convertible debentures bearing interest at a rate of 5.65% issued by Killam on November 30, 2010 and the outstanding convertible debentures bearing interest at a rate of 5.45% issued by Killam on June 2, 2011, each issued pursuant to the Convertible Debenture Indenture;

**"Convertible Debenture Indenture"** means the trust indenture dated as of November 30, 2010 between Killam and the Convertible Debenture Trustee, as supplemented on June 2, 2011;

**"Convertible Debenture Trustee(s)"** means Computershare Trust Company of Canada and its successors, or any other trustee appointed pursuant to the Convertible Debenture Indenture;

**"cost amount"** means cost amount as computed pursuant to the Tax Act;

**"Court"** means the Ontario Superior Court of Justice;

**"CRA"** means the Canada Revenue Agency;

**"Deed of Trust"** means the deed of trust dated October 28, 2015 governing Killam REIT, as amended, supplemented or modified from time to time in accordance with the terms thereof;

**"Depository"** means Computershare Trust Company of Canada at its offices referred to in the Letter of Transmittal and Election Form;

**"Director"** means the Director appointed under Section 260 of the CBCA;

**"Dissent Procedure"** means the procedure under Section 190 of the CBCA, as modified by the Interim Order, by which a Dissenting Shareholder exercises his, her or its Dissent Rights;

**"Dissent Rights"** means the right of a Shareholder, pursuant to the Interim Order and Section 190 of the CBCA, to dissent to the Arrangement Resolution and to be paid the fair value of the Common Shares in respect of which the Shareholder dissents, all in accordance with Section 190 of the CBCA, subject to and as modified by the Interim Order and Section 4.1 of this Plan of Arrangement;

**"Dissenting Shareholders"** means registered holders of Common Shares who validly exercise their Dissent Rights in accordance with the Dissent Procedure and **"Dissenting Shareholder"** means any one of them;

**"Effective Date"** means the date on which the Arrangement is effective under the CBCA as shown on the Certificate;

**"Effective Time"** means 12:01 a.m. (Eastern time) on the Effective Date, regardless of the time of Closing on that date;

**"Elected Number"** means, in respect of an Electing Shareholder, the number of Common Shares the Electing Shareholder has specified to be transferred to the Limited Partnership in exchange for Exchangeable LP Units in the applicable Letter of Transmittal and Election Form delivered by such Electing Shareholder to the Depository on or before the Election Deadline, subject to the Electing Shareholder's Maximum Pro-Rata Share;

**"Electing Shareholder"** means a Shareholder (other than an Excluded Shareholder) that validly elects on or before the Election Deadline in accordance with the Letter of Transmittal and Election Form to transfer Common Shares to the Limited Partnership in exchange for Exchangeable LP Units pursuant to, and in accordance with, the terms of the Arrangement;

**"Electing Shareholder's Maximum Pro-Rata Share"** means the lesser of (a) the Electing Shareholder's Elected Number (prior to any adjustments), and (b) the product obtained when (i) the Maximum Number of Exchangeable LP Units, is multiplied by (ii) the fraction the numerator of which is the Elected Number for the particular Electing Shareholder (prior to any adjustments), and the denominator of which is the aggregate Elected Numbers for all Electing Shareholders (prior to any adjustments);

**"Election Deadline"** means 5:00 p.m. (Toronto time) on the third Business Day immediately preceding the date of the Meeting or, if the Meeting is adjourned or postponed, such time on the second Business Day immediately preceding the date of such adjourned or postponed Meeting;

**"Exchange and Support Agreement"** means the exchange and support agreement to be entered into on the Effective Date among Killam REIT, the Limited Partnership GP, the Limited

Partnership and each person who, from time to time, executes such agreement or is deemed to be a party thereto, as the same may be amended, supplemented or modified from time to time in accordance with the terms thereof;

