

**NOTICE OF MEETING**

**AND**

**MANAGEMENT INFORMATION CIRCULAR**

**SPECIAL MEETING OF UNITHOLDERS OF**

**TEMPLE REAL ESTATE INVESTMENT TRUST**

**with respect to a**

**PLAN OF ARRANGEMENT**

**involving**

**TEMPLE REAL ESTATE INVESTMENT TRUST**  
**TR TRUST**  
**TEMPLE LIMITED PARTNERSHIP**  
**TEMPLE GENERAL PARTNER INC.,**  
**and**  
**TEMPLE HOTELS INC.**  
**and**  
**THE UNITHOLDERS OF TEMPLE REAL ESTATE INVESTMENT TRUST**

**THIS BOOKLET CONTAINS IMPORTANT INFORMATION**  
**THAT REQUIRES YOUR PROMPT ATTENTION**

**October 9, 2012**



## **SPECIAL MEETING OF UNITHOLDERS**

### **THIS BOOKLET EXPLAINS:**

- details of the matters to be voted upon at the special meeting (the “**Meeting**”) of the holders (“**Unitholders**”) of trust units of Temple Real Estate Investment Trust (the “**REIT**”); and
- how to exercise your vote even if you are unable to attend the Meeting.

### **THIS BOOKLET CONTAINS:**

- a letter from Mr. Arni C. Thorsteinson, Trustee and Chief Executive Officer of the REIT;
- the notice of special meeting of Unitholders (the “**Notice of Meeting**”);
- a management information circular (the “**Information Circular**”); and
- a form of proxy (printed on blue paper) (a “**Form of Proxy**”) that you may use to vote your Units without attending the Meeting.

**This Information Circular and Form of Proxy are furnished in connection with the solicitation of proxies by or on behalf of management of the REIT for use at the Meeting to be held on November 19, 2012.**

At the Meeting, Unitholders will be asked to consider, among other things, and, if thought advisable, approve the conversion of the REIT from a trust to a corporation (“**New Temple**”), and if the conversion of the REIT to a corporation is approved at the Meeting, the adoption of a stock option plan in a form substantially similar as the REIT’s current Unit option plan and the adoption of a deferred share plan in a form substantially similar to the REIT’s current deferred unit plan.

Your presence, or at least your vote if you are unable to attend in person, is important. Please vote your Form of Proxy (printed on blue paper) by 10 a.m. (Winnipeg time) on November 15, 2012.

### **REGISTERED UNITHOLDERS**

**PLEASE NOTE:** A Form of Proxy is enclosed with this booklet that may be used to vote your Units. Instructions on how to vote using this Form of Proxy are set out in the Information Circular.



## **NON-REGISTERED UNITHOLDERS**

**PLEASE NOTE:** If your Units are held on your behalf, or for your account, by an intermediary (such as a securities broker, financial institution, trustee, custodian or other nominee who holds Units on your behalf or in the name of a clearing agency in which the intermediary is a participant) (an “**Intermediary**”), you must carefully follow the instructions provided by your Intermediary with this booklet in order to vote.



October 9, 2012

Dear Unitholders:

You are invited to attend the special meeting (the “**Meeting**”) of the holders (“**Unitholders**”) of trust units (“**Units**”) of Temple Real Estate Investment Trust (the “**REIT**”) to be held at Suite 2600, Seven Evergreen Place, Winnipeg, Manitoba on Monday, November 19, 2012 at 10 a.m. (Winnipeg time).

At the Meeting, Unitholders will be asked to consider and vote upon a proposed reorganization of the REIT pursuant to a plan of arrangement (the “**Arrangement**”) and to consider the other matters outlined in the accompanying notice of the Meeting. The purpose of the Arrangement is to convert the REIT from an income trust to a corporation (the “**Conversion**”). Some of the reasons why the board of trustees of the REIT (the “**Board**”) believe the Conversion is in the best interests of the REIT are:

- As a consequence of the Canadian federal government’s October 31, 2006 announcement (the “**Announcement**”) relating to the taxation of income trusts and subsequent legislation implementing these proposals, certain income of (and distributions made by) “specified investment flow through entities” (SIFTs) became taxable in a manner similar to income earned by (and distributions made by) a corporation, upon the earlier of the SIFT’s 2011 taxation year and the taxation year in which the SIFT exceeded “normal growth” as determined by reference to guidelines released by the Canadian federal government in connection with this taxation regime. Since the REIT does not qualify for the “REIT Exception” from the above taxation regime due to the nature of its assets and operations, the REIT became subject to income tax under the Income Tax Act (Canada) in 2011. The REIT has considered alternatives for restructuring its assets and operations in a manner that would allow it to qualify for the REIT Exception and has determined that these alternatives are not economically feasible and not in the best interests of the REIT and the Unitholders.
- The anticipated corporate structure should enhance access to capital for the resulting corporation, attract new investors (including foreign investors that are currently limited by the REIT’s non-resident ownership limitations) and potentially provide a more liquid market for the securities of the resulting corporation.
- It is expected that the Conversion will provide the resulting corporation with more flexibility regarding the growth and retention of its capital than enjoyed by the REIT such that the resulting corporation will be better positioned to facilitate its future growth plans.
- The Conversion will result in a simplified tax and legal structure, more comparable to the majority of public companies operating in Canada, which should result in reduced internal and external administrative costs.

In addition to the reasons set forth above, if the Conversion is completed prior to January 1, 2013, the REIT will be able to complete the Conversion on a tax deferred basis.



As a result, the Board believes that continuing as a trust does not provide any meaningful long-term benefits to the REIT or the Unitholders.

Pursuant to the terms of the Arrangement, holders of Units will receive, in exchange for each Unit held, one common share (a “**Common Share**”) of Temple Hotels Inc. (“**New Temple**”).

To be effective, the resolution approving the Arrangement must be approved by two-thirds of the votes cast, in person or by proxy, at the Meeting. The Arrangement is also subject to the approval of the Manitoba Court of Queen’s Bench and certain other conditions.

The Board has concluded that the Arrangement is fair to Unitholders and in the best interests of the REIT, and unanimously recommends that Unitholders vote in favour of the Arrangement. The trustees and senior officers of the REIT, who own, directly or indirectly, or exercise control or direction over, approximately 9.29% of the outstanding Units, have indicated that they intend to vote in favour of the Arrangement.

**The accompanying information circular provides a detailed description of the Arrangement, including information regarding New Temple and the full text of the Arrangement Agreement. Please give this material your careful consideration. You are also encouraged to consult your financial, tax or other professional advisors.**

If you are unable to attend the Meeting in person, please complete and deliver the enclosed form of proxy (printed on blue paper) in accordance with the instructions set out in the accompanying information circular so that your Units can be voted at the Meeting.

On behalf of the Board and management of the REIT, I would like to thank you for your continued support. We look forward to seeing you at the Meeting.

Yours very truly,

(Signed): “*Arni C. Thorsteinson*”

Arni C. Thorsteinson  
Trustee and Chief Executive Officer,  
Temple Real Estate Investment Trust



## NOTICE OF SPECIAL MEETING OF UNITHOLDERS

**NOTICE IS HEREBY GIVEN** that the special meeting (the “**Meeting**”) of holders (the “**Unitholders**”) of trust units of Temple Real Estate Investment Trust (the “**REIT**”) will be held at:

Suite 2600  
Seven Evergreen Place  
Winnipeg, Manitoba  
on  
Monday, November 19, 2012  
at 10 a.m. (Winnipeg time)

The following business will be conducted at the Meeting:

- (a) to consider, pursuant to an order of the Manitoba Court of Queen’s Bench dated September 27, 2012, and, if deemed advisable, to pass, with or without alteration or modification, a special resolution (the “**Arrangement Resolution**”) the full text of which is set forth in Appendix A to the accompanying information circular (the “**Information Circular**”) of the REIT dated October 9, 2012, approving a plan of arrangement (the “**Arrangement**”) under Section 192 of the *Canada Business Corporations Act* involving the REIT, TR Trust, Temple Limited Partnership, Temple General Partner Inc., Temple Hotels Inc. (“**New Temple**”) and the unitholders of the REIT, providing for the conversion of the REIT from a trust to a corporation, as more particularly described in the Information Circular;
- (b) if the Arrangement Resolution is passed by the requisite vote of Unitholders, to consider and, if deemed advisable, to pass, with or without alteration or modification, a resolution (the “**Stock Option Plan Resolution**”), the full text of which is set forth in Appendix E to the Information Circular, approving, subject to completion of the Arrangement, a stock option plan of New Temple, as more particularly described in the Information Circular and a copy of which is set forth in Appendix F to the Information Circular;
- (c) if the Arrangement Resolution is passed by the requisite vote of Unitholders, to consider and, if deemed advisable, to pass, with or without alteration or modification, a resolution (the “**Deferred Share Plan Resolution**”), the full text of which is set forth in Appendix G to the Information Circular, approving, subject to completion of the Arrangement, a deferred share plan of New Temple, as more particularly described in the Information Circular and a copy of which is set forth in Appendix H to the Information Circular; and
- (d) the transaction of any other business as may properly come before the Meeting and any and all adjournments thereof.

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



As a Unitholder, you are entitled to attend the Meeting and to cast one vote for each Unit that you own.

If you are a registered Unitholder and you are unable to attend the Meeting, please exercise your right to vote on the items of business set out above by signing and returning the enclosed form of proxy (printed on blue paper) (“**Form of Proxy**”) to CIBC Mellon Trust Company in accordance with the instructions in the Information Circular no later than 10 a.m. (Winnipeg time) on November 15, 2012. **In order to be valid for use at the Meeting, proxies must be received not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the Meeting or any adjournment(s) or postponement(s) thereof.**

If you are a non-registered Unitholder and receive these materials through an intermediary (such as a securities broker, financial institution, trustee, custodian or other nominee who holds Units on your behalf or in the name of a clearing agency in which the intermediary is a participant) (each, an “**Intermediary**”), you must follow the instructions provided by the Intermediary with this Information Circular in order to vote your Units. **If you are a non-registered Unitholder and do not complete and return the materials in accordance with the Intermediary’s instructions, you may lose the right to vote at the Meeting, either in person or by proxy.**

The Board has fixed the close of business on October 9, 2012 as the record date for determining the holders of record of Units who are entitled to receive notice of the Meeting and to attend and vote at the Meeting, or any adjournment(s) or postponement(s) thereof.

**DATED** at Winnipeg, Manitoba this 9<sup>th</sup> day of October, 2012.

By Order of the Board

(Signed): “*Arni C. Thorsteinson*”

Arni C. Thorsteinson  
Trustee and Chief Executive Officer



# MANAGEMENT INFORMATION CIRCULAR

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## TEMPLE REAL ESTATE INVESTMENT TRUST

### MANAGEMENT INFORMATION CIRCULAR

#### INTRODUCTION

This information circular (the “**Information Circular**”) is furnished in connection with the solicitation by the board of trustees (referred to as either the “**Trustees**” or the “**Board**”) of Temple Real Estate Investment Trust (the “**REIT**”) of proxies to be used at the special meeting (the “**Meeting**”) of holders (the “**Unitholders**”) of trust units (“**Units**”) to be held on November 19 at Suite 2600, Seven Evergreen Place, Winnipeg, Manitoba, commencing at 10 a.m. (Winnipeg time) and at all postponements or adjournments thereof, for the purpose of transacting the business set forth in the accompanying Notice of Meeting. All dollar amounts in this Information Circular are expressed in Canadian dollars, unless otherwise indicated.

The Information Circular’s purpose is:

- (i) to explain how, as a Unitholder, you can vote at the Meeting, either in person or by transferring your vote to someone else to vote on your behalf;
- (ii) to request that you authorize Mr. Arni Thorsteinson or, failing him, Larry Beeston (the “**Management Nominees**”), or such other person you select, to vote on your behalf in accordance with your instructions set out on a form of proxy (printed on blue paper) (the “**Form of Proxy**”); and
- (iii) to inform you about the business to be conducted at the Meeting.

No Person has been authorized to give any information or to make any representation in connection with the proposed reorganization of the REIT pursuant to a plan of arrangement (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. Solicitation of proxies will be primarily by mail, but may also be undertaken by way of telephone, facsimile, e-mail or oral communication by the Trustees and officers of the REIT and its subsidiaries or employees of Shelter Canadian Properties Limited, the asset manager of the REIT, at no additional compensation. All costs associated with the solicitation of proxies by the REIT and its subsidiaries will be borne by the REIT and its subsidiaries.

This Information Circular does not constitute an offer to buy, or a solicitation of an offer to sell, any securities, or the solicitation of a proxy, by any Person in any jurisdiction in which such an offer or solicitation is not authorized or in which the Person making such offer or solicitation is not qualified to do so, or to any Person to whom it is unlawful to make such an offer or solicitation of an offer or a proxy solicitation. Neither the delivery of this Information Circular nor any distribution of the securities referred to in this Information Circular will, under any



circumstances, create an implication that there has been no change in the information set forth herein since the date as of which such information is given in this Information Circular.

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 arrangement agreement dated August 27, 2012 (the “**Arrangement Agreement**”), attached as Appendix D to this Information Circular, and the plan of arrangement (the “**Plan of Arrangement**”) in respect of the Arrangement, a copy of which is attached as Exhibit “A” to the Arrangement Agreement. **You are urged to read carefully the full text of this Information Circular, the Arrangement Agreement and the Plan of Arrangement.**

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

All capitalized terms used in this Information Circular but not otherwise defined herein shall have the meanings set forth under “Glossary of Terms”. Information contained in this Information Circular is given as of October 9, 2012, unless otherwise noted.

## **FORWARD-LOOKING STATEMENTS**

Certain statements in this Information Circular may be considered “forward-looking statements” as defined under applicable Canadian securities laws. These statements include, but are not limited to, statements made under the headings: “The Arrangement – Effect of the Arrangement”, “The Arrangement – Arrangement Steps”, “The Arrangement – Post-Arrangement Structure”, “The Arrangement – Procedure for the Arrangement Becoming Effective”, “The Arrangement – Approvals”, “The Arrangement – Conditions Precedent to the Arrangement”, “The Arrangement – Timing of Completion of the Arrangement”, “The Arrangement – Procedure for the Exchange of Units”, “The Arrangement – Expenses of the Arrangement”, “The Arrangement – Securities Law Matters”, “The Stock Option Plan”, “Certain Canadian Federal Income Tax Considerations”, “Description of New Temple”, “Risk Factors”, and also include statements regarding the REIT’s proposed Conversion; the payment of dividends by New Temple following the Conversion; the expected benefits of the Conversion; certain details regarding the approval process and certain income tax consequences in respect of the Conversion. When used in this Information Circular, such statements use words, including but not limited to, “outlook”, “objective”, “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “should”, “plans” or “continue”, or similar expressions suggesting future outcomes or events. These forward-looking statements reflect the current expectations of management of the REIT regarding future events and operating performance, but involve known and unknown risks, uncertainties and other factors which may cause the outcome of the proposed Conversion or the actual results, performance or achievements of the REIT and/or New Temple to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual events could differ materially from those projected herein and depend on a number of factors, including, but are not limited to: the REIT’s failure to complete the proposed Conversion, including by reason of its inability to obtain the consents, permits or approvals that are required on terms satisfactory to the REIT, including the



approval of the court of the Arrangement and of its Unitholders; New Temple's inability to meet stock exchange listing requirements; the failure to realize the anticipated benefits of the Conversion; actual future market conditions being different than anticipated by Management and the Board; actual future operating and financial results of the REIT and/or New Temple being different than anticipated by Management and the Board; changes in laws and regulations affecting the REIT and its business operations; changes in taxation of the REIT; and the risks described under "Risks Factors", including those incorporated by reference in this Information Circular, which also include risks discussed in the REIT's other public filings, accessible on the SEDAR website at [www.sedar.com](http://www.sedar.com). Material factors or assumptions that were applied in drawing a conclusion or making an estimate set out in the forward-looking information include: the financial and operating attributes of the REIT as at the date hereof; the anticipated operating and financial results of the REIT from the date hereof to the effective date of the Conversion; the successful completion of the proposed Conversion of the REIT from a trust to a corporation; the anticipated operating and financial results of New Temple after the effective date of the Conversion; the views of Management and the Board respecting the benefits associated with the Conversion; the views of Management and the Board regarding current and anticipated market conditions; and the successful attainment of certain goals as discussed in this Information Circular. Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although forward-looking information contained in this Information Circular is based upon what Management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.

Readers are further cautioned that the preparation of financial statements, including unaudited *pro forma* financial statements, in accordance with Canadian GAAP requires Management to make certain judgments and estimates that affect the reported amounts of assets, liabilities, revenues and expenses. These estimates may change, having either a negative or positive effect on net earnings as further information becomes available, and as the economic environment changes.

The information contained in this Information Circular, including the documents incorporated by reference herein, identifies additional factors that could affect the operating results and performance of the REIT and New Temple. Unitholders are urged to carefully consider those factors.

The forward-looking statements in this Information Circular speak only as of the date of this Information Circular or, to the extent that a forward-looking statement is contained in a document incorporated by reference herein, as of the date of such document, or such other date specified in the forward-looking statement. Except as required by applicable securities laws, the REIT does not undertake, and specifically disclaims, any obligation to update or revise any forward looking information, whether as a result of new information, future developments or otherwise, except as required by applicable law.



## NON-IFRS MEASURES

Management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2011 and for the six-month period ended June 30, 2012, which are incorporated by reference herein, make reference to certain non-IFRS financial measures to assist in assessing the REIT's financial performance. Non-IFRS financial measures do not have standard meanings prescribed by generally accepted accounting principles in Canada ("**Canadian GAAP**"), and are therefore unlikely to be comparable to similar measures presented by other issuers. For information regarding the non-IFRS financial measures used by the REIT, see such management discussion and analysis, a copy of which is available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

## INFORMATION FOR UNITED STATES SECURITYHOLDERS

The offer and sale of the Common Shares issuable to Unitholders in exchange for their Units pursuant to the Arrangement have not been and will not be registered under the 1933 Act, and such securities will be issued to Unitholders in reliance on the exemption from registration set forth in section 3(a)(10) of the 1933 Act. The solicitation of proxies or voting directions for the Meeting is not subject to the proxy requirements of section 14(a) of the 1934 Act. Accordingly, the solicitations and transactions contemplated in this Information Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian corporate and securities law requirements, and this Information Circular has been prepared solely in accordance with disclosure requirements applicable in Canada. Unitholders in the United States should be aware that such requirements are different than those of the United States applicable to registration statements under the 1933 Act and proxy statements under the 1934 Act. Specifically, information concerning: (i) the REIT and its Subsidiaries; and (ii) New Temple included in or incorporated by reference into this Information Circular has been prepared in accordance with Canadian disclosure standards, which are not comparable in all respects to United States disclosure standards.

Except where expressly stated otherwise, all financial statements and other financial information relating to: (i) the REIT and its Subsidiaries; and (ii) New Temple included in or incorporated by reference in this Information Circular has been presented in Canadian dollars, were prepared in accordance with Canadian GAAP and are subject to Canadian auditing and auditor independence standards, which differ from United States generally accepted accounting principles ("**US GAAP**") and United States auditing and auditor independence standards in certain material respects, and thus may not be comparable to financial statements prepared in accordance with US GAAP and that are subject to United States auditing and auditor independence standards.

The enforcement of civil liabilities under United States federal and state securities laws may be affected adversely by the fact that the REIT and New Temple are organized under the laws of Canada, that their current respective officers and directors or trustees, as applicable, are residents of countries other than the United States, that certain of the experts named in this Information Circular are residents of countries other than the United States, and that large portions of the assets of the REIT and New Temple and such other persons are, or will be, located outside of the United States.



The Common Shares receivable by Unitholders pursuant to the Arrangement will be freely transferable by such Unitholders under the 1933 Act, except by persons who are “affiliates” of New Temple after completion of the Arrangement or were affiliates of New Temple within 90 days prior to the completion of the Arrangement. An “affiliate” of an issuer is a person or entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the issuer, whether through the ownership of voting securities, by contract or otherwise, and generally includes executive officers and directors of the issuer as well as principal shareholders of the issuer. See “The Arrangement – Securities Law Matters – United States”.

**Unitholders should be aware that the Arrangement and the acquisition and ownership of Common Shares may have material tax consequences in the United States, including, without limitation, the possibility that the Arrangement is a taxable transaction, in whole or in part, for United States federal income tax purposes. Tax considerations applicable to Unitholders subject to United States federal taxation have not been included in this Information Circular. Shareholders are advised to consult their own tax advisors to determine the particular tax consequences to them of the Arrangement. Also see “Certain Canadian Federal Income Tax Considerations – Unitholders Not Resident in Canada” for a description of certain Canadian federal income tax consequences applicable to Unitholders who are not resident in Canada.**

**THE SECURITIES ISSUABLE PURSUANT TO THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES; NOR HAS THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION OR ANY SUCH STATE REGULATORY AUTHORITY PASSED UPON THE ADEQUACY OR ACCURACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

## **REFERENCES TO CURRENCY**

Unless otherwise stated, all references in this Information Circular to monetary amounts are expressed in Canadian dollars. All references to “\$” are to Canadian dollars.

## **DOCUMENTS INCORPORATED BY REFERENCE**

Information in respect of the REIT 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 may be obtained, free of charge, from SEDAR at [www.sedar.com](http://www.sedar.com) or on request from the REIT at Suite 2600, Seven Evergreen Place, Winnipeg, Manitoba R3L 2T3 Attention: Mr. Gino Romagnoli, Investor Relations.



The following documents of the REIT, filed with the securities commissions or similar regulatory authorities in each of the provinces of Canada where the REIT is a reporting issuer, are specifically incorporated by reference into and form an integral part of this Information Circular:

- the REIT's annual information form dated April 23, 2012 (the "Annual Information Form" or "AIF");
- the REIT's audited consolidated financial statements for the years ended December 31, 2011 and December 31, 2010, together with the report of the auditors thereon;
- the REIT's management discussion and analysis for the year ended December 31, 2011;
- the REIT's unaudited condensed consolidated financial statements as at June 30, 2012 for the six-month periods ended June 30, 2012 and June 30, 2011;
- the REIT's management discussion and analysis for the six-month period ended June 30, 2012;
- the REIT's management information circular dated May 4, 2012 in respect of the annual general meeting of Unitholders held on June 27, 2012;
- the material change report of the REIT dated March 1, 2012 with respect to the closing of the REIT's public offering of Series D Debentures in the aggregate principal amount of \$34,500,000 and 3,985,149 Units at a price of \$5.05 per Unit for aggregate gross proceeds to the REIT of \$54,625,002.45;
- the material change report of the REIT dated July 18, 2012 with respect to the announcement of the REIT's public offering of Series E Debentures in the aggregate principal amount of \$46,000,000 (inclusive of \$6,000,000 aggregate principal amount of Series E Debentures issuable pursuant to the exercise of the underwriters' over-allotment option); and
- material change report dated August 28, 2012 in respect of the Arrangement.

Any documents of the type required by National Instrument 44-101 – Short Form Prospectus Distributions to be incorporated by reference in a short form prospectus, including any material change report (excluding confidential material change reports), comparative interim financial statements and comparative annual financial statements (together with the auditors' report thereon), management's discussion and analysis, business acquisition reports, press releases and information circulars filed by the REIT with the securities commissions or similar authorities in the provinces of Canada subsequent to the date of this Information Circular and prior to the completion of the Arrangement will be deemed to be incorporated by reference in 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.

## PROXY MATTERS

### SOLICITATION OF PROXIES

**This solicitation of your proxy (your vote) is made by or on behalf of management of the REIT.** The solicitation of proxies for the Meeting will be made primarily by mail, but proxies may also be solicited personally or by telephone by officers and employees of the REIT.

### UNITS AND PRINCIPAL HOLDERS THEREOF

The interests in the REIT are divided into interests of two classes, designated as Units and Special Voting Units. An unlimited number of Units and Special Voting Units may be issued pursuant to the REIT Declaration of Trust. A holder of Units or Special Voting Units is entitled to attend meetings of Unitholders and to cast one vote for each whole Unit and/or Special Voting Unit held.

As at October 9, 2012, there are 25,858,095 Units issued and outstanding and no Special Voting Units issued and outstanding.

To the knowledge of the Trustees and Executive Officers, no person beneficially owns, directly or indirectly, or exercises control or direction over securities carrying more than 10% of the votes attached to the issued and outstanding Units.

#### *Registered Unitholders*

Each registered Unitholder is entitled to one vote for each Unit registered in his, her or its name as of the record date. The Trustees have set October 9, 2012 as the record date with respect of the Meeting (the “**Record Date**”). If a Unitholder sells some or all of the Units that he or she owns after the Record Date, the person who purchased the Units will become a Unitholder, but is not eligible to vote at the Meeting.



### ***Non-registered Beneficial Unitholders***

You may be a non-registered beneficial Unitholder (as opposed to a registered Unitholder) if your Units are held on your behalf, or for your account, by an intermediary (such as a securities broker, financial institution, trustee, custodian or other nominee who holds Units on behalf of the Unitholder or in the name of a clearing agency in which the intermediary is a participant) (each, an “**Intermediary**”). If you are a non-registered beneficial Unitholder, your Intermediary will be the entity legally entitled to vote your Units. In order to vote your Units, you must carefully follow the instructions that your Intermediary delivered to you with this Information Circular. As a non-registered beneficial Unitholder, while you are invited to attend the Meeting, you will not be entitled to vote at the Meeting, unless you submit all required information to your Intermediary well in advance of the Meeting and carefully follow its instructions and procedures. See “Proxy Matters – Advice to Beneficial Holders of Securities.”

### **VOTING IN PERSON**

If you attend the Meeting in Winnipeg on November 19, 2012, and are a registered Unitholder, you may cast one vote for each of your registered Units on any and all resolutions and matters put before the Meeting. This includes the Arrangement Resolution, the Stock Option Plan Resolution and the Deferred Share Plan Resolution. If you do not wish to vote for any matter proposed at the Meeting you may vote your Units against any resolution at the Meeting. If you attend the Meeting in person and are a non-registered beneficial Unitholder, you will not be entitled to vote at the Meeting unless you contact your Intermediary well in advance of the Meeting and carefully follow its instructions and procedures.

### **VOTING BY PROXY FOR REGISTERED UNITHOLDERS**

The following instructions are for registered Unitholders only. **If you are a non-registered beneficial Unitholder, please follow your Intermediary’s instructions on how to vote your Units.**

If you are unable to attend the Meeting, or if you do not wish to personally cast your votes, you may still make your votes count by authorizing another person who will be at the Meeting to vote on your behalf. You may either tell that person how you want to vote, or let him or her choose for you. This is called voting by proxy.

#### ***What Is a Proxy?***

A proxy is a document that you may sign in order to authorize another person to cast your votes for you at the Meeting. The Form of Proxy that is printed on blue paper and is enclosed with this Information Circular is a form of proxy that you may use to authorize another person to vote on your behalf at the Meeting. You may use this Form of Proxy to assign your votes to the Management Nominees or to any other person of your choice. You may also use any other legal form of proxy.



### ***Appointing a Proxyholder***

Together with this Information Circular, the Unitholders will receive a form of proxy (printed on blue paper) (the “**Form of Proxy**”). If you are unable to attend the Meeting, or if you do not wish to personally cast your votes, you may still vote by authorizing another person in attendance at the Meeting to vote on your behalf as your proxyholder. **If you return the attached Form of Proxy to Canadian Stock Transfer Company and have left the line for the proxyholder’s name blank, then the applicable Management Nominee, whose name is already pre-printed on the form, will automatically become your proxyholder. You may appoint someone other than a Management Nominee to represent you at the Meeting as your proxyholder by filling in that person’s name in the blank space located near the top of the enclosed Form of Proxy and crossing out the name of the Management Nominees. Please note that your designated proxyholder is not required to be a Unitholder.**

### ***Depositing Your Proxy***

**To be valid, registered Unitholders must complete the Form of Proxy, correctly signed (exactly as the Unitholder’s name appears on the Form of Proxy) and submit the Form of Proxy to Canadian Stock Transfer Company Inc. by 10 a.m. (Winnipeg) on November 19, 2012 or at least 48 hours (excluding Saturdays, Sundays and holidays) before the time set for any reconvened meeting at which the proxy is to be used, and may do so (i) by mail in the enclosed return envelope to Canadian Stock Transfer Company Inc, Proxy Department, P.O. Box 721, Agincourt, Ontario, M1S 0A1; (ii) by facsimile to (416) 368-2502 or toll-free 1-866-781-3111 (Canada and U.S. only). Your proxyholder may then vote on your behalf at the Meeting. Canadian Stock Transfer Company Inc. acts as the Administrative Agent for CIBC Mellon Trust Company, the REIT’s transfer agent.**

The document appointing a proxy must be in writing and completed and signed by a Unitholder or his or her attorney authorized in writing or, if the Unitholder is a corporation, by a duly authorized officer or attorney thereof. Persons signing as officers, attorneys, executors, administrators, trustees, etc., should so indicate and may be asked to provide satisfactory evidence of such authority.

### ***Revoking Your Proxy***

A Unitholder who has given a proxy may revoke the proxy by: (i) completing and signing a Form of Proxy bearing a later date and depositing it with Canadian Stock Transfer Company Inc. as set forth above under the heading “Depositing Your Proxy”; (ii) depositing with Canadian Stock Transfer Company, at the address set forth above, an instrument in writing executed by the Unitholder (or by his or her attorney authorized in writing) clearly indicating an intention to revoke a previously given proxy, not less than 48 hours (excluding Saturdays, Sundays and holidays) prior to the Meeting or any adjournment(s) or postponement(s) thereof; or (iii) in any other manner permitted by law. Canadian Stock Transfer Company Inc. acts as the Administrative Agent for CIBC Mellon Trust Company, the REIT’s transfer agent.



The revocation must be received by the REIT by 10 a.m. (Winnipeg time) on November 15, 2012 (or at least 48 hours prior to any reconvened meeting in the event of an adjournment of the Meeting), or by the Chair of the Meeting prior to the commencement of the Meeting (or at the reconvened Meeting in the event of an adjournment of the Meeting), or in any other way permitted by law.

If you revoke your proxy and do not replace it with another Form of Proxy that is deposited with Canadian Stock Transfer Company Inc. on or before the deadline, 10 a.m. (Winnipeg time) on November 15, 2012, you may still vote your own Units in person at the Meeting provided you are a registered Unitholder whose name appeared on the Unitholders' register of the REIT as at the Record Date.

## VOTING OF PROXIES

The persons named in the accompanying Form of Proxy will vote the Units in respect of which they are appointed, on any ballot that may be called for, in accordance with the instructions of the Unitholder as indicated on the Form of Proxy. **If you have not specified how to vote on a particular matter, your proxyholder is entitled to vote as he or she sees fit, provided that, if you have authorized a Management Nominee to act as your proxyholder (by leaving the line for the proxyholder's name blank on the Form of Proxy), your Units will be voted at the Meeting as follows:**

- (a) **FOR** a special resolution (the "**Arrangement Resolution**") the full text of which is set forth in Appendix A to this Information Circular, approving a plan of arrangement (the "**Arrangement**") under Section 192 of the *Canada Business Corporations Act* involving the REIT, TR Trust, Temple Limited Partnership, the General Partner, New Temple and the unitholders of the REIT, providing for the conversion of the REIT from a trust to a corporation, as more particularly described in the Information Circular;
- (b) **FOR** a resolution (the "**Stock Option Plan Resolution**"), the full text of which is set forth in Appendix E to this Information Circular, approving, subject to completion of the Arrangement, a common share option plan of New Temple, as more particularly described in this Information Circular and a copy of which is set forth in Appendix F to this Information Circular; and
- (c) **FOR** a resolution (the "**Deferred Share Plan Resolution**"), the full text of which is set forth in Appendix G to this Information Circular, approving, subject to completion of the Arrangement, a deferred share plan of the REIT as more particularly described in the Information Circular and a copy of which is set forth in Appendix H to the Information Circular.

The persons appointed under the accompanying Form of Proxy are conferred with discretionary authority with respect to amendments or variations of matters identified in the Form of Proxy and Notice of Meeting and with respect to other matters which may properly come before the Meeting. In the event that amendments or variations to matters identified in the Notice of



Meeting are properly brought before the Meeting, it is the intention of the persons designated in the enclosed Form of Proxy to vote in accordance with their best judgment on such matter or business. As at the date of this Information Circular, the Trustees know of no such amendments, variations or other matters that are to come before the Meeting.

## **QUORUM**

A quorum is required for the Meeting. For the Meeting, two persons present in person or represented by proxy and representing in total not less than 5% of the votes attached to all outstanding Units will constitute a quorum. If a quorum is not present within 30 minutes after the time fixed for the holding of the Meeting, the Meeting will stand adjourned to a day not less than twenty-one 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 holders of Units (“**Unitholders**”) present either in person or by proxy shall be deemed to constitute a quorum.

### ***How A Vote Is Passed***

The Arrangement Resolution must be passed by a Special Resolution. The Stock Option Plan Resolution and the Deferred Share Plan Resolution must be passed by an Ordinary Resolution.

## **ADVICE TO BENEFICIAL HOLDERS OF UNITS**

**Information set forth in this section is very important to Unitholders who do not hold Units in their own name.**

Holders who do not hold their Units in their own name (each, a “**Beneficial Unitholder**” and together, “**Beneficial Unitholders**”) should note that the only proxies that can be recognized and acted upon at the Meeting are those deposited by Unitholders whose names appear on the records maintained by or on behalf of the REIT as the registered holders of Units on the Record Date. If such Units are listed in an account statement provided to a Unitholder by an Intermediary, then in almost all cases those Units will not be registered in that holder’s name on the records of the REIT. Such Units will more likely be registered under the name of the holder’s broker, an agent or nominee of that broker or another Intermediary. In Canada, the vast majority of such Units are typically registered in the name of CDS & Co., the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms. As a Beneficial Unitholder, the Intermediary will be the entity legally entitled to vote the Units. Units held by an Intermediary can only be voted upon the instructions of the Beneficial Unitholder. Without specific instructions, Intermediaries are prohibited from voting the Units for their clients. The REIT does not know for whose benefit Units registered in the name of CDS & Co. are held.

**In order for Beneficial Unitholders to vote their Units at the Meeting, they must carefully follow the procedures and instructions received from their Intermediary with this Information Circular.** Applicable regulatory policy in Canada requires Intermediaries to seek voting instructions from Beneficial Unitholders in advance of Unitholders’ meetings. Instead of completing the Form of Proxy provided to registered Unitholders, Beneficial Unitholders will be



asked to complete and deliver to their respective Intermediaries a different form. This form will instruct the Intermediary how to vote on behalf of the Beneficial Unitholder. Most brokers now delegate responsibility for obtaining instructions from Beneficial Unitholders to Broadridge Financial Solutions (Canada) Inc., formerly ADP Investor Communications (“**Broadridge**”). Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Unitholders and asks Beneficial Unitholders to return the forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions representing the voting of Units to be represented at the Meeting. A Beneficial Unitholder receiving a Broadridge voting instruction form cannot use that voting instruction form to vote his, her or its Units directly at the Meeting. The voting instruction form must be returned to Broadridge well in advance of the Meeting in order to have the Units voted.

**Although Beneficial Unitholders may not be recognized directly at the Meeting for the purposes of voting their Units registered in the name of an Intermediary, a Beneficial Unitholder may attend at the Meeting as proxyholder for the registered holder (i.e., the Intermediary) and vote their Units in that capacity. Beneficial Unitholders who wish to attend the Meeting and indirectly vote their own Units as proxyholder for the registered holder should enter their own names in the blank space on the voting instruction form provided to them and return the same to their Intermediary, in accordance with the instructions provided by such Intermediary, well in advance of the Meeting.**



## GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Information Circular, including under “Summary”. These defined terms are not always used in the documents incorporated by reference herein and may not conform exactly to the defined terms used in the appendices to this Information Circular or any agreements referred to herein. Words importing the singular include the plural and vice versa and words importing any gender include all genders.