**"Exchangeable LP Units"** means the Class B limited partnership units of the Limited Partnership;

**"Excluded Shareholder"** means a Shareholder: (i) that is a Non-Resident; (ii) that is a Tax Exempt Shareholder; (iii) that would acquire Exchangeable LP Units as a "tax shelter investment" for the purposes of the Tax Act; (iv) an interest in which is a "tax shelter investment" for the purposes of the Tax Act; or (v) that is not: (a) a "taxable Canadian corporation", (b) a "real estate investment trust", (c) a "SIFT trust", (d) a "SIFT partnership", or (e) an "excluded subsidiary entity" (as all such expressions are defined in the Tax Act);

**"Final Order"** means the order of the Court approving the Arrangement to be applied for following the Meeting and to be granted pursuant to the provisions of Section 192 of the CBCA as such order may be affirmed, amended or modified by any court of competent jurisdiction;

**"Initial Unitholder"** means Killam;

**"Interim Order"** means the interim order of the Court dated November 3, 2015 under Section 192 of the CBCA containing declarations and directions with respect to the Arrangement and the Meeting and issued pursuant to the application of Killam, a copy of which is attached as Appendix B to the Circular, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

**"Killam"** means Killam Properties Inc., a corporation subsisting pursuant to the CBCA;

**"Killam Amalco"** means, as the context requires, the corporation formed on the amalgamation of Killam, Killam KFH (180 Mill St.) Inc., Killam KFH (Kanata Lakes) Inc., Killam KFH (1355 Silver Spear Road) Inc., 661047 N.B. Inc. and Redwood Cable Corp.;

**"Killam Amalco 2"** means, as the context requires, the corporation formed on the amalgamation of Killam Amalco and Newco;

**"Killam REIT"** means Killam Apartment Real Estate Investment Trust, an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario pursuant to the Deed of Trust;

**"Killam REIT Unit"** means a trust unit of Killam REIT (other than a Special Voting Unit) authorized and issued under the Deed of Trust for the time being outstanding and entitled to the benefits and subject to the limitations set forth in the Deed of Trust;

**"Letter of Transmittal and Election Form"** means the letter of transmittal and election form enclosed with the Circular applicable to a holder of Common Shares pursuant to which such holder is required to deliver certificates representing Common Shares and may elect to receive, pursuant to the Arrangement, REIT Units or, unless such Shareholder is an Excluded Shareholder, Exchangeable LP Units or a combination of REIT Units and Exchangeable LP

Units, for his, her or its Common Shares, subject to the Electing Shareholder's Maximum Pro-Rata Share;

**"Limited Partnership"** means Killam Apartment Limited Partnership, a limited partnership formed by the Limited Partnership Agreement;

**"Limited Partnership Agreement"** means the limited partnership agreement in respect of the Limited Partnership dated October 28, 2015 between the Limited Partnership GP, Killam REIT and each person who is admitted to the Limited Partnership as a limited partner in accordance with the terms of such limited partnership agreement;

**"Limited Partnership GP"** means Killam Apartment General Partner Ltd., a corporation subsisting under the CBCA that is the general partner of the Limited Partnership;

**"Maximum Number of Exchangeable LP Units"** means the maximum number of Exchangeable LP Units that may be issued by the Limited Partnership pursuant to the Arrangement, as determined by the Limited Partnership GP in its sole and absolute discretion, provided that the Maximum Number of Exchangeable LP Units shall in no event exceed 20% of the number of outstanding Common Shares immediately prior to the Effective Time;

**"Meeting"** means the special meeting of Shareholders, and any adjournment(s) or postponement(s) thereof, to be held for the purpose of considering and, if thought advisable, approving the Arrangement Resolution and other matters set out in the Notice of Meeting accompanying the Circular;

**"Newco"** means Killam SLP Acquisition Inc., a corporation subsisting under the CBCA;

**"Newco Note 1"** means a subordinated, non-interest bearing, demand promissory note issued by Newco to the Limited Partnership with a principal amount equal to the principal amount of the SLP Note;