**“1933 Act”** means the United States Securities Act of 1933, as amended;

**“1934 Act”** means the United States Securities Exchange Act of 1934, as amended;

**“Annual Information Form”** or **“AIF”** means the REIT’s annual information form dated April 23, 2012;

**“Arrangement”** means the proposed arrangement pursuant to Section 192 of the CBCA on the terms and conditions set forth in the Plan of Arrangement, as amended, modified or supplemented;

**“Arrangement Agreement”** means the arrangement agreement dated as of August 27, 2012, among New Temple, the REIT, TR Trust, Temple LP and the General Partner pursuant to which the parties have proposed to implement the Arrangement, a copy of which agreement is attached as Appendix D to this Information Circular, as it may be amended, modified or supplemented from time to time;

**“Arrangement Resolution”** means a Special Resolution approving the Arrangement, the full text of which is set forth in Exhibit 1 to the Arrangement Agreement, which agreement is attached as Appendix D to this Information Circular;

**“Articles of Arrangement”** means the articles of arrangement in respect of the Arrangement to be filed after the Final Order has been granted giving effect to the Arrangement;

**“Asset Management Agreement”** means the asset management agreement dated July 12, 2006 between the REIT and the Asset Manager, as amended from time to time, and which has been extended to December 31, 2019;

**“Asset Manager”** means Shelter Canadian Properties Limited, in its capacity as the asset manager of the REIT and, where the context requires, New Temple;

**“Beneficial Unitholder”** has the meaning set forth under the heading “Proxy Matters – Advice to Beneficial Holders of Securities”;

**“Board”** or **“Trustees”** means at any time the individuals who are, in accordance with the REIT Declaration of Trust, the trustees of the REIT at such time;

**“Broadridge”** has the meaning set forth under the heading “Proxy Matters – Advice to Beneficial Holders of Securities”;



**“Business Day”** means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Winnipeg, in the Province of Manitoba, for the transaction of banking business;

**“Canadian GAAP”** means the generally accepted accounting principles described and promulgated by the Canadian Institute of Chartered Accountants which are applicable as at the date on which any calculation using Canadian GAAP is made and means IFRS for financial periods commencing on or after January 1, 2011;

**“CBCA”** means the *Canada Business Corporations Act*, including the regulations promulgated thereunder, in either case as amended;

**“CIBC Mellon”** means CIBC Mellon Trust Company;

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

**“Common Share(s)”** means the common share(s) in the capital of New Temple;

**“Conversion”** means the conversion of the REIT from a trust into a corporation;

**“Court”** means the Manitoba Court of Queen’s Bench;

**“CRA”** means the Canada Revenue Agency;

**“Debentures”** means, collectively, the Series B Debentures, the Series C Debentures, the Series D Debentures, the Series E Debentures and the Senior Secured Trust Indentures;

**“Deferred Share”** means a deferred share issued pursuant to the Deferred Share Plan;

**“Deferred Share Plan”** means the deferred share plan of New Temple to be adopted on or prior to the Effective Date;

**“Deferred Share Plan Resolution”** means the Ordinary Resolution in respect of the Deferred Share Plan, the full text of which is set forth in Appendix H to this Information Circular

**“Deferred Unit”** means a deferred unit issued pursuant to the Deferred Unit Plan;

**“Deferred Unit Plan”** means the deferred unit plan of the REIT dated June 19, 2009;

**“Depository”** means CIBC Mellon, or such other Person as may be designated by the REIT as the depository for the Units;

**“Director”** means the director appointed under Section 260 of the CBCA;

**“Effective Date”** means December 31, 2012, being the date that the Arrangement is effective under the CBCA;



**“Effective Time”** means 11:59 p.m. (local time in the City of Winnipeg, in the Province of Manitoba) on the Effective Date, or such other time on the Effective Date as may be specified in writing by the parties to the Arrangement Agreement;

**“Eligible Institution”** means a Canadian schedule 1 chartered bank, a member of the Securities Transfer Agents Medallion Program (STAMP), a member of the Stock Exchanges Medallion Program (SEMP) or a member of the New York Stock Exchange Inc. Medallion Signature Program (MSP); members of these programs are usually members of a recognized stock exchange in Canada or the United States, members of the Investment Industry Regulatory Organization of Canada, members of the Financial Industry Regulatory Authority or banks and trust companies in the United States;

**“Excess Share Value”** has the meaning set forth under the heading “Certain Canadian Federal Income Tax Considerations”;

**“Excess Trust Unit Value”** has the meaning set forth under the heading “Certain Canadian Federal Income Tax Considerations”;

**“Exchangeable LP Units”** means the Class B exchangeable limited partnership units of Temple LP;

**“Final Order”** means the final order of the Court approving the Arrangement pursuant to subsection 192(4) of the CBCA, as such order may be affirmed, amended, modified or supplemented at any time prior to the Effective Time, or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended on appeal;

**“Form of Proxy”** means the form of proxy (printed on blue paper) distributed by the REIT in connection with the Meeting;

**“General Partner”** means Temple General Partner Inc., a corporation formed under the laws of the Province of Manitoba;

**“IFRS”** means International Financial Reporting Standards;

**“Independent Trustee”** means a trustee who, in relation to the REIT or any of its related parties, is “independent” within the meaning of Section 1.4 of Multilateral Instrument 52-110 – Audit Committees;

**“Indenture Trustee”** means CIBC Mellon Trust Company, in its capacity as the indenture trustee under the Trust Indentures;

**“Information Circular”** means this information circular of the REIT dated October 9, 2012, together with all appendices hereto, distributed to Unitholders in connection with the Meeting;

**“Informed Person”** has the meaning set forth under the heading “Interest of Informed Persons in Material Transactions”;



**“Initial Trust Indenture”** means the trust indenture dated February 15, 2007 between the REIT and the Indenture Trustee which sets forth certain terms and conditions relating to the Series B Debentures, the Series C Debentures, the Series D Debentures and the Series E Debentures;

**“Interim Order”** means the interim order of the Court under Section 192(4) of the CBCA, containing declarations and directions with respect to the Arrangement and the Meeting, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

**“Intermediary”** has the meaning set forth under the heading “Proxy Matters – Voting Securities and Principal Holders Thereof”;

**“Meeting”** means the special meeting of Unitholders to be held on November 19, 2012, and any adjournment(s) or postponement(s) thereof, to consider and vote on the Arrangement Resolution and the other matters set out in the Notice of Meeting;

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

**“New Temple”** means Temple Hotels Inc., a corporation incorporated under the CBCA;

**“Ordinary Resolution”** means a resolution passed by the affirmative vote of not less than a majority of the votes cast at the Meeting or at any adjournment thereof;

**“Non-Resident”** has the meaning set forth under the heading “Certain Canadian Federal Income Tax Considerations – Unitholders Not Resident in Canada”;

**“Notice of Meeting”** means the notice of Meeting that accompanies this Information Circular;

**“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 governments, agencies and political subdivisions thereof;

**“Plan of Arrangement”** means the plan of arrangement attached as Exhibit “A” to the Arrangement Agreement, which Arrangement Agreement is attached as Appendix D to this Information Circular, as amended, modified or supplemented from time to time in accordance with the terms thereof;

**“Put Rights”** has the meaning set forth under the heading “The Arrangement – Effect of the Arrangement”;

**“Record Date”** means October 9, 2012, the date for determining Unitholders who are entitled to receive notice of, and to attend and vote at, the Meeting;

**“REIT Exception”** has the meaning set forth under the heading “The Arrangement – Background to and Reasons for the Arrangement”;



**“REIT”** or **“Temple”** means Temple Real Estate Investment Trust, an unincorporated open-ended investment trust governed by the laws of the Province of Manitoba and governed pursuant to the REIT Declaration of Trust;

**“REIT Declaration of Trust”** means the second amended and restated declaration of trust of the REIT dated December 9, 2009 (as may be further amended, supplemented and/or restated from time to time);

**“Resident Unitholder”** has the meaning set forth under the heading “Certain Canadian Federal Income Tax Considerations – Resident of Canada”;

**“Senior Secured Debentures”** means the 5 Year, 8.75% Senior Secured Convertible Redeemable Debentures of the REIT issued pursuant to the Senior Secured Trust Indenture;

**“Senior Secured Trust Indenture”** means the trust indenture dated November 27, 2009 between Temple REIT and the Indenture Trustee pursuant to which the Senior Secured Debentures were created and issued;

**“Series B Debentures”** means the 5 Year, 8.50% Series B Convertible Redeemable Debentures of the REIT issued pursuant to the Initial Trust Indenture and the Series B Trust Indenture;

**“Series B Trust Indenture”** means the supplemental trust indenture to the Initial Trust Indenture, dated April 8, 2008, pursuant to which the Series B Debentures were created and issued and includes, to the extent that the Initial Trust Indenture applies to the Series B Debentures, the Initial Trust Indenture;

**“Series C Debentures”** means the 5 Year 8% Series C Convertible Redeemable Unsecured Subordinated Debentures of the REIT issued pursuant to the Initial Trust Indenture and the Series C Trust Indenture;

**“Series C Trust Indenture”** means the second supplemental trust indenture to the Initial Trust Indenture, dated November 16, 2011, pursuant to which the Series C Debentures were created and issued and includes, to the extent that the Initial Trust Indenture applies to the Series C Debentures, the Initial Trust Indenture;

**“Series D Debentures”** means the 5 Year 7.75% Series D Convertible Redeemable Unsecured Subordinated Debentures of the REIT issued pursuant to the Initial Trust Indenture and the Series D Trust Indenture;

**“Series D Trust Indenture”** means the third supplemental trust indenture to the Initial Trust Indenture, dated March 1, 2012, pursuant to which the Series D Debentures were created and issued and includes, to the extent that the Initial Trust Indenture applies to the Series D Debentures, the Initial Trust Indenture;

**“Series E Debentures”** means the 5 Year 7.25% Series E Convertible Redeemable Unsecured Subordinated Debentures of the REIT issued pursuant to the Initial Trust Indenture and the Series E Trust Indenture;



**“Series E Trust Indenture”** means the fourth supplemental trust indenture to the Initial Trust Indenture, dated August 8, 2012, pursuant to which the Series E Debentures were created and issued and includes, to the extent that the Initial Trust Indenture applies to the Series E Debentures, the Initial Trust Indenture;

**“SIFT”** means a specified investment flow-through trust or partnership, as defined in the Tax Act;

**“SIFT Rules”** has the meaning set forth under the heading “The Arrangement – Background to and Reasons for the Arrangement”;

**“Special Voting Unit”** means a special voting unit issuable to holders of Exchangeable LP Units;

**“Special Resolution”** means a resolution passed by the affirmative votes of not less than two-thirds of the votes cast at the Meeting or any adjournment thereof;

**“Stock Options”** means options to acquire Common Shares pursuant to the Stock Option Plan;

**“Stock Option Plan”** means the stock option plan of New Temple to be approved at the Meeting;

**“Stock Option Plan Resolution”** means the Ordinary Resolution in respect of the Stock Option Plan, the full text of which is set forth in Appendix E to this Information Circular;

**“Subsidiary”** includes with respect to any person, a company, partnership, limited partnership, trust or other entity controlled, directly or indirectly, by such person and, without limiting the generality of the foregoing, in respect of the REIT, includes TR Trust, Temple LP, the General Partner, Temple Gardens Mineral Spa Inc. and each of the bare trustee corporations which hold hotel properties for and on behalf of Temple LP;

**“Tax Act”** means the *Income Tax Act* (Canada), including the regulations promulgated thereunder, in each case as amended;

**“Tax Proposals”** has the meaning set forth under the heading “Certain Canadian Federal Income Tax Considerations”;

**“Temple LP”** means Temple Limited Partnership, a limited partnership formed under the laws of the Province of Manitoba pursuant to the Temple LP Agreement;

**“Temple LP Agreement”** means the amended and restated limited partnership agreement dated July 12, 2006 between the General Partner, as general partner, and the limited partners thereof, as may be amended, supplemented, and/or restated from time to time;

**“TR Trust”** means TR Trust, a trust formed under the laws of the Province of Manitoba;



**“TR Trust Declaration of Trust”** means the declaration of trust of TR Trust dated as of July 12, 2006 (as may be amended, supplemented and/or restated from time to time);

**“Trust Indentures”** means, collectively, the Initial Trust Indenture, the Series B Trust Indenture, the Series C Trust Indenture, the Series D Trust Indenture, the Series E Trust Indenture and the Senior Secured Trust Indenture;

**“Trust Options”** means options to acquire Units under the Unit Option Plan;

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

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

**“Unitholders”** means the holders of Units and **“Unitholder”** means a holder of one or more Units; and

**“Unit(s)”** means the voting participating trust unit(s) of the REIT.



## SUMMARY

*The following is a summary of certain information contained elsewhere in this Information Circular. It is not, and is not intended to be, complete in itself. This is a summary only and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Information Circular and incorporated by reference herein. Unitholders are urged to review carefully this Information Circular, including the Appendices, and the documents incorporated by reference herein in their entirety. Certain capitalized terms used in this Information Circular have the meanings set forth in the “Glossary of Terms”.*

## BUSINESS OF THE MEETING

The meeting will be held on November 19, 2012 at Suite 2600, Seven Evergreen Place in Winnipeg, Manitoba, commencing at 10 a.m. (Winnipeg time) for the purpose of transacting the business set forth in the accompanying Notice of Meeting. The business of the Meeting will be to:

- consider and, if deemed advisable, pass, with or without alteration or modification, the Arrangement Resolution;
- consider and, if deemed advisable, pass, with or without alteration or modification, the Stock Option Plan Resolution;
- consider and, if deemed advisable, pass, with or without alteration or modification, the Deferred Share Plan Resolution; and
- conduct any other business that is properly brought before the Meeting.

As of the date of this Information Circular, the Trustees are not aware of any changes to these items, and do not expect any other items to be brought forward at the Meeting. If there are changes or new items, your proxyholder can vote your Units on these items as he or she sees fit. See “Proxy Matters”.

## THE ARRANGEMENT

### *Background to and Reasons for the Arrangement*

On October 31, 2006, the Minister announced the federal government’s proposal to apply a tax at the trust level on distributions of certain income from, among other entities, certain publicly traded mutual fund trusts at a rate of tax comparable to the combined federal and provincial corporate tax rate and to treat such distributions as dividends to unitholders. The Minister announced that existing trusts would have a four-year transition period and generally would not be subject to the new rules until 2011, provided such trusts experienced only “normal growth” and no “undue expansion” before then. The announcement had an immediate impact on the Canadian capital markets and resulted in a significant decline in trading prices for income trusts.



On December 15, 2006, the Minister released the guidelines for “normal growth”, as well as the Finance Department’s confirmation that it would not recommend any extension of the four-year transition period. Bill C-52, the Budget Implementation Act, 2007, which received Royal Assent on June 22, 2007, contained the rules (the “**SIFT Rules**”) to the tax treatment of SIFTs, which are designed, among other things, to implement the proposal.

Although the new taxation regime is not applicable to real estate investment trusts that meet certain specified criteria relating to the nature of their income and investments, due to the nature of the REIT’s assets and operations, it does not currently qualify for the REIT Exception. The REIT became subject to tax in 2011. The REIT considered various alternatives for restructuring its assets and operations in a manner that would allow it to qualify for the REIT Exception and has determined that these alternatives are not economically feasible and not in the best interests of the REIT and its Unitholders.

The Board and management of the REIT regularly review the REIT’s strategic objectives and options available to it to ensure that the REIT’s capital structure is efficient and that Unitholder value is being maximized.

Based on their review of the REIT’s current income trust structure, the Board and management of the REIT have determined that the proposed corporate structure (i) will be better suited to the REIT’s growth strategy and (ii) is expected to provide better access to capital markets to finance future acquisitions by New Temple on a timely and cost efficient basis. The reorganization of the REIT’s trust structure into a public corporation is viewed as a way to better align the growth potential of the REIT’s assets with investors’ expectations. Furthermore, the Board and management of the REIT believe that the Conversion will result in a simplified tax and legal structure of the REIT, which should result in reduced internal and external administrative costs.

The Board and management of the REIT believe the preferred opportunity and strategic direction to create Unitholder value is to reinvest a portion of the REIT’s cash flow and focus on increasing net asset value over time. By converting to a corporate structure, it is believed that New Temple will be in a better position to pursue acquisition opportunities. New Temple will be able to finance acquisitions in whole or in part through the issuance of additional equity securities, and management of the REIT believes that vendors of assets or businesses will view shares of a corporation more favourably than they would view trust units.

The Board and management of the REIT believe that continuing as a trust does not provide any meaningful benefits to the REIT or its Unitholders. See “The Arrangement – Background to and Reasons for the Arrangement”.

### ***Recommendation of the Board***

**The Board has determined that the Arrangement is fair to Unitholders and in the best interests of the REIT and unanimously recommends that Unitholders vote FOR the Arrangement Resolution.**



In making determinations and recommendations, the Board has relied upon legal, financial, tax and other advice and information received during the course of its deliberations. The following is a summary of the factors, among others, that the Board considered in making its determinations and recommendations regarding the Arrangement:

- (i) the REIT does not qualify for the REIT Exception and, as a result, certain income of (and distributions made by) the REIT became subject to income tax under the Tax Act in a manner similar to income earned by (and dividends paid by) a corporation. Accordingly, continuing as a trust does not provide any meaningful benefits to the REIT or its Unitholders;
- (ii) the anticipated corporate structure should enhance New Temple's access to capital, attract new investors (including foreign investors that are currently limited by the REIT's Non-Resident ownership limitations) and potentially provide a more liquid market for the securities of New Temple;
- (iii) it is expected that the Conversion will provide New Temple with more flexibility regarding the growth and retention of its capital than enjoyed by the REIT such that New Temple will be better positioned to facilitate its future growth plans; and
- (iv) the Conversion will result in a simplified tax and legal structure, more comparable to the majority of public companies operating in Canada, which should result in reduced internal and external administrative costs.

In addition to the reasons set forth above, if the Conversion is completed prior to January 1, 2013, the REIT will be able to complete the Conversion on a tax deferred basis.

See "The Arrangement – Background to and Reasons for the Arrangement" and "The Arrangement – Recommendation of the Board".

### ***General Effect of the Arrangement***

The purpose of the Arrangement is to convert the REIT from a trust to a corporation. If approved, the Arrangement will result in the conversion of the REIT from a trust to a corporation named "Temple Hotels Inc.", which will continue the business of the REIT, including investing directly or indirectly, in the ownership and operation of hotel properties, businesses and assets. Pursuant to the Arrangement, the Unitholders will become the common shareholders of New Temple.

It is anticipated that the board of directors of New Temple will initially be comprised of the following persons who are current trustees of the REIT: Arni C. Thorsteinson, Roseanne Hill Blaisdell, David J. Drybrough, Rod F. Marlin and Brent McLean, and an additional nominee of Shelter. The Asset Management Agreement will remain in place and will be assigned by the REIT to New Temple. Senior management of New Temple immediately following the Arrangement will be comprised of the senior management of the REIT immediately prior to the



Arrangement. For a detailed description of the REIT's business, which will continue to be carried on by New Temple if the Arrangement is completed, see "Description of the Business".