**"Newco Note 2"** means an interest bearing, subordinated, promissory note issued by Newco with a maturity date of 10 years from the date of its issue, with a principal amount equal to the amount obtained when the principal amount of Newco Note 1 is subtracted from the adjusted cost base of the Common Shares held by the Limited Partnership immediately prior to the time referred to in Section 3.1(i);

**"Newco Shares"** means the common shares in the capital of Newco;

**"Newco Share Consideration"** means the Newco Shares issued to the Limited Partnership as partial consideration for the Common Shares transferred from the Limited Partnership to Newco pursuant to the Plan of Arrangement, provided that each Newco Share shall be issued for one dollar (\$1.00);

**"Non-Resident"** means a Person who is not resident in Canada within the meaning of the Tax Act;



**"Person"** means any individual, partnership, association, body corporate, trust, trustee, executor, administrator, legal representative, government, regulatory authority or any other entity;

**"Plan of Arrangement"** means this plan of arrangement, as amended, supplemented or modified from time to time in accordance with the terms hereof;

**"RSU"** means a restricted share unit of Killam;

**"Restricted Share Unit Plan"** means the restricted share unit plan of Killam;

**"Shareholders"** means the holders of Common Shares from time to time, and **"Shareholder"** means any one of them;

**"SLP"** means Killam Apartment Subsidiary Limited Partnership, a limited partnership formed by the limited partnership agreement, dated November 3, 2015 between Killam, as limited partner, and SLP GP;

**"SLP GP"** means Killam Apartment Subsidiary General Partner Ltd., a corporation subsisting under the CBCA that is the general partner of SLP;

**"SLP Note"** means a subordinated, non-interest bearing, demand promissory note issued by SLP to Killam with a principal amount equal to the amount obtained (if positive) when the aggregate principal amount of the Assumed Liabilities in the Asset Conveyance Agreement is deducted from the Aggregate Cost Amount of the Subject Assets;

**"Special Voting Units"** means the special voting units of Killam REIT authorized and issued to the holders of Exchangeable LP Units (other than Killam REIT and the Limited Partnership) under the Deed of Trust for the time being outstanding and entitled to the benefits and subject to the limitations set forth in the Deed of Trust;

**"Subject Assets"** means the assets of Killam Amalco 2 that will be transferred to SLP, all as more particularly described in the Asset Conveyance Agreement;

**"Subsidiary"** has the meaning given to that term in National Instrument 45-106 - *Prospectus and Registration Exemptions* on the date hereof;

**"Support Rights"** means the embedded right granted to the holders of the Exchangeable LP Units to cause the Limited Partnership to exchange each Exchangeable LP Unit for one Killam REIT Unit as supported by the Exchange and Support Agreement;

**"Tax Act"** means the *Income Tax Act* (Canada), as amended, including the regulations promulgated thereunder;

**"Tax Exempt Shareholder"** means a Shareholder that is generally exempt from tax under Part I of the Tax Act; and

**"TSX"** means the Toronto Stock Exchange.

**1.2** In this Plan of Arrangement, unless otherwise expressly stated or the context otherwise requires:

- (a) references to "herein", "hereby", "hereunder", "hereof" and similar expressions are references to this Plan of Arrangement and not to any particular Article, Section or Schedule;
- (b) references to an "Article", "Section", "paragraph" or "Schedule" are references to an Article, Section, paragraph or Schedule of or to this Plan of Arrangement;
- (c) words importing the singular shall include the plural and vice versa, words importing gender shall include the masculine, feminine and neuter genders;
- (d) the use of headings is for convenience of reference only and shall not affect the construction or interpretation hereof;
- (e) the word "including", when following any general term or statement, is not to be construed as limiting the general term or statement to the specific items or matters set forth or to similar items or matters, but rather as referring to all other items or matters that could reasonably fall within the broadest possible scope of the general term or statement; and
- (f) a reference to a statute or code includes every regulation made pursuant thereto, all amendments to the statute or code or to any such regulation in force from time to time, and any statute, code or regulation which supplements or supersedes such statute, code or regulation.

**1.3** This Plan of Arrangement shall not be personally binding upon any of the trustees of Killam REIT or any registered or beneficial holder of REIT Units, or any beneficiary under a plan of which a holder of such units acts as a trustee or carrier, and that resort shall not be had to, nor shall recourse be sought from, any of the foregoing or the private property of any of the foregoing in respect of any indebtedness, obligation or liability of the REIT arising hereunder or arising in connection herewith or from the matters to which this Plan of Arrangement relates, if any, including without limitation, claims based on negligence or otherwise tortious behavior, and recourse shall be limited to, and satisfied only out of, the assets of Killam REIT.

**1.4** In the event that the date on which any action is required to be taken hereunder by any of the parties is not a Business Day in the place where the action is required to be taken, such action shall be required to be taken on the next succeeding day which is a Business Day in such place.

## **ARTICLE II**

### **ARRANGEMENT AGREEMENT**

**2.1** This Plan of Arrangement is made pursuant and subject to the provisions of the Arrangement Agreement.

**2.2** This Plan of Arrangement, upon the filing of the Arrangement Filings in accordance with the CBCA and the Final Order, will, subject to Section 4.1, become effective on, and be binding

on and after the Effective Time on: Killam, the Shareholders, Killam REIT, the Limited Partnership, SLP, the Limited Partnership GP, Newco and all other Persons.

**2.3** The filing of the Arrangement Filings shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 3 has become effective in the sequence set out therein.

### **ARTICLE III** **ARRANGEMENT**

**3.1** On the Effective Date, commencing at the Effective Time, each of the events set out below shall be deemed to occur in the order set forth below without further act or formality:

#### **Amalgamation 1**

- (a) the stated capital of Killam KFH (180 Mill St.) Inc., Killam KFH (Kanata Lakes) Inc., Killam KFH (1355 Silver Spear Road) Inc. and Redwood Cable Corp. shall in each case be reduced to \$1.00 in the aggregate without any payment of cash or property;
- (b) each of Killam, Killam KFH (180 Mill St.) Inc., Killam KFH (Kanata Lakes) Inc., Killam KFH (1355 Silver Spear Road) Inc. and Redwood Cable Corp. shall be amalgamated under the CBCA to form Killam Amalco and:
  - (i) all of the property of the predecessor corporations held immediately before the amalgamation (except any amounts receivable from any predecessor corporation or shares of any predecessor corporation) shall become the property of Killam Amalco;
  - (ii) all of the liabilities of the predecessor corporations immediately before the amalgamation (except any amounts payable to any predecessor corporation) shall become liabilities of Killam Amalco;
  - (iii) all of the issued and outstanding securities of Killam KFH (180 Mill St.) Inc., Killam KFH (Kanata Lakes) Inc., Killam KFH (1355 Silver Spear Road) Inc. and Redwood Cable Corp. immediately before the amalgamation shall be cancelled without repayment of capital;
  - (iv) any existing cause of action, claim or liability to prosecution of either of the predecessor corporations shall be unaffected;
  - (v) any civil, criminal or administrative action or proceeding pending by or against either of the predecessor corporations may be continued to be prosecuted by or against Killam Amalco;
  - (vi) a conviction against, or ruling, order or judgment in favour of or against, either of the predecessor corporations may be enforced by or against Killam Amalco;

- (vii) the articles and by-laws of Killam Amalco shall be the same as the articles and by-laws of Killam;
- (viii) the first directors and officers of Killam Amalco shall be the directors and officers of Killam;
- (ix) the registered office of Killam Amalco shall be the registered office of Killam; and
- (x) the name of Killam Amalco shall be Killam Properties Inc.