As part of the Arrangement, the REIT and TR Trust will be dissolved to further simplify the corporate structure of New Temple.

### ***Effect on Unitholders***

Pursuant to the Arrangement, the Units held by Unitholders will be transferred to New Temple in consideration for Common Shares on the basis of one Common Share for each Unit so transferred. See "Effect of the Arrangement – Effect on Unitholders".

### ***Effect on Holders of Trust Options***

Pursuant to the Arrangement outstanding Trust Options will be exchanged for Stock Options and, subject to Unitholder approval at the Meeting, New Temple will adopt the Stock Option Plan. Stock Options issued in exchange for Trust Options on a one-for-one basis will continue to be exercisable in accordance with certain of the terms of the Trust Options so exchanged, such as the option exercise price and expiry date. See "Effect of the Arrangement – Effect on Holders of Trust Options".

### ***Effect on Holders of Deferred Units***

Pursuant to the Arrangement, outstanding Deferred Units will be exchanged for Deferred Shares and, subject to Unitholder approval at the Meeting, New Temple will adopt the Deferred Share Plan. Deferred Shares issued in exchange for Deferred Units on a one-for-one basis will continue to be exercisable in accordance with certain of the terms of the Deferred Units so exchanged, such as the redemption price and redemption date. See "Effect of the Arrangement – Effect on Holders of Deferred Units".

### ***Effect on Holders of Debentures***

As a condition of the completion of the Arrangement, New Temple intends to assume all of the covenants and obligations of the REIT under the Trust Indentures in respect of the Debentures which are outstanding as at the Effective Time. If certain series of Debentures are, or become, redeemable prior to the Effective Date, the REIT may, at its sole option and subject to the terms of the applicable Trust Indenture (including the right of the holder(s) of the applicable series of Debentures to convert the Debentures into Units), elect to redeem one or more series of the Debentures. Pursuant to supplemental indentures entered into between the Indenture Trustee, the REIT and New Temple, the Debentures which are outstanding following the Effective Time will be convertible into Common Shares (in lieu of Units) on substantially the same terms and conditions as provided in the Trust Indentures. See "Effect of the Arrangement – Effect on Holders of Debentures".



### ***Effect on Distributions***

The final distribution to Unitholders will be the distribution payable on December 31, 2012 to the holders of Units on December 15, 2012 and payment will not be conditional upon completion of the Arrangement. There will be no “conditional” distribution by the REIT.

If the Arrangement Resolution is approved at the Meeting and the Conversion is completed, it is expected that New Temple will pay monthly dividends commencing on or about February 15, 2013 to the holders of Common Shares as at January 31, 2013.

While the initial monthly dividends declared and paid by New Temple are expected to be the same as the monthly distributions declared and paid by the REIT immediately prior to the Conversion, New Temple’s dividend policy, like the distribution policy of the REIT, will be subject to the discretion of the board of directors of New Temple and may vary depending on, among other things, New Temple’s earnings, financial requirements, growth opportunities, the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends, conditions existing from time to time and other relevant factors. See “Effect of the Arrangement – Effect on Distributions”.

### ***Post-Arrangement Structure***

Immediately following the completion of the Arrangement, the former holders of Units will be the sole holders of Common Shares. See “The Arrangement – Effect of the Arrangement”, “The Arrangement – Post Arrangement Structure”, “Description of New Temple” and Appendix I – “Information Concerning New Temple”.

### ***Approvals***

#### **Unitholder Approval**

Pursuant to the Interim Order, the Arrangement Resolution must be approved by Special Resolution, being the affirmative votes of the holders of at least two-thirds of the votes cast by the holders of Units present at the Meeting either in person or by proxy, at the Meeting. The Trustees and the officers of the REIT, who own, directly or indirectly, or exercise control or direction over, approximately 9.29% of the outstanding Units, have indicated that they intend to vote in favour of the Arrangement Resolution. See “The Arrangement – Approvals – Unitholder Approval”.

#### **Court Approval**

Implementation of the Arrangement requires the satisfaction of several conditions and the issuance of the Final Order approving the Arrangement by the Court. See “The Arrangement – Procedure for the Arrangement Becoming Effective”. The application for the Final Order approving the Arrangement is scheduled for November 26, 2012 at 1 p.m. (Winnipeg time), at Winnipeg, Manitoba. The notice of application in respect of the Final Order is attached as Appendix C to this Information Circular. At the hearing, the Court will consider, among other



things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court sees fit. **The Final Order, if granted, will constitute the basis for an exemption, under section 3(a)(10) of the 1933 Act from the registration requirements of the 1933 Act for the issuance of the Common Shares issuable to Unitholders pursuant to the Arrangement.** If the Final Order is obtained, in form and substance satisfactory to the REIT, acting reasonably, and all other conditions set forth in the Arrangement Agreement are satisfied or waived, the REIT expects the Effective Date to be on December 31, 2012. See “The Arrangement – Approvals – Court Approval”.

### **Stock Exchange Listing Approvals**

The TSX has conditionally approved the substitutional listing of the Common Shares (including the Common Shares issuable upon the conversion of the Debentures to be assumed by New Temple in connection with the Arrangement and the Common Shares issuable upon the exercise of Trust Options and Deferred Shares) on the TSX under the trading symbol TPH and the substitutional listing of the Series B Debentures, the Series C Debentures, the Series D Debentures, the Series E Debentures and the Senior Secured Debentures on the TSX under the trading symbols “TPH.DB.B”, “TPH.DB.C”, “TPH.DB.D”, “TPH.DB.E” and “TPH.DB.S”, respectively, which approvals are subject to New Temple fulfilling the requirements of the TSX. See “The Arrangement – Approvals – Stock Exchange Listing Approvals”.

### **Third Party Approvals**

The completion of the Arrangement requires that all requisite consents, orders, approvals and authorizations be obtained, including regulatory approvals and consents and releases from third parties.

The real property of the REIT is subject to various mortgages and related security documents which are each registered against title to the real property. In addition, certain of the REIT’s hotels operate under franchise agreements with various franchisors. The transactions contemplated by the Arrangement may require the consent of the lenders holding the mortgages and franchisors that are party to franchise agreements. Obtaining any required consents of lenders and franchisors on terms satisfactory to the REIT is a condition precedent to the completion of the Arrangement. See “The Arrangement – Approvals – Third Party Approvals”.

### ***Procedure for Exchange of Units***

Upon the Arrangement becoming effective, certificates representing Units need not be tendered for certificates representing Common Shares. Pursuant to the Arrangement, the existing certificates for Units will represent Common Shares and the right to receive certificates representing an equivalent number of Common Shares on exchange of such Unit certificates for share certificates of New Temple. Such an exchange of Unit certificates can be made on request by a former holder of Units and will be made upon a transfer of Common Shares. In the event that a former holder of Units wishes to receive a physical certificate in their name representing



the Common Shares held by them upon completion of the Arrangement, the certificate(s) representing such holder's Units should be mailed, with a letter of transmittal requesting the certificates representing such holder's Common Shares, to Canadian Stock Transfer Company Inc., P.O. Box 1036, Adelaide Street Postal Station, Toronto, Ontario M5C 2K4, or deposited by hand or by courier with Canadian Stock Transfer Company Inc., 320 Bay Street, Basement Level (B1 level), Toronto, Ontario M5H 4A6. See "The Arrangement – Procedure for Exchange of Units". Canadian Stock Transfer Company Inc. acts as the Administrative Agent for CIBC Mellon Trust Company, the REIT's transfer agent.

### ***Certain Canadian Federal Income Tax Considerations***

On a disposition of Units in exchange for Common Shares pursuant to the Arrangement, a Unitholder will be considered to have disposed of its Units for proceeds of disposition equal to their adjusted cost base. Accordingly, no capital gain or capital loss will be realized. The adjusted cost base of the Units so exchanged will become the adjusted cost base of the Common Shares issued to the particular Unitholder. Unitholders will not need to file an income tax election in order to achieve this tax deferral.

**This Information Circular contains a summary of the principal Canadian federal income tax considerations relevant to residents and Non-Residents of Canada and which relate to the Arrangement and the above comments are qualified in their entirety by reference to such summary. All Unitholders should consult their own tax advisors for advice with respect to their own particular circumstances. See "Certain Canadian Federal Income Tax Considerations".**

### ***Other Tax Considerations***

This Information Circular does not address any tax considerations of the Arrangement other than Canadian federal income tax considerations. Unitholders who are resident, or are otherwise subject to tax, in jurisdictions other than Canada should consult their tax advisors with respect to the tax implications of the Arrangement, including any associated filing requirements, in such jurisdictions and with respect to the tax implications in such jurisdictions of owning Common Shares after the Arrangement.

Unitholders should also consult their own tax advisors regarding provincial, state or territorial tax considerations of the Arrangement or of holding Common Shares.

### ***Information Concerning New Temple***

New Temple was incorporated on August 27, 2012 pursuant to the provisions of the CBCA, for purposes of effecting the Conversion. The principal and head office of New Temple is located at Suite 2600, Seven Evergreen Place, Winnipeg Manitoba R3L 2T3. The registered office of New Temple is located at 3000 – 360 Main Street, Winnipeg, Manitoba R3C 4G1.

New Temple will, as a result of the Arrangement, become a reporting issuer in all provinces and territories of Canada, other than Quebec, on the Effective Date and, accordingly, become subject



to the informational reporting requirements under the securities laws of each such jurisdiction in which it so becomes a reporting issuer. See “Description of New Temple” and Appendix I “Information Concerning New Temple”.

### ***Risk Factors Relating to New Temple***

For a description of certain risk factors in respect of the business carried on by the REIT and its Subsidiaries which will be the business carried on by New Temple and its Subsidiaries following the Conversion, see “Risk Factors”.

### **THE STOCK OPTION PLAN**

At the Meeting and in conjunction with the implementation of the Arrangement, Unitholders will be asked to consider and, if thought advisable, to pass, with or without alteration or modification, a resolution approving the adoption by New Temple of the Stock Option Plan. See “The Stock Option Plan” and Appendix F “Stock Option Plan”.

### **THE DEFERRED SHARE PLAN**

At the Meeting, Unitholders will be asked to consider and, if thought advisable, to pass, with or without alteration or modification, a resolution approving the adoption by New Temple of the Deferred Share Plan. See “The Deferred Share Plan” and Appendix H “Deferred Share Plan”.

### **OTHER BUSINESS OF THE MEETING**

Management does not know of any matters to be brought before the Meeting other than those set forth in the Notice of Meeting accompanying this Information Circular.

**Unitholders are strongly encouraged to obtain independent legal, tax and investment advice in their jurisdiction of residence with respect to this Information Circular, the consequences of the Arrangement and the holding of Units and Common Shares.**



## BUSINESS OF THE MEETING

The Meeting will be constituted as a special meeting of Unitholders. The following business will be conducted at the Meeting:

1. Pursuant to the Interim Order, the consideration, and, if deemed advisable, the passing, with or without alteration or modification, of the Arrangement Resolution by Special Resolution. **If you return a form of proxy but do not specify how you want your Units voted, the persons named as proxyholders will cast the votes represented by proxy at the Meeting FOR the Arrangement Resolution.**
2. If the Arrangement Resolution is approved, the consideration and, if deemed advisable, the passing, with or without alteration or modification, of the Stock Option Plan Resolution by Ordinary Resolution. **If you return a form of proxy but do not specify how you want your Units voted, the persons named as proxyholders will cast the votes represented by proxy at the Meeting FOR the Stock Option Plan Resolution.**
3. If the Arrangement Resolution is approved, the consideration and, if deemed advisable, the passing, with or without alteration or modification, of the Deferred Share Plan Resolution by Ordinary Resolution. **If you return a form of proxy but do not specify how you want your Units voted, the persons named as proxyholders will cast the votes represented by proxy at the Meeting FOR the Deferred Share Plan Resolution.**
4. The transaction of any other business that is properly brought before the Meeting. See “Other Business of the Meeting”.

## THE ARRANGEMENT

### BACKGROUND TO AND REASONS FOR THE ARRANGEMENT

On October 31, 2006, the Minister of Finance (Canada) (the “**Minister**”) announced the federal government’s proposal to apply a tax at the trust level on distributions of certain income from, among other entities, certain publicly traded mutual fund trusts at a rate of tax comparable to the combined federal and provincial corporate tax rate and to treat such distributions as dividends to unitholders. The Minister announced that existing trusts would have a four-year transition period and generally would not be subject to the new rules until 2011, provided such trusts experienced only “normal growth” and no “undue expansion” before then. The announcement had an immediate impact on the Canadian capital markets and resulted in a significant decline in trading prices for income trusts.

On December 15, 2006, the Minister released further guidance concerning the proposed tax changes, including “normal growth” for the purposes of this proposal, as well as the Finance Department’s confirmation that it would not recommend any extension of the four-year transition period. Bill C-52, the Budget Implementation Act, 2007, which received Royal Assent on June



22, 2007, contained the SIFT Rules, which are designed, among other things, to implement the proposal.

Although the new taxation regime is not applicable to real estate investment trusts that meet certain specified criteria relating to the nature of their income and investments (the “**REIT Exception**”), due to the nature of the REIT’s assets and operations, it does not currently qualify for the REIT Exception. Accordingly, the REIT became subject to tax under the SIFT Rules in 2011. The REIT considered various alternatives for restructuring its assets and operations in a manner that would allow it to qualify for the REIT Exception and has determined that these alternatives are not economically feasible.

The Board and Management regularly review the REIT’s strategic objectives and options available to it to ensure that the REIT’s capital structure is efficient and that unitholder value is being maximized. In the context of this mandate, Management reviewed the REIT’s current trust structure and its viability in the future in the context of the REIT’s ability to complete acquisitions consistent with its growth strategy and access capital markets to finance such acquisitions on a timely and cost efficient basis.

Based on their review of the REIT’s current income trust structure, the Board and management of the REIT have determined that the proposed corporate structure (i) will be better suited to the REIT’s growth strategy and (ii) will provide better access to capital markets to finance future acquisitions by New Temple on a timely and cost efficient basis. The reorganization of the REIT’s trust structure into a public corporation is viewed as a way to better align the growth potential of the REIT’s assets with Unitholders’ expectations. Furthermore, the Board and management of the REIT believe that the Conversion will allow it to simplify the business structure of the REIT, as it may deem appropriate, potentially resulting in reductions in general and administrative expenses.

The Board and management of the REIT believe the preferred opportunity and strategic direction to create Unitholder value is to reinvest a portion of the REIT’s cash flow and focus on increasing net asset value over time. By converting to a corporate structure, it is believed that New Temple will be in a better position to pursue acquisition opportunities. New Temple will be able to finance acquisitions in whole or in part through the issuance of additional equity securities, and management of the REIT believes that vendors of assets or businesses will view shares of a corporation more favourably than they would view trust units.

The Board and management of the REIT believe that continuing as a trust does not provide any meaningful benefits to the REIT or its Unitholders.

## **RECOMMENDATION OF THE BOARD**

**The Board has determined that the Arrangement is fair to Unitholders and in the best interests of the REIT and unanimously recommends that Unitholders vote FOR the Arrangement Resolution.**



In making determinations and recommendations, the Board has relied upon legal, financial, tax and other advice and information received during the course of its deliberations. The following is a summary of the factors, among others, that the Board considered in making its determinations and recommendations regarding the Arrangement:

- (i) the REIT does not qualify for the REIT Exception and, as a result, certain income of (and distributions made by) the REIT became subject to income tax under the Tax Act in a manner similar to income earned by (and dividends paid by) a corporation. Accordingly, continuing as a trust does not provide any meaningful benefits to the REIT or its Unitholders;
- (ii) the anticipated corporate structure should enhance New Temple's access to capital, attract new investors (including foreign investors that are currently limited by the REIT's Non-Resident ownership limitations) and potentially provide a more liquid market for the securities of New Temple;
- (iii) it is expected that the Conversion will provide New Temple with more flexibility regarding the growth and retention of its capital than enjoyed by the REIT such that New Temple will be better positioned to facilitate its future growth plans; and
- (iv) the Conversion will result in a simplified tax and legal structure, more comparable to the majority of public companies operating in Canada, which should result in reduced internal and external administrative costs.

In addition to the reasons set forth above, if the Conversion is completed prior to January 1, 2013, the REIT will be able to complete the Conversion on a tax deferred basis.

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 Resolution, the Trustees did not assign any relative or specific weight to the factors that were considered, and individual Trustees may have evaluated the various factors summarized above in light of their own knowledge of the business, financial condition, and prospects of the REIT and may have given different weight to each factor. There are risks associated with the Arrangement, including that some of the potential benefits set forth in this Information Circular may not be realized or that there may be significant costs associated with realizing such benefits. See "Risk Factors".

## **EFFECT OF THE ARRANGEMENT**

### ***General***

If approved, the Arrangement will result in the reorganization of the REIT from a trust into a corporation (New Temple) which will continue the business of the REIT and its Subsidiaries. Pursuant to the Arrangement, the Unitholders will become the holders of Common Shares of New Temple.



### ***Effect on Unitholders***

As of the date of this Information Circular, the REIT has an aggregate of 25,850,424 Units outstanding. Pursuant to the Arrangement, the Units held by Unitholders will be transferred to New Temple in consideration for Common Shares on the basis of one Common Share for each Unit so transferred. Following completion of the Arrangement, the existing Unitholders immediately prior to the Arrangement will hold all of the Common Shares outstanding immediately following completion of the Arrangement. See “The Arrangement – Arrangement Steps”, “The Arrangement – Procedure for Exchange of Units” and “Certain Canadian Federal Income Tax Considerations”.

The Common Shares entitle the holders thereof to attend meetings of Shareholders and to cast one vote thereat, to receive dividends if, as and when declared by the board of directors of New Temple and to receive a proportionate share of the net assets of New Temple upon its dissolution. Following the Arrangement, the holders of Common Shares will be entitled to the rights under the CBCA with respect to “shareholder oppression” and “derivative action” rights, which holders of Units do not currently have, as the REIT is not governed by the CBCA or similar corporate legislation.

### ***Effect on Holders of Trust Options***

As of the date of this Information Circular, the REIT has an aggregate of 689,000 Trust Options outstanding. Pursuant to the Arrangement, outstanding Trust Options will be exchanged for Stock Options, and, subject to Unitholder approval at the Meeting, New Temple will adopt the Stock Option Plan. Stock Options will be issued in exchange for Trust Options on a one-for-one basis and will continue to be exercisable in accordance with certain of the terms of the Trust Options so exchanged, such as the option exercise price and expiry date.