### **Dissenting Shareholders**

- (c) each Common Share held by a Dissenting Shareholder who has validly exercised Dissent Rights will be deemed to have been transferred to Killam Amalco (free and clear of all liens, claims and encumbrances) and such Dissenting Shareholder shall cease to have any rights as a Shareholder other than the right to be paid the fair value of such Common Share in accordance with Section 4.1;

### **Exchange of Common Shares**

- (d) each Common Share held by an Electing Shareholder who has validly elected to receive Exchangeable LP Units in accordance with the Letter of Transmittal and Election Form (subject to the Electing Shareholder's Maximum Pro-Rata Share) will be transferred to the Limited Partnership (free and clear of all liens, claims and encumbrances) in consideration for (i) one (1.0) Exchangeable LP Unit, and (ii) the Ancillary Rights attached to such Exchangeable LP Unit;
- (e) each Common Share held by a Shareholder (except for Dissenting Shareholders and Shareholders who have validly elected to receive Exchangeable LP Units, subject to the Electing Shareholder's Maximum Pro-Rata Share in accordance with Section 3.1(d)) will be deemed to be transferred to Killam REIT (free and clear of all liens, claims and encumbrances) in consideration for one (1.0) Killam REIT Unit;
- (f) the Exchange and Support Agreement will become effective;
- (g) the Killam REIT Unit held by the Initial Unitholder shall be cancelled in consideration for the payment of ten dollars (\$10);

### **Share Transfers**

- (h) each Common Share held by Killam REIT will be transferred to the Limited Partnership in consideration for Class A LP Units on the basis that each Class A LP Unit will have a purchase price of one dollar (\$1.00);

- (i) each Common Share held by the Limited Partnership will be transferred to Newco in consideration for (i) the Newco Note 1, (ii) the Newco Note 2 and (iii) the Newco Share Consideration;

## **Amalgamation 2**

- (j) the stated capital of Killam Amalco shall be reduced to \$1.00 in the aggregate without any payment of cash or property;
- (k) Killam Amalco and Newco shall be amalgamated under the CBCA and:
  - (i) all of the property of the predecessor corporations held immediately before the amalgamation (except any amounts receivable from any predecessor corporation or shares of any predecessor corporation) shall become the property of Killam Amalco 2;
  - (ii) all of the liabilities of the predecessor corporations immediately before the amalgamation (except any amounts payable to any predecessor corporation) shall become liabilities of Killam Amalco 2;
  - (iii) all of the issued and outstanding Common Shares held by Newco immediately before the amalgamation shall be cancelled without repayment of capital;
  - (iv) any existing cause of action, claim or liability to prosecution of either of the predecessor corporations shall be unaffected;
  - (v) any civil, criminal or administrative action or proceeding pending by or against either of the predecessor corporations may be continued to be prosecuted by or against Killam Amalco 2;
  - (vi) a conviction against, or ruling, order or judgment in favour of or against, either of the predecessor corporations may be enforced by or against Killam Amalco 2;
  - (vii) the articles and by-laws of Killam Amalco 2 shall be the same as the articles and by-laws of Newco;
  - (viii) the first directors and officers of Killam Amalco 2 shall be the directors and officers of Killam Amalco;
  - (ix) the registered office of Killam Amalco 2 shall be the registered office of Killam Amalco;
  - (x) the name of Killam Amalco 2 shall be Killam Properties Inc.,

## **Asset Transfers to SLP**

- (l) the Asset Conveyance Agreement will become effective and Killam Amalco 2 will transfer the Subject Assets to SLP in consideration for (i) Class A SLP Units on the basis that each Class A SLP Unit will have a purchase price of one dollar (\$1); (ii) the SLP Note and (iii) the assumption of the Assumed Liabilities;
- (m) the Limited Partnership shall subscribe for Class B SLP Units issued on the basis that each Class B SLP Unit shall have a purchase price of one dollar (\$1), and in satisfaction of the aggregate subscription price, Limited Partnership shall contribute the Newco Note 1 to SLP;
- (n) the initial Class A SLP Unit that was issued to Killam, and became property of Killam Amalco 2, shall be redeemed by SLP for \$1.00 and cancelled;
- (o) SLP and Killam Amalco 2 shall set-off the Newco Note 1 and the SLP Note and such notes shall be repaid in full and cancelled,

### **Convertible Debentures**

- (p) the Assumption Agreement(s) shall become effective and Killam REIT shall assume all of the obligations of the Convertible Debentures in accordance with the Convertible Debenture Indenture(s) and, as payment for assuming such obligations, Killam Amalco 2 will issue to Killam REIT the Assumption Note(s); and

### **Equity Compensation Plans**

- (q) each RSU (whether vested or unvested) outstanding at the Effective Time shall be continued on the same terms and conditions as were applicable immediately prior to the Effective Time, except that the Restricted Share Unit Plan shall be amended and the references in such plan to "Share", "Shareholder" and "dividends" shall be amended and substituted with Killam REIT Units, Unitholder and distributions, respectively.

**3.2** Subject to Section 3.5, with respect to the elections required to be made in order to dispose of Common Shares pursuant to Section 3.1(d):

- (a) each such Shareholder will make such election by depositing with the Depository a duly completed Letter of Transmittal and Election Form prior to the Election Deadline, indicating such Shareholder's election, together with certificates representing such Shareholder's Common Shares, if any; and
- (b) any Shareholder who does not deposit with the Depository a completed Letter of Transmittal and Election form prior to the Election Deadline or otherwise fails to comply with the requirements of Section 3.1(d) and the Letter of Transmittal and Election Form shall be deemed to have elected to dispose of the Common Shares to Killam REIT pursuant to 3.1(e).

**3.3** With respect to each Shareholder (other than Dissenting Shareholders), on the Effective Date:

- (a) Upon the transfer of Common Shares to the Limited Partnership in consideration for Exchangeable LP Units and related Ancillary Rights pursuant to Section 3.1(d):
  - (i) such former Shareholder will be added to the registers of holders of Exchangeable LP Units and Special Voting Units, added as a party to the Limited Partnership Agreement and the Exchange and Support Agreement and the name of such holder will be removed from the register of holders of Common Shares as it relates to Common Shares so transferred; and
  - (ii) the Limited Partnership will become the holder of the Common Shares so transferred and will be added to the register of holders of Common Shares;
- (b) upon the transfer of Common Shares to the Limited Partnership in consideration for Killam REIT Units and an obligation of Killam REIT to issue and deliver one Killam REIT Unit for each Common Share so transferred pursuant to Section 3.1(e):
  - (i) such former Shareholder will be added to the register of holders of Killam REIT Units and the name of such holder will be removed from the register of holders of Common Shares as it relates to the Common Shares so transferred; and
  - (ii) the Limited Partnership will become the holder of Common Shares so transferred and will be added to the register of holders of the Common Shares. An Electing Shareholder may elect to transfer Common Shares to the Limited Partnership pursuant to Section 3.1(d).

**3.4** An Electing Shareholder shall be entitled to make an income tax election pursuant to subsection 97(2) of the Tax Act (and the analogous provisions of provincial income tax law) with respect thereto by providing two signed copies of the necessary election forms to the Limited Partnership by the Election Deadline, duly completed with the details of the number of Common Shares transferred and the applicable agreed amounts for the purposes of such elections. Thereafter, subject to the election forms complying with the provisions of the Tax Act (and applicable provincial tax law), the election forms will be signed by the Limited Partnership GP on behalf of the Limited Partnership and one copy thereof shall be forwarded by mail to such Electing Shareholder within 30 days after the receipt thereof by the Limited Partnership, on behalf of the Limited Partnership for filing by such Electing Shareholder with the CRA (and/or the applicable provincial taxing authority). The Limited Partnership will not be responsible for the proper completion and filing of any election form and, except for the obligation of the Limited Partnership to so sign and return properly completed election forms which are received by the Limited Partnership by the Election Deadline, the Limited Partnership will not be responsible for any taxes, interest or penalties resulting from the failure by a Electing

Shareholder to properly complete or file the election forms in the form and manner and within the time prescribed by the Tax Act (and any applicable provincial legislation).