See “The Arrangement – Arrangement Steps”, “The Stock Option Plan” and “Appendix F – Stock Option Plan” which contains the full text of the Stock Option Plan.

### ***Effect on Holders of Deferred Units***

As at the date of this Information Circular, the REIT has an aggregate of 66,646 Deferred Units outstanding. Pursuant to the Arrangement, outstanding Deferred Units will be exchanged for Deferred Shares and, subject to Unitholder approval at the Meeting, New Temple will adopt the Deferred Share Plan. Deferred Shares issued in exchange for Deferred Units on a one-for-one basis will continue to be exercisable in accordance with certain of the terms of the Deferred Units so exchanged, such as the redemption price and redemption date. See “Effect of the Arrangement – Effect on Holders of Deferred Units”.

See “The Arrangement – Arrangement Steps”, “The Deferred Share Plan” and Appendix “H” – Deferred Share Plan” which contains the full text of the Deferred Share Plan.



### ***Effect on Holders of Debentures***

The REIT has outstanding, at the date hereof, Debentures in the following aggregate principal amounts:

Series B Debentures	-	\$19,856,100 aggregate principal amount;
Series C Debentures	-	\$23,000,000 aggregate principal amount;
Series D Debentures	-	\$34,500,000 aggregate principal amount;
Series E Debentures	-	\$46,000,000 aggregate principal amount; and
Senior Secured Debentures	-	\$1,362,000 aggregate principal amount.

A summary of the material terms of the Debentures is set forth under “Description of Securities – Temple REIT” in the Annual Information Form, which is incorporated by reference herein.

As a condition of the completion of the Arrangement, New Temple intends to assume all of the covenants and obligations of the REIT under the Trust Indentures in respect of the Debentures which are outstanding as at the Effective Time. If certain series of Debentures are, or become, redeemable prior to the Effective Date, the REIT may, at its sole option and subject to the terms of the applicable Trust Indenture (including the right of the holder(s) of the applicable series of Debentures to convert the Debentures into Units), elect to redeem one or more series of the Debentures. Pursuant to supplemental indentures entered into between the Indenture Trustee, the REIT and New Temple, the Debentures which are outstanding following the Effective Time will be convertible into Common Shares (in lieu of Units) on substantially the same terms and conditions as provided in the Trust Indentures. See “Effect of the Arrangement – Effect on Holders of Debentures”.

### ***Effect on Distributions***

The final distribution to Unitholders will be the distribution payable on December 31, 2012 to the holders of Units on December 15, 2012 and payment will not be conditional upon completion of the Arrangement. There will be no “conditional” distribution by the REIT.

If the Arrangement Resolution is approved at the Meeting and the Conversion is completed, it is expected that New Temple will pay monthly dividends commencing on or about February 15, 2013 to the holders of Common Shares as at January 31, 2013.

While the initial monthly dividends declared and paid by New Temple are expected to be the same as the monthly distributions declared and paid by the REIT immediately prior to the Conversion, New Temple’s dividend policy, like the distribution policy of the REIT, will be subject to the discretion of the board of directors of New Temple and may vary depending on, among other things, New Temple’s earnings, financial requirements, growth opportunities, the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends, conditions existing from time to time and other relevant factors. See “Effect of the Arrangement – Effect on Distributions”.



## ARRANGEMENT STEPS

The Plan of Arrangement, a copy of which is attached as Exhibit “A” to the Arrangement Agreement, which agreement is attached as Appendix D hereto, sets out the transactions that will occur pursuant to the Arrangement. Commencing at 11:59 p.m. on December 31, 2012 (the “**Effective Time**”), each of the events set out below will occur and will be deemed to occur in the following order, without any further authorization, act or formality, except as may otherwise be contemplated by the Plan of Arrangement:

*December 31, 2012 – Commencing at 11:59 p.m. with all steps being completed prior to 12:00 a.m. on January 1, 2013*

### Amendment of the REIT Declaration of Trust, TR Trust Declaration of Trust, and Temple LP Agreement

- (a) the REIT Declaration of Trust, the TR Trust Declaration of Trust and Temple LP Agreement shall be deemed to be amended to the extent necessary to facilitate the Arrangement as provided herein;

### Exchange of Units for Common Shares

- (b) the Units held by Unitholders shall be transferred to New Temple, free and clear of any claims, solely in consideration for Common Shares on the basis of one Common Share for each Unit so transferred;

### Exchange of Trust Options

- (c) all of the issued and outstanding Trust Options shall be, and shall be deemed to be, exchanged, on a one-for-one basis, for Stock Options with (i) the same exercise price as such Trust Option, (ii) the same vesting period as such Trust Option, and (iii) the same expiration date as such Trust Option;

### Exchange of Deferred Units

- (d) all of the issued and outstanding Deferred Units shall be, and shall be deemed to be, exchanged, on a one-for-one basis, for Deferred Shares with (i) the same vesting period as such Deferred Units, and (ii) the same redemption terms as such Deferred Units;

### Redemption of the Initial Common Share of New Temple

- (e) the one Common Share of New Temple issued to the REIT in connection with the organization of New Temple shall be redeemed by New Temple for consideration of ten dollars (\$10.00), provided that no advance notice of such redemption shall be required;



#### Reduction of Stated Capital of New Temple

- (f) in respect of step (b), there shall have been added to the stated capital account maintained for the Common Shares an amount determined by the directors of New Temple in accordance with Section 26 of the CBCA in respect of the Common Shares issued under the Arrangement, and New Temple shall be authorized to subsequently reduce its stated capital in an amount determined by its directors, in respect of which no amount is to be distributed to the shareholders of New Temple, as contemplated by Section 38 of the CBCA;

#### Other Rights

- (g) all other rights to acquire Units outstanding immediately prior to the Effective Time, if any, shall be cancelled and shall be of no further force and effect, and shall be deemed to be exchanged for economically equivalent rights to acquire Common Shares;

#### Dissolution of TR Trust

- (h) all of the assets of TR Trust will be transferred to the REIT, the REIT will assume all of the liabilities of TR Trust and TR Trust will be dissolved; and

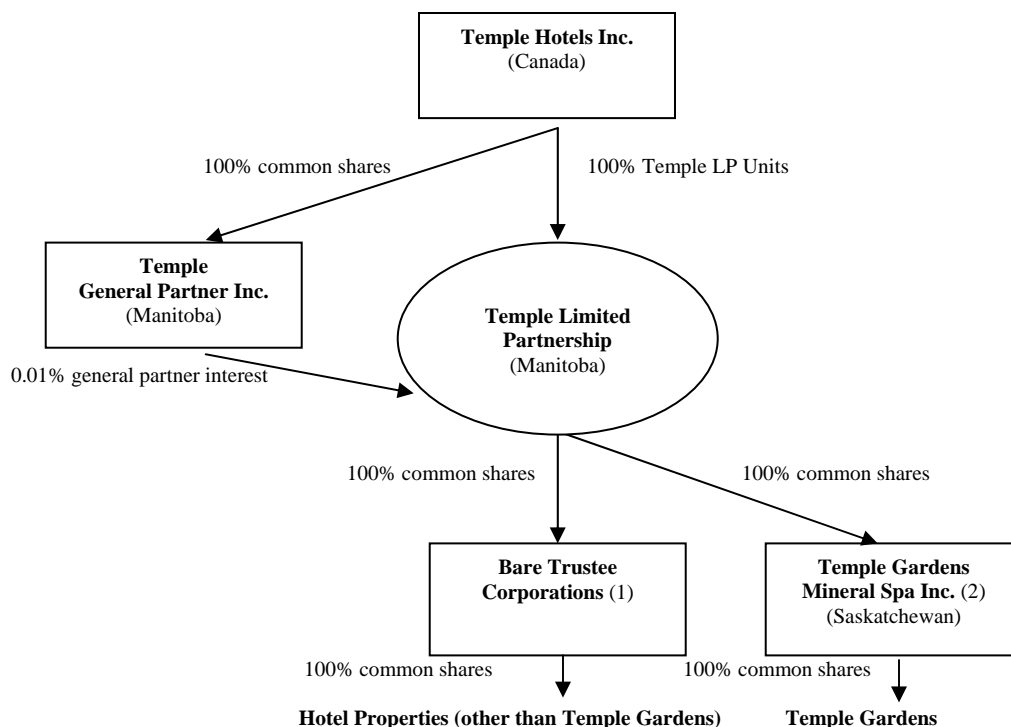
#### Dissolution of the REIT

- (i) all of the assets of the REIT will be transferred to New Temple, New Temple will assume all of the liabilities of the REIT and the REIT will be dissolved.



## POST ARRANGEMENT STRUCTURE

Immediately following the completion of the Arrangement, the former holders of Units immediately prior to the completion of the Arrangement will be the holders of all of the issued and outstanding Common Shares. The following diagram illustrates the anticipated organizational structure of New Temple immediately following completion of the Arrangement.



- (1) The hotel properties of New Temple, other than Temple Gardens, are each separately held by a bare trustee corporation that holds legal title to such properties for the benefit of Temple LP.
- (2) Temple Gardens Mineral Spa Inc. is an operating Subsidiary of Temple LP which owns and operates Temple Gardens.

Upon the completion of the Arrangement, New Temple will assume all of the obligations of the REIT in respect of all of the Debentures outstanding as at the Effective Time.

## ARRANGEMENT AGREEMENT

The Arrangement is being effected pursuant to the Arrangement Agreement. The Arrangement Agreement contains covenants, representations and warranties of and from each of New Temple, the REIT, TR Trust, Temple LP, the General Partner, and various conditions precedent, both mutual and with respect to each entity and the REIT. **The Arrangement Agreement is attached as Appendix D to this Information Circular and reference is made thereto for the full text thereof.**



## **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, as more particularly described below:

- (a) the Arrangement must be approved by Special Resolution of the Unitholders (which pursuant to the REIT Declaration of Trust and the Interim Order requires approval by the affirmative votes of the holders of at least two-thirds of the votes cast by Unitholders represented in person or proxy at the Meeting);
- (b) the Arrangement must be approved by the Court pursuant to the Final Order (as defined below under the heading “The Arrangement – Approvals – Court Approval”);
- (c) all conditions precedent to the Arrangement, including those set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate parties; and
- (d) the Final Order, the Articles of Arrangement and related documents, in the form prescribed by the CBCA, must be filed with the Director and a certificate must be issued by the Director.

## **APPROVALS**

### ***Unitholder Approval***

The full text of the Arrangement Resolution is attached as Appendix A to this Information Circular. Pursuant to the Interim Order (defined below), the Arrangement Resolution must be approved by Special Resolution, being the affirmative votes of the holders of at least two-thirds of votes cast at the Meeting by holders of Units, either in person or by proxy, at the Meeting. See “Proxy Matters”.

Notwithstanding the foregoing, the Arrangement Resolution authorizes the Board, without further notice to or approval of Unitholders, subject to the terms of the Arrangement, to amend or terminate the Arrangement Agreement or the Plan of Arrangement, or to revoke the Arrangement Resolution at any time prior to the Arrangement becoming effective pursuant to the provisions of the CBCA.

The REIT Declaration of Trust does not provide for a right of dissent for Unitholders in connection with the Arrangement or the approval of the Arrangement Resolution.

The Trustees and officers of the REIT, who own, directly or indirectly, or exercise control or direction over, approximately 9.29% of the outstanding Units, have indicated that they intend to vote in favour of the Arrangement Resolution.



## *Court Approval*

### Interim Order

On September 27, 2012, the Court granted the Interim Order. A copy of the Interim Order is attached as Appendix B to this Information Circular.

### Final Order

The CBCA provides that an arrangement requires Court approval. Subject to the terms of the Arrangement Agreement, and if the Arrangement Resolution is approved by Unitholders at the Meeting in the manner required by the Interim Order, the REIT, TR Trust, Temple LP, the General Partner and New Temple will make an application to the Court for the Final Order.

The application for the Final Order is scheduled for November 26, 2012, 2012 at 1:00 p.m. (Winnipeg time) at Winnipeg, Manitoba. The notice of application in respect of the Final Order is attached as Appendix C to this Information Circular. At the hearing, any Unitholder and any other interested party who wishes to participate or to be represented or to present evidence or argument may do so, subject to filing with the Court and serving upon the REIT, TR Trust, Temple LP, the General Partner and New Temple a notice of intention to appear together with any evidence or materials which such party intends to present to the Court on or before 5:00 p.m. (Winnipeg time) on November 21, 2012. **Service of such notice shall be effected by service upon the REIT's legal counsel, Aikins, MacAulay & Thorvaldson LLP, 30<sup>th</sup> Floor, 360 Main Street, Winnipeg, Manitoba R3C 4G1, Attention: David C. Filmon.**

The Common Shares to be issued pursuant to the Arrangement will not be registered under the 1933 Act, and such Common Shares will be issued in reliance upon the exemption from the registration requirements of the 1933 Act provided by section 3(a)(10) of the 1933 Act. **The Final Order, if granted, will constitute the basis for an exemption, under section 3(a)(10) of the 1933 Act from the registration requirements of the 1933 Act for the issuance of the Common Shares issuable to Unitholders pursuant to the Arrangement.**

The REIT has been advised by its counsel, Aikins, MacAulay & Thorvaldson LLP, that the Court has broad discretion under the CBCA when making orders with respect to the Arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement, either as proposed or as amended, in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court sees fit. Depending upon the nature of any required amendments, the REIT, TR Trust, Temple LP, the General Partner and New Temple may at any time prior to the Effective Time determine not to proceed with the Arrangement.



### ***Stock Exchange Listing Approvals***

It is a condition to completion of the Arrangement that the TSX will have conditionally approved (i) the substitutional listing of the Common Shares to be issued for the Units pursuant to the Arrangement (including the Common Shares issuable upon the conversion of the Debentures to be assumed by New Temple pursuant to the Arrangement and the Common Shares issuable upon the exercise of Stock Options and Deferred Shares), and (ii) the substitutional listing of the Debentures to be assumed by New Temple pursuant to the Arrangement.

The TSX has conditionally approved the substitutional listing of the Common Shares (including the Common Shares issuable upon the conversion of the Debentures to be assumed by New Temple pursuant to the Arrangement and the Common Shares issuable upon the exercise of Stock Options and Deferred Shares) on the TSX under the trading symbol “TPH” and the substitutional listing of the Series B Debentures, the Series C Debentures, the Series D Debentures, the Series E Debentures and the Senior Secured Debentures under the trading symbols “TPH.DB.B”, “TPH.DB.C”, “TPH.DB.D”, “TPH.DB.E” and “TPH.DB.S”, respectively, which approvals are subject to New Temple fulfilling the requirements of the TSX.

It is intended that the Units will be delisted from the TSX following the completion of the Arrangement. **If the Arrangement is implemented in accordance with the anticipated timing, the Common Shares will begin trading on the TSX on or about January 2, 2013.**

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

The completion of the Arrangement requires that all requisite consents, orders, approvals and authorizations be obtained, including regulatory approvals and consents and releases from third parties.

The real property of the REIT and its Subsidiaries is subject to various mortgages and related security documents which are each registered against title to the real property. In addition, certain of the REIT’s hotels operate under franchise agreements with various franchisors. The transactions contemplated by the Arrangement may require the consent of the lenders holding the mortgages and franchisors that are party to franchise agreements. Obtaining consents of the lenders and franchisors on terms satisfactory to the REIT is a condition precedent to the completion of the Arrangement.

### **CONDITIONS PRECEDENT TO THE ARRANGEMENT**

The respective obligations of the REIT, TR Trust, Temple LP, the General Partner and New Temple to consummate the transactions contemplated by the Arrangement Agreement, and in particular the Arrangement, are subject to the satisfaction, on or before the Effective Date, of a number of conditions, any of which may be waived by the mutual consent of such parties without prejudice to their right to rely on any other of such conditions. These conditions include, without limitation:



- (i) the Interim Order shall have been granted in form and substance satisfactory to the REIT, TR Trust, Temple LP, the General Partner and New Temple, acting reasonably, not later than October 15, 2012 or such later date as the parties to the Arrangement Agreement may agree and shall not have been set aside or modified in a manner unacceptable to such parties on appeal or otherwise;
- (ii) the Arrangement Resolution shall have been approved by the requisite number of votes cast by the Unitholders at the Meeting in accordance with the provisions of the Interim Order and any applicable regulatory requirements;
- (iii) the Final Order shall have been granted in form and substance satisfactory to the REIT, TR Trust, Temple LP, the General Partner and New Temple, acting reasonably, not later than November 30, 2012 or such later date as the parties may agree;
- (iv) the Articles of Arrangement and all necessary related documents, in form and substance satisfactory to the REIT, TR Trust, Temple LP, the General Partner and New Temple, acting reasonably, shall have been accepted for filing by the Director together with the Final Order in accordance with subsection 192(4) of the CBCA;
- (v) no material action or proceeding shall be pending or threatened by any person, company, firm, governmental authority, regulatory body or agency and there shall be no action taken under any existing applicable law or regulation, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any court, department, commission, board, regulatory body, government or governmental authority or similar agency, domestic or foreign, that:
  - (a) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated in the Arrangement Agreement or the Plan of Arrangement; or
  - (b) results in a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated by the Arrangement Agreement or the Plan of Arrangement;
- (vi) all material regulatory consents, exemptions and approvals considered necessary or desirable by the parties with respect to the transactions contemplated under the Arrangement shall have been completed or obtained including, without limitation, consents, exemptions and approvals from applicable securities regulatory authorities and under the rules or policies of the TSX;
- (vii) the TSX shall have conditionally approved, subject only to the filing of required documents which cannot be filed prior to the Effective Date:
  - (a) the substitutional listing of the Common Shares to be issued for the Units pursuant to the Arrangement (including the Common Shares issuable upon the conversion of the Debentures to be assumed by New Temple pursuant to the



Arrangement and Common Shares issuable upon the exercise of Stock Options and Deferred Shares), and

- (b) the substitutional listing of the Debentures to be assumed by New Temple pursuant to the Arrangement;
- (viii) New Temple and the REIT shall have executed such instruments, and the Indenture Trustee shall have received such opinions, as contemplated and required by the applicable Trust Indentures, in order to provide for the assumption, as of the Effective Date, by New Temple of all of the obligations of the REIT under the Trust Indentures in respect of the Debentures outstanding as at the Effective Time, such that, as of the Effective Time, the Debentures then outstanding become valid and binding obligations of New Temple entitling the holders thereof, as against New Temple, to all of the rights of holders of the Debentures then outstanding under the Trust Indentures; and
- (ix) all required third party consents of lenders and franchisors shall have been obtained on terms and conditions and at costs considered acceptable to the REIT.