**3.5** If the aggregate number of Exchangeable LP Units requested pursuant to Section 3.2 exceeds the Maximum Number of Exchangeable LP Units, then each Electing Shareholder agrees that, with respect to the election forms, the number of Common Shares, Exchangeable LP Units and elected amounts (and other analogous amounts) shall be reduced proportionately in accordance with the Electing Shareholder's Maximum Pro Rata Share and each Electing Shareholder grants the Limited Partnership GP the limited power of attorney to amend such amounts on the election forms. Prior to returning the election forms to the Electing Shareholder, the Limited Partnership GP may at its discretion consider further amendments if made in writing to the Limited Partnership GP by the Electing Shareholder.

**3.6** For greater certainty, Killam REIT, Killam and any of their direct or indirect subsidiaries shall, in addition to any other specific tax elections referred to in this Plan of Arrangement, be entitled to file any tax election(s) in relation to the transactions that are contemplated pursuant to this Plan of Arrangement, that any such party, in their sole discretion, shall choose.

#### **ARTICLE IV** **DISSENTING SHAREHOLDERS**

**4.1** Each registered Shareholder shall have the right to dissent with respect to the Arrangement. The right of dissent will be effected in accordance with Section 190 of the CBCA, as modified by the Interim Order, provided that a Dissenting Shareholder who for any reason is not entitled to be paid the fair value of the holder's Common Shares shall be treated as if the holder had participated in the Arrangement on the same basis as a non-dissenting Shareholder pursuant to Section 3.1(e). The fair value of the Common Shares of a Dissenting Shareholder shall be determined as of the point in time immediately prior to the approval of the Arrangement Resolution by the Shareholders in accordance with Section 190 of the CBCA, but in no event shall Killam (or its successors) be required to recognize such Dissenting Shareholders as shareholders of Killam (or its successors) after the Effective Date, and the names of such holders shall be removed from the applicable register of shareholders. For greater certainty, in addition to any other restrictions in Section 190 of the CBCA, no Shareholder who has voted in favour of the Arrangement shall be entitled to dissent with respect to the Arrangement.

#### **ARTICLE V** **OUTSTANDING CERTIFICATES AND FRACTIONAL SECURITIES**

**5.1** From and after the Effective Time, certificates formerly representing Common Shares under the Arrangement shall represent only the right to receive the consideration to which the holders are entitled under the Arrangement, or as to those held by Dissenting Shareholders, other than those Dissenting Shareholders deemed to have participated in the Arrangement pursuant to Section 4.1, to receive the fair value of the Common Shares represented by such certificates.

**5.2** Killam REIT shall, as soon as practicable following the later of the Effective Date and the date of deposit by a former Shareholder of a duly completed Letter of Transmittal and Election



Form, and certificates representing such Common Shares and such additional documents as the Depository may reasonably require, either:

- (a) forward or cause to be forwarded by first class mail (postage prepaid) to such former Shareholder at the address specified in the Letter of Transmittal and Election Form; or
- (b) if requested by such Shareholder in the Letter of Transmittal and Election Form, make available or cause to be made available at the Depository for pickup by such Shareholder,

certificates representing the number of Killam REIT Units and/or Exchangeable LP Units issued to such holder or to which such holder is entitled pursuant to the Arrangement.

**5.3** If any certificate which immediately prior to the Effective Time represented an interest in outstanding Common Shares that were exchanged pursuant to Section 3.1 has been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to have been lost, stolen or destroyed, the Depository will issue and deliver in exchange for such lost, stolen or destroyed certificate the consideration to which the Person is entitled pursuant to the Arrangement (and any distributions with respect thereto) as determined in accordance with the Arrangement. The Person who is entitled to receive such consideration shall, as a condition precedent to the receipt thereof, give a bond to each of the REIT, the Limited Partnership and their respective transfer agents, which bond is in form and substance satisfactory to each of Killam REIT, the Limited Partnership and their respective transfer agents, or shall otherwise indemnify Killam REIT, the Limited Partnership and their respective transfer agents against any claim that may be made against any of them with respect to the certificate alleged to have been lost, stolen or destroyed.