The Interim Order has been granted in a form satisfactory the REIT, TR Trust, Temple LP, the General Partner and New Temple and is attached as Appendix “B” to this Information Circular.

Upon the remaining conditions being satisfied or waived, New Temple intends to file a copy of the Final Order and the Articles of Arrangement with the Director under the CBCA, together with such other materials as may be required by the Director, in order to give effect to the Arrangement.

#### **TIMING OF COMPLETION OF THE ARRANGEMENT**

If the Meeting is held as scheduled and is not adjourned and the Arrangement Resolution is approved, the REIT, TR Trust, Temple LP, the General Partner and New Temple currently intend to apply for the Final Order approving the Arrangement on November 26, 2012 at 1 p.m. (Winnipeg time). If the Final Order is obtained in form and substance satisfactory to the REIT, TR Trust, Temple LP, the General Partner and New Temple, acting reasonably, and all other conditions set forth in the Arrangement Agreement are satisfied or waived, the REIT expects the Effective Date to be, and all steps in the Arrangement to be completed on, December 31, 2012.

The Arrangement will become effective on the Effective Date as provided in the Plan of Arrangement, following 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, and issuance by the Director of the corresponding certificate, on the Effective Date as provided in the Plan of Arrangement attached as Exhibit A to the Arrangement Agreement, which agreement is attached as Appendix D to the Information Circular.



## **PROCEDURE FOR EXCHANGE OF UNITS**

Upon the Arrangement becoming effective, certificates representing Units need not be tendered for certificates representing Common Shares. Pursuant to the Arrangement, the existing certificates for Units will represent Common Shares and the right to receive certificates representing an equivalent number of Common Shares on exchange of such Unit certificates for share certificates of New Temple. Such an exchange of Unit certificates can be made on request by a former holder of Units and will be made upon a transfer of Common Shares. In the event that a former holder of Units wishes to receive a physical certificate in their name representing the Common Shares held by them upon completion of the Arrangement, the certificate(s) representing such holder's Units should be mailed, with a letter of transmittal requesting the certificates representing such holder's Common Shares, to Canadian Stock Transfer Company Inc., P.O. Box 1036, Adelaide Street Postal Station, Toronto, Ontario M5C 2K4, or deposited by hand or by courier with Canadian Stock Transfer Company Inc., 320 Bay Street, Basement Level (B1 level), Toronto, Ontario M5H 4A6. See "The Arrangement – Procedure for Exchange of Units". Canadian Stock Transfer Company Inc. acts as the Administrative Agent for CIBC Mellon Trust Company.

The use of mail to transmit certificates representing Units is at each holder's risk. The REIT recommends that such certificates and documents be delivered by hand to the Depositary and a receipt therefor be obtained or that registered mail be used. Should the Arrangement not be completed, any deposited Unit certificates will be returned to the depositing holder at the expense of the issuer of such security upon written notice to the Depositary from the relevant issuer by returning the deposited Unit certificates (and any other relevant documents), as the case may be, by first class mail in the name of and to the address of the holder or, if such name and address is not so specified, in such name and to such address as shown on the register of Unitholders maintained by the REIT's registrar and transfer agent.

New Temple and the Depositary will be entitled to deduct and withhold from any consideration otherwise payable to a Unitholder such amounts as New Temple, the REIT or the Depositary is required or permitted to deduct and withhold with respect to such payment under applicable laws.

The Depositary will receive reasonable and customary compensation for its services in connection with the Arrangement, will be reimbursed for certain out-of-pocket expenses and will be indemnified by the REIT and New Temple against certain liabilities under applicable securities laws and expenses in connection therewith.

## **EXPENSES OF THE ARRANGEMENT**

The estimated costs to be incurred by the REIT with respect to the Arrangement and related matters including, without limitation, accounting and legal fees, and the preparation, printing and mailing of this Information Circular and other related documents and agreements, are expected to aggregate to approximately \$400,000.



## SECURITIES LAW MATTERS

### *Canada*

All securities to be issued under the Arrangement, including, without limitation, the Common Shares, will be issued in reliance on exemptions from prospectus and registration requirements of applicable Canadian securities laws and, following completion of the Arrangement, the Common Shares 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 of Canada.

### *United States*

The offer and sale of Common Shares to be issued to Unitholders in exchange for their Units under the Arrangement have not been and will not be registered under the 1933 Act and such securities will be issued in reliance on the exemption from the registration requirements of the 1933 Act provided by Section 3(a)(10) thereof. Section 3(a)(10) of the 1933 Act exempts the issuance of securities issued in exchange for one or more outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by any court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom the securities will be issued have the right to appear and receive timely notice thereof. The Court is authorized to conduct a hearing at which the fairness of terms and conditions of the Arrangement will be considered. The Court granted the Interim Order and, subject to the approval of the Arrangement by Unitholders, a hearing on the Arrangement will be held on November 26, 2012 by the Court.

The Common Shares receivable by Unitholders pursuant to the Arrangement will be freely transferable by such Unitholders under the 1933 Act, except by persons who are “affiliates” of New Temple after the completion of the Arrangement or were affiliates of New Temple within 90 days prior to the completion of the Arrangement. An “affiliate” of an issuer is a person or entity that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, the issuer, whether through the ownership of voting securities, by contract or otherwise, and generally includes executive officers and directors of the issuer as well as principal shareholders of the issuer.

Any resale of such Common Shares by such an affiliate (or former affiliate) may be subject to the registration requirements of the 1933 Act, absent an exemption therefrom. Subject to certain limitations, such affiliates (or former affiliates) may immediately resell such Common Shares outside the United States without registration under the 1933 Act pursuant to Regulation S under the 1933 Act.

In addition, such affiliates (or former affiliates) may resell such Common Shares without registration under the 1933 Act in accordance with Rule 144 under the 1933 Act, if available.



The foregoing discussion is only a general overview of certain requirements of the 1933 Act applicable to the resale of Common Shares received upon completion of the Arrangement. All holders of such securities are urged to consult with their own counsel to ensure that the resale of their securities complies with applicable securities legislation.

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

This summary is applicable to a Unitholder who: (i) holds Units as capital property; (ii) deals at arm's length and is not affiliated with the REIT, TR Trust, Temple LP, the General Partner, Temple Gardens Mineral Spa Inc. and New Temple; and (iii) does not use or hold Units in the course of carrying on a business, and did not acquire the Units in one or more transactions considered to be an adventure or concern in the nature of trade. A Unitholder who is a Canadian resident and who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have the Units and any other "Canadian security" (as defined in the Tax Act) held by it in the taxation year of the election and in all subsequent taxation years treated as capital property by making the irrevocable election permitted by Subsection 39(4) of the Tax Act. A Unitholder contemplating making such an election should consult his, her or its own tax advisor.

This summary is not applicable to a Unitholder that is a "financial institution" or a "specified financial institution" for the purposes of the "mark-to-market property" rules under the Tax Act, to a Unitholder an interest in which is a "tax shelter investment" (as defined in the Tax Act), or to a Unitholder who has elected to have the "functional currency" reporting rules under the Tax Act apply. Counsel has assumed for the purposes of this summary that the REIT is at all relevant times a "mutual fund trust" for the purposes of the Tax Act.

This summary is based upon the facts set out in this Information Circular, the provisions of the Tax Act in force at the date of this Information Circular and counsel's understanding of the current administrative and assessing policies and practices of the CRA published in writing prior to the date hereof. This summary takes into account all specific proposals to amend the Tax Act which have been publicly announced by or on behalf of the Minister prior to the date of this Information Circular (the "**Tax Proposals**"). No assurance can be given that the Tax Proposals will be enacted as currently proposed or at all.

This summary is not exhaustive of all possible Canadian federal income tax consequences and, except for the Tax Proposals, does not take into account, or anticipate any changes in law, whether by legislative, regulatory or judicial action or decision. This summary does not take into account any provincial, territorial or foreign income tax considerations. The provincial, territorial or foreign income tax consequences of the Arrangement may differ significantly from those identified in the following discussion. Unitholders should consult their own tax advisors in respect of the provincial, territorial, or foreign income tax consequences of the Arrangement.

**This summary is of a general nature only and should not be construed to be, nor is it intended to be, legal or tax advice or representations to any particular Unitholder. Accordingly, Unitholders should consult with their own tax advisors for advice with respect to the income tax consequences to them in their particular circumstances.**



## **RESIDENTS OF CANADA**

The following portion of the summary generally is applicable to a Unitholder (a “**Resident Unitholder**”) that is, for the purposes of the Tax Act and any applicable income tax treaty or convention and at all relevant times, a resident of Canada.

### ***Exchange of Units***

A Resident Unitholder who disposes of Units to New Temple in exchange for Common Shares pursuant to the Arrangement will be deemed: (i) to have disposed of each such Unit for proceeds of disposition equal to the adjusted cost base (as defined in the Tax Act) of such Unit to the Resident Unitholder immediately before the disposition; and (ii) to have acquired each Common Share received on the exchange at a cost equal to the adjusted cost base to the Resident Unitholder of the particular Unit immediately before the particular disposition. As a consequence, Resident Unitholders will not realize a capital gain or capital loss on the disposition of their Units to New Temple in exchange for Common Shares. Resident Unitholders will not need to file an income tax election in order to achieve this tax deferral.

If either: (i) the fair market value of the Common Share immediately after the disposition exceeds the fair market value of the Unit at the time of the disposition (“**Excess Share Value**”); or (ii) the fair market value of a Unit at the time of disposition exceeds the fair market value of the Common Share immediately after the disposition and it is reasonable to regard any portion of the excess value as a benefit that the Unitholder desired to confer on a person or partnership with whom the Unitholder does not deal at arm’s length (“**Excess Trust Unit Value**”), the Excess Share Value or the Excess Trust Unit Value, as applicable, must be included in computing the income of the Unitholder for the taxation year in which the disposition occurs. No assurance can be given that the CRA will accept the position that the fair market value of a Unit at the time of disposition is equal to the fair market value of a Common Share immediately after the disposition.

### ***Reduction of Stated Capital***

The reduction in the stated capital of the Common Shares pursuant to the Arrangement will not result in any immediate Canadian income tax consequences to the holders of Common Shares. However, the reduction in the stated capital and consequential reduction in the paid-up capital of the Common Shares may have future Canadian income tax consequences to the shareholders of New Temple in certain limited circumstances, which may include if New Temple were to repurchase, under certain circumstances, any of its Common Shares or if New Temple were dissolved.

### ***Eligibility for Investment***

The Common Shares will be qualified investments under the Tax Act and the regulations for trusts governed by registered retirement savings plans, deferred profit sharing plans, registered education savings plans, registered retirement income funds, tax-free savings accounts and



registered disability savings plans (collectively, “**Plans**” and each, a “**Plan**”) provided that the Common Shares are listed on a designated stock exchange for purposes of the Tax Act.

Adverse tax consequences may apply to a Plan, or an annuitant thereunder, if the Plan acquires or holds property that is not a qualified investment for the Plan. Notwithstanding the foregoing, if the Common Shares are “prohibited investments” for purposes of a tax-free savings account, a registered retirement savings plan or a registered retirement income fund, a holder will be subject to a penalty tax as set out in the Tax Act. Holders are advised to consult their own tax advisors in this regard.

## **UNITHOLDERS NOT RESIDENT IN CANADA**

The following portion of the summary generally is applicable to a Unitholder who is, at all relevant times, neither a resident of Canada nor deemed to be a resident of Canada for the purposes of the Tax Act and any applicable income tax treaty or convention (a “**Non-Resident**”) and does not hold or use or is not deemed to hold or use the Units in the course of carrying on business in Canada. Special rules, which are not discussed in this summary, may apply to a Non-Resident Unitholder that is an insurer carrying on business in Canada and elsewhere.

A Non-Resident Unitholder will not realize a capital gain or loss for Canadian federal income tax purposes on the disposition of their Units to New Temple in exchange for Common Shares pursuant to the Arrangement.

Any Excess Share Value or Excess Trust Unit Value attributable to a Non-Resident Unitholder will be deemed to be a dividend from a corporation resident in Canada for purposes of the Tax Act. Such amount will be subject to withholding tax in Canada at a rate of 25% unless reduced by the terms of an applicable tax treaty. No assurance can be given that the CRA will accept the position that the fair market value of a Unit at the time of disposition is equal to the fair market value of a Common Share immediately after the disposition.

This summary does not address any income tax considerations other than the Canadian federal income tax considerations. Non-Residents should consult their own tax advisors regarding the tax consequences of the Conversion in their jurisdiction of residence.

## **EXPERTS**

Certain Canadian securities law matters relating to the Arrangement are to be passed upon by Aikins, MacAulay & Thorvaldson LLP on behalf of the REIT and New Temple. As at October 9, 2012, the partners and associates of Aikins, MacAulay & Thorvaldson LLP as a group owned, directly or indirectly, less than 1% of the outstanding Units. Certain United States securities law matters relating to the Arrangement are to be passed upon by Dorsey & Whitney LLP on behalf of the REIT and New Temple. As at October 9, 2012, the partners and associates of Dorsey & Whitney LLP, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding Units.



## **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

To the knowledge of the Trustees, except as otherwise set out in the Information Circular, no Trustee or officer of the REIT, or any associate or affiliate of any of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting. The Trustees and officers of the REIT, as a group, beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of approximately 2,401,988 Units, representing approximately 9.29% of the outstanding Units on the date hereof.

The Arrangement will not result in any change of control, termination or other payments being made to any trustees or officers of the REIT or to the Asset Manager or hotel manager of the REIT pursuant to contractual arrangements.

## **DESCRIPTION OF THE REIT**

The REIT is an unincorporated open-ended investment trust governed by the laws of the Province of Manitoba pursuant to the REIT Declaration of Trust. The REIT is a “mutual fund trust” as defined by the Tax Act, but it is not a ‘mutual fund trust’ as defined by applicable securities legislation. The REIT is not a “real estate investment trust” within the meaning of the Tax Act. The REIT is a SIFT as defined in the SIFT Rules for all subsequent taxation years unless in any particular subsequent taxation year it qualified for the REIT Exception. The REIT does not currently qualify for the REIT Exception, significant restructuring would be required prior to the REIT being able to qualify for the REIT Exception and there is no current intention to undertake such restructuring. The head office of the REIT is located at Suite 2600, Seven Evergreen Place, Winnipeg, Manitoba R2L 2T3.

## **THE BUSINESS OF THE REIT**

As at the date hereof, the hotel property portfolio of the REIT consists of 15 hotels with a total of 1,868 guest rooms.

For further information regarding the REIT and the hotels that it owned as at December 31, 2011, see “Business Strategy” and “Hotel Portfolio” in the Annual Information Form, which is incorporated in this Information Circular by reference.

Since December 31, 2011, the REIT has acquired the following additional hotel properties:

### ***Acquisition of Radisson Hotel & Suites, Fort McMurray, Alberta***

On February 1, 2012, the REIT acquired the Radisson Hotel & Suites, a 134-room full service hotel centrally located on Gregoire Drive, midway between downtown Fort McMurray and the Fort McMurray Airport for a purchase price of \$25.1 million, subject to closing adjustments. The acquisition was financed by a first mortgage loan in the amount of \$15 million, a vendor take-back mortgage in the amount of \$3 million and the balance in cash. The first mortgage loan bears interest at a variable rate equal to the 90-day Banker’s Acceptance plus 4.45%, with the



initial rate being 5.63%, and has a three-year term and 20-year amortization. The vendor take-back mortgage was repaid in June, 2012. The REIT announced that it will undertake a \$2.7 million capital expenditure program over approximately 18 months, consisting primarily of guest room and lobby/corridor refurbishment.

#### ***Acquisition of Clearwater Suites Timberlea, Fort McMurray, Alberta***

On May 1, 2012, the REIT acquired a 66-suite extended stay property in Fort McMurray, Alberta, which is now operated as a satellite of the Clearwater Suites Hotel under the name of Clearwater Suites Timberlea. The \$30.5 million acquisition was funded by the assumption of a 5.735% first mortgage loan in the amount of \$18.594 million, with the balance in cash. Clearwater Suites Timberlea consists of a four-storey, 66-suite building, with a 93-stall underground parkade on a 3.78 acre site and is comprised of six one-bedroom and 60 two bedroom suites. Mr. Arni Thorsteinson is the Chief Executive Officer and a trustee of both the REIT and the vendor. The proposed acquisition of the property was approved by the independent trustees of the REIT. Mr. Thorsteinson abstained from voting on the approval of the acquisition. An independent third party appraisal was obtained which supports the purchase price paid by the REIT for the property.

#### ***Acquisition of Inn at the Quay, New Westminster, British Columbia***

On June 1, 2012, the REIT acquired the 126-room Inn at the Quay in New Westminster, British Columbia for a purchase price of \$17.325 million, subject to customary closing adjustments. The acquisition was financed with a first mortgage loan in the amount of \$12.0 million and the balance in cash. The first mortgage loan bears interest at a rate of 4.81% for a five-year term and has a 20-year amortization. Inn at the Quay consists of a ten-storey, 126-room, waterfront hotel located in the high-density area of downtown New Westminster overlooking the Fraser River. Inn at the Quay is the only major hotel in New Westminster and is a popular venue for corporate functions and weddings. The hotel features a variety of amenities including a 172-seat restaurant under lease to The Boathouse Restaurant (a west coast restaurant chain), approximately 4,000 square feet of meeting space, 150 surface and parkade stalls and other amenities including a fitness centre, whirlpool, sauna and business centre. Inn at the Quay underwent a \$2.2 million (\$17,500 per room) renovation program during 2010/11 which included a complete guest room refurbishment and upgrades throughout the front-of-house and meeting spaces.

#### ***Acquisition of Hilton Garden Inn West Edmonton, Edmonton, Alberta***

On August 1, 2012, the REIT acquired the Hilton Garden Inn West Edmonton (the “Hilton Garden Inn”) for \$31 million, subject to the usual closing adjustments. The Hilton Garden Inn is a 6-storey hotel which opened in 2004 and is located at 17610 Stony Plain Road in close proximity Edmonton’s West End Business District and just minutes from the West Edmonton Mall. The hotel contains 160 guestrooms with one king bed or two queen beds, including 5 executive suites that have a private seating area, Jacuzzi tub and two-way fireplace. Other amenities offered by the hotel include 4,049 square feet of banquet and meeting space, a heated indoor pool, a whirlpool and fitness room, a restaurant and lounge under lease to a tenant/operator and other facilities include a market pantry, business centre, guest laundry



facilities and vending area, as well as 206 surface parking spaces. The REIT announced that it will undertake a \$2 million capital expenditure program over approximately 18 months, consisting primarily of guest room and lobby/corridor refurbishment. The acquisition was financed with a first mortgage loan in the amount of \$20 million and the balance in cash. The first mortgage loan bears interest at an estimated rate of 5.3% per annum for a three-year term and has a 25-year amortization.

### **Proposed Acquisition of Acclaim Hotel Calgary Airport, Calgary, Alberta**

On August 14, 2012, the REIT announced that it entered into an agreement to acquire the Acclaim Hotel Calgary Airport for \$42 million, subject to the usual closing adjustments. The Acclaim Hotel Calgary Airport is located on a four acre parcel of land leased from the Calgary Airport Authority two kilometers north of the Calgary International Airport at 123 Freeport Boulevard Northwest. The existing 4-storey, full-service hotel opened in 2009 and consists of 123 guestrooms. An expansion is under construction which will add an additional 102 guestrooms in 2013, bringing the total room count to 225. The expanded hotel will offer a variety of amenities which include 6,500 square feet of banquet and meeting space, two roof-top outdoor whirlpools, a leased restaurant and lounge; a leased salon and sundry shop, 260 surface parking spaces, a 40 stall underground parkade and other facilities including an exercise room, spa, business centre, guest laundry facilities and vending area. The expansion of the hotel is expected to be completed and operational by the summer of 2013 and the acquisition is scheduled to close on the later of October 1, 2013 or 60 days after completion of the expansion.

### **CASH DISTRIBUTIONS**

The REIT paid its first distribution to Unitholders in the amount of \$0.14 per Unit for the quarter ended December 31, 2006 (\$0.56 per Unit on an annualized basis) on December 29, 2006 to the Unitholders of record on December 15, 2006. Effective January 1, 2007, the REIT changed its distribution policy from quarterly to monthly. On March 10, 2009, the REIT announced that it was changing its distribution policy from monthly to quarterly and that the change was to take effect subsequent to a previously announced distribution of \$0.10 per Unit for February, 2009 (payable on March 15, 2009 to Unitholders of record as of February 28, 2009). On February 1, 2011, the REIT announced that it was changing its distribution policy from quarterly to monthly, effective as of April 1, 2011.

The REIT has changed its distributions as follows:

- (a) effective January 1, 2007, the REIT increased its monthly cash distribution to \$0.05 per Unit (\$0.60 per Unit annualized);
- (b) an increase of its monthly cash distribution to \$0.06 per Unit (\$0.72 per Unit annualized), commencing with the distribution made on October 15, 2007 to Unitholders of record on September 30, 2007;



- (c) an increase of its monthly cash distribution to \$0.08 per Unit (\$0.96 per Unit annualized), commencing with the distribution made on February 15, 2008 to Unitholders of record on January 31, 2008;
- (d) an increase of its monthly cash distribution to \$0.10 per Unit (\$1.20 annualized), commencing with the distribution made on July 15, 2008 to Unitholders of record on June 30, 2008;
- (e) a reduction in 2009 cash distributions to \$0.50 per Unit (inclusive of the \$0.10 distribution paid on February 15, 2009 to Unitholders of record on January 31, 2010) and a change in the REIT's distribution policy from monthly distributions to quarterly distributions, commencing with the distribution made on July 15, 2009 to the Unitholders of record as of June 30, 2009. As a result of this change in the REIT's distribution policy, the annualized distribution payments on Units was reduced to \$0.40 (\$0.10 per quarter);
- (f) a change from quarterly to monthly distributions effective April 1, 2011 but with no change in the annualized distribution of \$0.40 (\$0.03334 per month);
- (g) an increase in annualized cash distributions to \$0.48 per Unit (\$0.04 per month) commencing with the distribution made on November 15, 2011 to Unitholders of record on October 31, 2011; and
- (h) an increase of its monthly distribution to \$0.045 per Unit (\$0.54 annualized) effective commencing with the cash distribution to be paid on or about October 15, 2012 to Unitholders of record on September 30, 2012.

## **MARKET FOR SECURITIES**

### ***Trading Price and Volume***

The Units, the Series B Debentures, the Series C Debentures, the Series D Debentures, the Series E Debentures and the Senior Secured Debentures are listed for trading on the TSX under the symbols "TR.UN", "TR.DB.B", "TR.DB.C", "TR.DB.D", "TR.DB.E" and "TR.DB.S", respectively. The following tables set forth certain information regarding trading history of the listed securities of the REIT during the 12 months preceding the date of this Information Circular:

### ***Units***

The Units were listed on the TSXV under the trading symbol "TR.UN" until July 23, 2012. Effective July 23, 2012, the Units were listed on the TSX and delisted from the TSXV. The following table sets forth the closing price ranges and trading volumes of the Units as reported on the applicable stock exchange for the twelve month period prior to the date of this Information Circular.



<b>Month</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume</b>
October, 2011	4.63	3.66	526,395
November, 2011	4.65	4.03	845,140
December, 2011	5.09	4.33	917,379
January, 2012	5.64	4.92	1,261,667
February, 2012	5.72	5.04	3,100,195
March, 2012	6.05	5.38	1,819,633
April, 2012	6.24	5.66	1,511,471
May, 2012	6.12	5.21	2,574,973
June, 2012	5.90	5.48	1,609,604
July, 2012	6.48	5.77	1,922,248
August, 2012	6.50	5.90	1,961,168
September, 2012	6.30	5.75	1,246,150
October, 2012 (to Oct.6)	6.15	5.96	281,130

### ***Series B Debentures***

The Series B Debentures were listed on the TSXV under the trading symbols “TR.DB.B” until July 23, 2012. Effective July 23, 2012, the Series B Debentures were listed on the TSX and delisted from the TSXV. The following table sets forth the closing price ranges and trading volumes of the Series B Debentures as reported on the applicable stock exchange for the twelve month period prior to the date of this Information Circular.

<b>Month</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume (\$)</b>
October, 2011	99.50	88.00	70,000
November, 2011	100.10	99.00	239,000
December, 2011	101.50	100.00	112,000
January, 2012	104.95	100.00	144,000
February, 2012	106.00	100.00	462,000
March, 2012	103.00	100.00	569,000
April, 2012	101.00	99.00	175,000
May, 2012	106.00	98.00	459,000
June, 2012	103.50	102.00	184,000
July, 2012	103.25	100.10	182,000
August, 2012	102.99	101.50	256,000
September, 2012	101.76	99.20	216,000
October, 2012 (to Oct.6)	102.49	101.00	100,000



### ***Senior Secured Debentures***

The Senior Secured Debentures were listed on the TSXV under the symbol “TR.DB.S” until July 23, 2012. Effective July 23, 2012, the Senior Secured Debentures were listed on the TSX and delisted from the TSXV. The following table sets forth the closing price ranges and trading volumes of the Senior Secured Debentures as reported on the applicable stock exchange for the twelve month period prior to the date of this Information Circular.

<b>Month</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume (\$)</b>
October, 2011	121.21	107.00	202,000
November, 2011	122.93	113.20	82,000
December, 2011	131.50	116.80	541,000
January, 2012	151.09	134.41	634,000
February, 2012	153.13	139.00	1,195,000
March, 2012	161.00	146.41	1,235,000
April, 2012	165.53	155.00	350,000
May, 2012	165.00	154.30	126,000
June, 2012	157.80	152.50	75,000
July, 2012	173.00	160.00	174,000
August, 2012	175.03	169.81	309,000
September, 2012	171.50	169.78	125,000
October, 2012 (to Oct.6)	171.57	171.55	22,000

### ***Series C Debentures***

The Series C Debentures were listed on the TSXV under the trading symbol “TR.DB.C” from November 16, 2011 to July 23, 2012. Effective July 23, 2012, the Series C Debentures were listed on the TSX and delisted from the TSXV. The following table sets forth the closing price ranges and trading volumes of the Series C Debentures as reported on the applicable stock exchange for the period from November 16, 2011 to the date of this short form prospectus.

<b>Month</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume (\$)</b>
November, 2011 (from November 16)	100.50	100.00	332,000
December, 2011	100.00	99.00	132,000
January, 2012	105.00	100.00	545,000
February, 2012	105.00	101.00	607,000
March, 2012	107.50	101.50	1,547,000
April, 2012	106.44	101.50	771,000
May, 2012	105.00	101.50	1,396,000
June, 2012	105.00	101.50	825,000
July, 2012	112.00	105.25	1,565,000
August, 2012	112.00	108.00	867,000
September, 2012	109.00	106.00	490,000
October, 2012 (to Oct.6)	107.50	107.50	4,000



### ***Series D Debentures***

The Series D Debentures were listed on the TSXV under the trading symbol “TR.DB.D” from March 1, 2012 to July 23, 2012. Effective July 23, 2012, the Series D Debentures were listed on the TSX and delisted from the TSXV. The following table sets forth the closing price ranges and trading volumes of the Series D Debentures as reported on the applicable stock exchange for the period from March 1, 2012 to the date of this Information Circular.

<b>Month</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume (\$)</b>
March, 2012	102.00	100.00	2,503,000
April, 2012	102.00	100.00	457,000
May, 2012	102.99	99.50	687,000
June, 2012	101.00	97.51	295,000
July, 2012	104.00	100.00	1,916,000
August, 2012	103.75	102.00	456,000
September, 2012	104.00	101.75	1,301,000
October, 2012 (to Oct.6)	102.00	101.50	44,000

### ***Series E Debentures***

The Series E Debentures were listed on the TSX under the trading symbol “TR.DB.E” commencing August 2, 2012. The following table sets forth the closing price ranges and trading volumes of the Series E Debentures as reported on the TSX for the period from August 2, 2012 to the date of this Information Circular.

<b>Month</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume (\$)</b>
August, 2012	103.25	99.90	7,439,000
September, 2012	103.50	100.00	1,605,000
October, 2012 (to Oct.6)	100.65	100.15	476,000

## **LEGAL PROCEEDINGS**

The REIT and its Subsidiaries in the normal course of business are involved in legal proceedings from time-to-time. Other than the proceedings relating to the approval of the Arrangement, there are no legal proceedings or regulatory actions to which the REIT or any of its Subsidiaries is a party or in respect of which any of their respective assets are the subject matter, which are material to the REIT or New Temple and the REIT is not aware of any such proceedings of a material nature that are contemplated.

To the knowledge of the REIT, there were no: (i) penalties or sanctions imposed against the REIT or its Subsidiaries by a court relating to securities legislation or by a securities regulatory authority during the REIT’s last financial year; (ii) penalties or sanctions imposed by a court or regulatory body against the REIT or its Subsidiaries that would likely be considered important to a reasonable investor in making an investment decision; or (iii) settlement agreements the REIT or its Subsidiaries entered into with a court relating to securities legislation or with a securities regulatory authority during the REIT’s last financial year.



## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and the registrar for the Units is CIBC Mellon Trust Company at its principal office located in Calgary, Alberta and Toronto, Ontario. Canadian Stock Transfer Company Inc. is the Administrative Agent for CIBC Mellon Trust Company.

The transfer agent and registrar for the Debentures is the Indenture Trustee.

## **ADDITIONAL INFORMATION**

Additional information relating to the REIT is available in the Annual Information Form which is incorporated by reference in this Information Circular and is available under the REIT's profile on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information concerning the REIT is provided in its financial statements for the year ended December 31, 2011 and 2010 and for the six-month period ended June 30, 2012, and the accompanying management discussion and analysis for each such financial period, which are incorporated by reference in this Information Circular and can be accessed on SEDAR.

## **DESCRIPTION OF NEW TEMPLE**

New Temple was incorporated on August 27, 2012 pursuant to the provisions of the CBCA, for purposes of effecting the Conversion. The principal and head office of New Temple is located at Suite 2600, Seven Evergreen Place, Winnipeg, Manitoba R3L 2T3. The registered office of New Temple is located at 3000 – 360 Main Street, Winnipeg, Manitoba R3C 4G1.

New Temple will, as a result of the Arrangement, become a reporting issuer (or equivalent) in each province and territory of Canada other than the Province of Quebec on the Effective Date and, accordingly, become subject to the informational reporting requirements under the securities laws of each such jurisdiction in which it so becomes a reporting issuer.

See Appendix I to this Information Circular for a detailed description of New Temple.

## **RISK FACTORS**

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

### **GENERAL RISK FACTORS**

An investment in the Units is subject to certain risks. Unitholders should carefully consider the risk factors described under the heading "Risk Factors" in the Annual Information Form and the risk factors set forth in the annual and interim management discussion and analysis, which documents are incorporated by reference in this Information Circular and are available on the



SEDAR website at [www.sedar.com](http://www.sedar.com), as well as the risk factors set forth elsewhere in this Information Circular and otherwise incorporated by reference herein.

## **RISKS RELATING TO NEW TEMPLE AND THE ARRANGEMENT**

Risk factors in respect of the business of the REIT and its Subsidiaries and the industry in which they operate will continue to apply to New Temple and its Subsidiaries after the Effective Date. See risk factors described under the heading “Risk Factors” in the Annual Information Form and the risk factors set forth in the latest annual and interim management discussion and analysis.

### ***Conditions Precedent and Required Regulatory Approvals***

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 the REIT and New Temple, including, without limitation, receipt of Unitholder approval at the Meeting, approval of the TSX for the listing of the Common Shares to be issued pursuant to the Arrangement and the Debentures to be assumed by New Temple, the attainment of any required third party consents, and the granting of the Final Order by the Court. There can be no certainty, nor can the REIT 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 any regulatory 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 consent, exemption or approval, and accordingly, the benefits available to Unitholders 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 regulatory approval, the Arrangement may not proceed at all. If the Arrangement is not completed, the market price of the Units may be adversely affected.

### ***Benefits of the Arrangement***

The Arrangement may not result in any or all of the benefits to the REIT as expected to be achieved by the REIT, including, without limitation, providing the REIT with greater flexibility and access to additional capital. There can be no certainty, nor can the REIT provide any assurance, that any or all of these benefits will be realized or, if realized, that such benefits will have such results or impact in the nature and/or amounts expected or desired by the REIT in undertaking the Arrangement.

**If the Conversion is not completed prior to January 1, 2013, the tax consequences will be materially different than set out in this Information Circular and will have a negative effect on the REIT and its Unitholders.**



### ***Payment of Dividends***

As a corporation, New Temple's dividend policy will be at the discretion of New Temple's board of directors. Future dividends, if any, will depend on results of operations, cash requirements, financial condition, contractual restrictions, business opportunities, provisions of applicable law and other factors that the board of directors may deem relevant. Accordingly, the payment of dividends by New Temple and the level thereof will be uncertain.

## **THE STOCK OPTION PLAN**

### **OVERVIEW**

At the Meeting, the Unitholders will be asked to consider and, if deemed advisable, to pass, with or without alteration or modification, the Stock Option Plan Resolution, in substantially the form attached as Appendix E of this Information Circular by Ordinary Resolution.

The Stock Option Plan will authorize New Temple to grant Stock Options to the directors, senior officers, employees, management company employees, and certain consultants of New Temple or of its Subsidiaries (collectively, referred to as "**Participants**").

As with the Unit Option Plan, the purpose of the Stock Option Plan is to advance the interests of New Temple, its Subsidiaries and the holders of Common Shares by providing to the Participants a performance incentive for continued and improved service with New Temple and its Subsidiaries and by enhancing such persons' contribution to increased profits by encouraging Common Share ownership.

### **KEY TERMS OF STOCK OPTION PLAN**

The following is a summary of the material provisions of the Stock Option Plan. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of the Stock Option Plan, the full text of which is set out in Appendix F to this Information Circular. The Stock Option Plan provides as follows.

The Stock Option Plan shall be administered by the Directors or a committee of Directors as determined by the Directors. The Directors shall have the right to delegate the administration and operation of this Plan, in whole or in part, to a committee of the Directors. For the purposes of the Stock Option Plan, the term "Directors" shall be deemed to include any committee to which the Directors have, fully or partially, delegated responsibilities and/or authority relating to the Plan or the administration and operation of the Stock Option Plan.

Pursuant to the Stock Option Plan, New Temple may grant options to a director, a senior officer of New Temple or of a Subsidiary of New Temple, an employee of New Temple or of a Subsidiary of New Temple, management company employees of New Temple or of a Subsidiary of New Temple (including employees of Shelter) and consultants retained by New Temple or by a Subsidiary of New Temple, including investor relations consultants. The directors of New Temple set the exercise price at the time that an option is granted under the Stock Option Plan,



which exercise price shall not be less than market price of the Common Shares (as determined in accordance with the policies of the TSX on the date of grant).

The period during which an Option may be exercised (the "Option Period") shall be determined by the Directors at the time the Option is granted, subject to any vesting limitations which may be imposed by the Directors in their sole unfettered discretion at the time such Option is granted, provided that:

- (a) no Option shall be exercisable for a period exceeding five (5) years from the date the Option is granted unless otherwise specifically provided by the Directors and authorized by the TSX, if applicable;
- (b) for a Participant employed in investor relations activities, Options must vest over a period of twelve (12) months from the date the Option is granted, with no more than one-fourth ( $\frac{1}{4}$ ) of the Options vesting in any three (3) month period;
- (c) the Option Period shall be automatically reduced in accordance with the provisions of the below upon the Participant ceasing to be a director, officer, employee, management company employee or consultant of New Temple or of a subsidiary of New Temple, or upon the death, permanent disability or normal retirement of the Participant, as the case may; and
- (d) no Option in respect of which the approval of the shareholders of New Temple is required under the rules of any TSX shall be exercisable until such time as the Option has been approved by the shareholders of the Corporation.

The maximum number of Common Shares that may be reserved for issuance under all securities based compensation plans, as at the date of this Information Circular, is 2,585,809, being 10% of the issued and outstanding Units outstanding on the date of this Information Circular. 2,123,371 will be allocated to the Stock Option Plan and 462,438 will be allocated Deferred Share Plan. In the event that additional Units are issued prior to the Effective Date (which will result in additional Common Shares being issued to the holders of such Units on a one-for-one basis pursuant to the terms of the Arrangement, the number of Common Shares that may be reserved for issuance under securities based compensation plans (including the Stock Option Plan) will increase and will represent that number of Common Shares equal to 10% of the issued and outstanding Common Shares from time to time.