**5.4** All distributions made with respect to any Killam REIT Units, Exchangeable LP Units allotted and issued or transferred pursuant to this Arrangement but for which a certificate has not been issued shall be paid or delivered to the Depository to be held by the Depository for the registered holder thereof. All monies received by the Depository shall be held by it upon such terms as the Depository may reasonably deem appropriate. The Depository shall pay and deliver to any such registered holder, as soon as reasonably practicable after application therefor is made by the registered holder to the Depository in such form as the Depository may reasonably require, such distributions to which such holder is entitled, net of applicable withholding and other taxes, upon delivery of the certificates representing Killam REIT Units and Exchangeable LP Units issued to such holder in accordance with section 5.2 of this Plan of Arrangement.

**5.5** Subject to any applicable escheat laws, any certificate formerly representing Common Shares that is not deposited with all other documents as required by this Plan of Arrangement on or before the day prior to the fifth anniversary of the Effective Date shall cease to represent a right or claim of any kind or nature, including the right of the holder of such Common Shares to receive Killam REIT Units and/or Exchangeable LP Units together with Ancillary Rights contemplated by Sections 3.1(d) and/or 3.1(e). Killam REIT Units, Exchangeable LP Units and Ancillary Rights issued or made pursuant to the Arrangement shall be deemed to be surrendered to Killam REIT (in the case of the REIT Units contemplated by Section 3.1(e)) and to the

Limited Partnership and Killam REIT (in the case of the Exchangeable LP Units and Special Voting Units contemplated by Section 3.1(d)), together with all distributions thereon held for such holder.

**5.6** No fractional Killam REIT Units or Exchangeable LP Units shall be issued pursuant to the Arrangement. In the event that any exchange ratio referred to herein would in any case result in a former holder of Common Shares being entitled to a fractional Killam REIT Unit or Exchangeable LP Unit, such Killam REIT Units or Exchangeable LP Units shall be rounded to the nearest whole number, provided that each beneficial former holder of Common Shares shall be entitled to the benefit of only one adjustment in respect of each of such holder's Killam REIT Units or Exchangeable LP Units.

## **ARTICLE VI** **WITHHOLDING RIGHTS**

**6.1** Killam REIT, the Limited Partnership and the Depository shall be entitled to deduct and withhold from any consideration or distribution otherwise payable to any former holder of Common Shares, such amounts as Killam REIT, the Limited Partnership and the Depository is required to deduct and withhold with respect to such payment under the Tax Act or any provision of any federal, provincial, territorial, state, local or foreign tax law. Amounts so withheld shall be treated for all purposes as having been paid to the former holder of the Common Shares in respect of which such deduction and withholding was made, provided that such withheld amounts are actually remitted to the appropriate taxing authority. Killam REIT, the Limited Partnership and the Depository, on behalf of the Shareholder, shall be entitled to sell or otherwise dispose of such portion of the consideration as is necessary to provide sufficient funds, after expenses, to enable it to comply with such deduction or withholding requirements and shall notify the former holder thereof and remit to the former holder any unapplied balance of the net proceeds of such sale.

## **ARTICLE VII** **AMENDMENTS**

**7.1** The parties to the Arrangement Agreement may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must be: (i) set out in writing; (ii) filed with the Court and, if made following the Meeting, approved by the Court; and (iii) communicated to holders of Common Shares, if and as required by the Court.

**7.2** Any amendment of, modification or supplement to this Plan of Arrangement may be proposed by Killam at any time prior to or at the Meeting with or without any other prior notice or communication, and if so proposed and accepted by the Shareholders at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.

**7.3** Any amendment, modification or supplement to this Plan of Arrangement may be made following the Effective Time but shall only be effective if it is consented to by each of Killam REIT and Killam, provided that it concerns a matter which, in the reasonable opinion of Killam

REIT and Killam, is of an administrative nature or required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the financial or economic interests of Killam REIT, or any former Shareholder.