There are presently 689,000 Trust Options outstanding. Pursuant to the Arrangement, holders of Trust Options will receive, in exchange for each Trust Option held, one Stock Option which have substantially the same terms and conditions as the Trust Option for which it is exchanged. The Stock Options issued pursuant to the Arrangement will be governed by the Stock Option Plan.

The Stock Option Plan provides that the number of Common Shares reserved for issuance pursuant to the Stock Option Plan in respect of all Stock Options granted to any one Participant, other than a consultant or a person employed in investor relations, together with any other securities compensation arrangement of New Temple, at any one time shall not exceed five



percent (5%) of the outstanding Common Shares from time to time. The number of Common Shares reserved for issuance pursuant to the Stock Option Plan in respect of all Stock Options granted to any one Participant that is a consultant or a person involved in investor relations at any one time shall not exceed two percent (2%) of the outstanding Common Shares from time to time. The Stock Option Plan also provides that the number of Common Shares reserved for issuance pursuant to the Stock Option Plan, together with any other securities compensation arrangement of New Temple, at any one time shall not exceed ten percent (10%) of the outstanding Common Shares from time to time.

If a Participant shall cease to be a director, senior officer, employee or management company employee of New Temple or of a Subsidiary of New Temple, (including an employee of Shelter) for any reason (other than death, permanent disability or normal retirement), the Option of the Participant will terminate at 5:00 p.m. (Winnipeg time) on the earlier of: (i) the date of the expiration of the Option Period and (ii) for Participants other than those employed in Investor Relations Activities, 90 days after the date such Participant ceases to be a director, senior officer, employee, management company employee or consultant of the Corporation or of any subsidiary of the Corporation, and for Participants employed in investor relations activities, 30 days after the date such Participant ceases to be employed in investor relations activities

In the event of the death, permanent disability or normal retirement of a Participant, any Option previously granted to such Participant shall be exercisable until the end of the Option Period or until the expiration of 12 months or a period determined by the Directors, after the date of death, permanent disability or normal retirement of such Participant, whichever is earlier, and then, in the event of death or permanent disability, only:

- (a) by the Participant or person or persons to whom the Participant's rights under the Option shall pass by the Participant's Will or by applicable law; and
- (b) to the extent that the Participant was entitled to exercise the Option as at the date of his death or permanent disability.

Subject to any vesting restrictions imposed by the relevant stock exchange upon which the Common Shares are listed, the board of directors of New Temple may, in its sole discretion, determine the time during which Stock Options shall vest and the method of vesting, or that no vesting restriction shall exist.

No benefits, rights and Options accruing to any Participant in accordance with the terms and conditions of the Stock Option Plan shall be transferable or assignable except, where qualified, to a Registered Retirement or similar plan where the Participant is the annuitant thereof, or to a family trust controlled by the Participant. During the lifetime of a Participant, any Options granted hereunder may only be exercised at the direction of the Participant and in the event of the death or permanent disability of a Participant, by the person or persons to whom the Participant's rights under the Option pass by the Participant's will or by applicable law. Any transfer of Options by a Participant is subject to the approval of the TSX.



The board of directors of New Temple may amend the Plan at any time, provided however, that no such amendment may materially and adversely affect any Option previously granted to a Participant without the consent of the Participant, except to the extent required by law. Any such amendment shall, if required, be subjected to the prior approval of, or acceptance by, the TSX.

The board of directors of New Temple has the power to amend modify, suspend or terminate the Stock Option Plan, subject to any necessary regulatory and shareholder approvals. Subject to the receipt of any necessary regulatory or shareholder approvals, the board of directors of New Temple may also at any time amend or revise the terms of any Stock Options granted under the Stock Option Plan from time to time.

Pursuant to the rules of the TSX unallocated Stock Options under the Stock Option Plan require Common Shareholder approval every three years.

Stock Options issued in exchange for Trust Options on a one-for-one basis will continue to be exercisable in accordance with the exercise price, vesting period and expiry terms of the Trust Options so exchanged, but shall otherwise be governed by the terms of the Stock Option Plan. If the Stock Option Plan Resolution is not approved, outstanding Trust Options shall be exercisable, on a one-for-one basis, for Common Shares under the terms of the Unit Option Plan, and all agreements representing Trust Options shall be amended to the extent necessary to facilitate the issuance of Common Shares under the Unit Option Plan.

## **RECOMMENDATION OF THE BOARD**

**The Board has reviewed the terms of the Stock Option Plan and determined that the Stock Option Plan is in the best interests of the REIT (and New Temple) and the Unitholders and unanimously recommends that Unitholders vote FOR the Stock Option Plan Resolution.**

## **APPROVALS**

### ***Unitholder Approval***

The full text of the Stock Option Plan Resolution to be passed by the Unitholders to approve the Stock Option Plan is set out in Appendix E to this Information Circular. If the Arrangement Resolution is approved, Unitholders will be asked to consider and, if thought advisable, approve the Stock Option Plan Resolution. In order to be effective, the Stock Option Plan Resolution must be passed by more than 50% of the votes cast by the Unitholders, voting together, in person or by proxy at the Meeting.

The Trustees and senior officers of the REIT, who beneficially own, directly or indirectly, or exercise control or direction over, approximately 9.29% of the outstanding Units, have indicated that they intend to vote in favour of the Stock Option Plan Resolution.



## **TSX Approval**

The Stock Option Plan is subject to the approval of the TSX and no Stock Options which are granted prior to the receipt of such approval may be exercised until such approval has been received. The TSX has conditionally approved the Stock Option Plan and the listing of the Common Shares reserved for issuance under the Stock Option Plan, subject to the receipt of Unitholder approval.

## **THE DEFERRED SHARE PLAN**

### **OVERVIEW**

At the Meeting, the Unitholders will be asked to consider and, if deemed advisable, to pass, with or without alteration or modification, the Deferred Share Plan Resolution by Ordinary Resolution (requiring more than 50% of the votes cast by Unitholders at the Meeting in favour of such resolution)

### **PURPOSE OF THE DEFERRED SHARE PLAN**

The purpose of the Deferred Share Plan is to promote a greater alignment of interests between the directors, officers and employees of New Temple and/or its affiliates, as well as any consultants to New Temple (including Shelter) and their employees, and the holders of Common Shares. Pursuant to the Deferred Share Plan, eligible persons are issued Deferred Shares which entitle the holder thereof to the same dividends as are paid on the Common Shares, which dividends are placed into an account for the benefit of the eligible person. Eligible persons to receive Deferred Shares are selected by the Governance, Compensation and Nominating Committee of the board of directors of New Temple.

#### ***Eligible Persons***

The purpose of the Deferred Share Plan is to promote a greater alignment of interests between the directors, officers and employees of New Temple and/or its affiliates and employees of a consultant of New Temple (including Shelter) and/or its affiliates (each an “Eligible Person”). Eligible Persons may be selected from time to time to participate in the Deferred Share Plan at the discretion of the Governance, Compensation and Nominating Committee (selected persons being “Participants” in the Deferred Share Plan) and granted such number of Deferred Share of New Temple from time to time as the Governance, Compensation and Nominating Committee deems appropriate. Deferred Shares are not Common Shares and do not entitle a Participant to any rights as a holder of Common Shares, including, without limitation, voting rights, dividend entitlements (other than as set out in the Deferred Share Plan and described below) or rights on liquidation. One (1) Deferred Share is equivalent to one (1) notional Common Share. Fractional Deferred Shares are permitted under the Deferred Share Plan.



### ***Election by Eligible Persons***

At the discretion of the Governance, Compensation and Nominating Committee, a grant of Deferred Shares may be made to any Eligible Person at any time in any year. In addition, each Eligible Person who is entitled to receive an annual bonus, an annual board retainer and meeting fees for attendance at board meetings or board committee meetings is given, subject to the conditions stated in the Deferred Share Plan, the right to elect to be a Participant of the Deferred Share Plan. Eligible Persons who elect to be Participants shall be paid up to 100% of their annual board retainer, meeting fees for attendance at board meetings or board committee meetings and annual bonus (the “**Elected Amount**”), as applicable, in the form of Deferred Shares, in lieu of cash. If permitted under the terms of the compensation granted to the Eligible Person, each Eligible Person participating in the Deferred Share Plan is entitled once per calendar year to terminate his or her participation in the Deferred Share Plan by filing with the Chief Financial Officer of New Temple a notice electing to terminate the receipt of additional Deferred Shares.

Any Deferred Shares granted under the Deferred Share Plan prior to the election shall remain in the Deferred Share Plan and will be redeemable only in accordance with the terms of the Deferred Share Plan.

### ***Number of Common Shares Reserved for Issuance***

The aggregate number of Common Shares authorized for issuance upon the redemption of all Deferred Shares granted under the Deferred Share Plan, subject to any adjustment of such number pursuant to the provisions of the Deferred Share Plan, together with Common Shares authorized for issuance under any other security-based compensation plan of New Temple, shall not exceed 10% of the issued and outstanding Common Shares from time to time, subject to approval, if required, by any relevant stock exchange or other regulatory authority; provided, however, that the number of Common Shares issued to insiders of New Temple pursuant to outstanding Deferred Shares together with the number of Common Shares issued to such persons pursuant to any other compensation arrangements, within any one year period, shall not exceed 10% of the then outstanding Common Shares.

As of the date of this Information Circular, the total number of Common Shares that may be reserved for issuance under any equity compensation plans is 2,585,809 (10% of the issued and outstanding Units), of which 462,438 are allocated to the Deferred Share Plan and 2,123,371 are allocated to the Stock Option Plan.

There are presently 66,646 Deferred Units issued and outstanding. Pursuant to the Arrangement, holders of Deferred Units will receive, in exchange for each Deferred Unit held, one Deferred Share which has substantially the same terms and conditions as the Deferred Unit for which it will be exchanged. The Deferred Shares issued pursuant to the Arrangement will be governed by the Deferred Share Plan.



### ***Vesting of Deferred Shares***

Subject to the discretion of the board of directors of New Temple to vary the manner in which Deferred Shares vest for any Participant, Deferred Shares, if any, shall be granted by the Governance, Compensation and Nominating Committee at any time, or at such times, in any year as the board of directors determines in its discretion. Subject to the exceptions noted below, Deferred Shares granted pursuant to the Deferred Share Plan: (i) to directors of New Temple shall vest immediately; and (ii) to Participants other than directors of New Temple shall vest in accordance with the following schedule:

- (a) 33% of the Deferred Shares on the first anniversary of the grant;
- (b) 33% of the Deferred Shares on the second anniversary of the grant; and
- (c) 34% of the Deferred Shares on the third anniversary of the grant;

provided, however, that in the event of any “Change of Control” (as defined in the Deferred Share Plan), any unvested Deferred Shares shall vest upon the earlier of (i) the next applicable vesting date determined in accordance with the above provisions, and (ii) the date which is immediately prior to the date upon which the Change of Control is completed.

The Deferred Shares credited to a Participant (including any unvested Deferred Shares) shall vest immediately and be redeemable by the Participant (or, where the Participant has died, his or her estate) following an event, including termination other than for cause, retirement or death, causing the Participant to no longer be an Eligible Person (the “Termination Date”). If a Participant is terminated for cause, only the Deferred Shares which have vested shall be redeemable and any unvested Deferred Shares shall be cancelled.

Notwithstanding the foregoing or anything else herein contained, the board of directors shall have the discretion to vary the manner in which Deferred Shares vest for any Participant.

### ***Deferred Shares and Deferred Share Accounts***

The number of Deferred Shares (including fractional Deferred Shares) granted at any particular time pursuant to the Deferred Share Plan will be, in the case of elections made by a Participant (if applicable), calculated by dividing (i) the Elected Amount of the Participant by (ii) the Market Value of a Common Share on the date that the Deferred Shares are awarded or credited.

For the purposes of the Deferred Share Plan, “Market Value” in respect of Common Shares means:

- (a) for the purposes of grants of Deferred Shares to directors of New Temple for payment of the annual board retainer on a quarterly basis, the average closing Common Share price on the last trading day for each of the months in the prior quarter;
- (b) for the purpose of grants of Deferred Shares to directors of New Temple for payment of meeting fees, the closing price (or if there was no trading in the Common Shares, the



average of the bid price and ask price) of the Common Shares on the trading day prior to the applicable meeting; and

- (c) for any other purpose, the volume weighted average price of all Common Shares traded on the Exchange for the ten trading days immediately preceding the date on which the Market Value of Common Shares is determined (or, if such Common Shares are not listed and posted for trading on the TSX, on such stock exchange on which such Common Shares are listed and posted for trading as may be selected for such purpose by the directors of New Temple). In the event that such Common Shares are not listed and posted for trading on any stock exchange, the Market Value shall be the fair market value of such Common Shares as determined by the Governance, Compensation and Nominating Committee in its sole discretion.

An account, to be known as a “Deferred Share Account” shall be maintained by New Temple for each Participant and will be credited with notional grants of Deferred Shares received by a Participant from time to time.

Whenever dividends are paid on the Common Shares, additional Deferred Shares will be credited to the Participant’s Deferred Share Account. The number of such additional Deferred Shares shall be calculated by dividing:

- (a) the amount determined by multiplying:
  - (i) the number of Deferred Shares in such Participant’s Deferred Share Account on the record date for the payment of such distribution; by
  - (ii) the dividend paid per Common Share
- by
- (b) the Market Value of a Common Share on the dividend payment date in respect of such dividend

in each case, with fractions computed to two decimal places. Such additional Deferred Shares shall vest at the same time and on the same basis as the Deferred Shares in respect of which they are credited.

### ***Redemption of Deferred Shares***

Subject to the approval of the Governance, Compensation and Nominating Committee, the Deferred Shares credited to a Participant’s Deferred Share Account that have vested may be redeemable in whole or in part on the date on which the Participant files a written notice of redemption with the Chief Financial Officer of New Temple (the “**Redemption Date**”).

Subject to: (i) the provisions of the Deferred Share Plan; and (ii) the receipt by the Depositary of the Participant’s brokerage account information from his or her securities broker, the Participant shall receive, within ten (10) business days after the Termination Date or Redemption Date, as applicable, a whole number of Common Shares from New Temple equal to the whole number of



Deferred Shares then recorded in the Participant's Deferred Share Account, net of any applicable withholding taxes.

Upon redemption, new Temple shall also make a cash payment, net of any applicable withholding taxes, to the Participant with respect to the value of fractional Deferred Shares standing to the Participant's credit after the maximum number of whole Common Shares have been issued by New Temple, calculated by multiplying: (i) the number of such fractional Deferred Shares; by (ii) the Market Value of such fractional Deferred Shares on the Termination Date or Redemption Date, as applicable.

Upon payment in full of the value of the Deferred Shares, the Deferred Shares shall be cancelled.

### ***Amendment, Suspension or Termination***

The board of directors of New Temple may from time to time amend or suspend the Deferred Share Plan in whole or in part, without the approval of the holders of Common Shares, and may at any time terminate the Deferred Share Plan without prior notice, as it deems appropriate. Without limiting the generality of the foregoing, the Governance, Compensation and Nominating Committee may, without obtaining the approval of the holders of Common Shares, make changes: (a) to correct errors, immaterial inconsistencies or ambiguities in the Deferred Share Plan text; (b) necessary or desirable to comply with applicable laws or regulatory requirements, rules or policies (including stock exchange requirements and policies); and (c) to the vesting provisions applicable to Deferred Shares issued under the Deferred Share Plan.

Notwithstanding the foregoing, the following amendments to the Deferred Share Plan require an affirmative vote by a majority of votes cast by holders of Common Shares at a meeting called for that purpose:

- (a) any amendment that results in any increase in the number of Deferred Shares issuable under the Deferred Share Plan;
- (b) any amendment that permits Deferred Shares granted under the Deferred Share Plan to be transferable or assignable other than as set forth under "*Assignment of Deferred Shares*"; or
- (d) any amendment that results in any modification to the amendment provisions of the Deferred Share Plan so as to grant the Governance, Compensation and Nominating Committee additional powers to amend the Deferred Share Plan or entitlements without the approval of the holders of Common Shares.

If the board of directors of New Temple terminates the Deferred Share Plan, Deferred Shares previously credited to Participants shall remain outstanding and in effect and shall be settled subject to and in accordance with the applicable terms and conditions of the Deferred Share Plan in effect immediately prior to the termination.



### *Assignment of Deferred Shares*

In no event may the rights or interests of a Participant under the Deferred Share Plan be assigned, encumbered, pledged, transferred or alienated in any way, except to the extent that certain rights may pass to a beneficiary or legal representative upon death of a Participant, by will or by the laws of succession and distribution.

### **RECOMMENDATION OF THE BOARD**

**The Board has reviewed the terms of the Deferred Share Plan and determined that the Deferred Share Plan is in the best interests of New Temple and the Unitholders and unanimously recommends that Unitholders vote FOR the Deferred Share Plan Resolution.**

### **APPROVALS**

#### *Unitholder Approval*

The full text of the Deferred Share Plan Resolution to be considered by the Unitholders, with or without variation, is set out in Appendix G to this Information Circular. If the Arrangement Resolution is approved, Unitholders will be asked to consider and, if thought advisable, approve the Deferred Share Plan Resolution. In order to be effective, the Deferred Share Plan Resolution must be passed by more than 50% of the votes cast by the Unitholders, voting together, in person or by proxy at the Meeting.

The Trustees and officers of the REIT, who beneficially own, directly or indirectly, or exercise control or direction over, approximately 9.29% of the outstanding Units, have indicated that they intend to vote in favour of the Deferred Share Plan Resolution.

#### *TSX Approval*

The Deferred Share Plan is subject to the approval of the TSX. The TSX has conditionally approved the Deferred Share Plan and the listing of the Common Shares reserved for issuance under the Deferred Share Plan, subject to the receipt of Unitholder approval.

### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

To the knowledge of the Trustees, other than as disclosed in the Annual Information Form or elsewhere in this Information Circular, no “informed person” of the REIT or New Temple or any associate or affiliate of any informed person of the REIT or New Temple had any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any material transaction with the REIT since the commencement of the REIT’s 2011 fiscal year, or in any proposed transaction which has materially affected or would materially affect the REIT or New Temple or any of their respective Subsidiaries.



## **OTHER BUSINESS OF THE MEETING**

Management does not know of any matters to be brought before the Meeting other than those set forth in the Notice of Meeting accompanying this Information Circular.

## **ADDITIONAL INFORMATION**

Additional information relating to the REIT is available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

Further information relating to the Audit Committee and the REIT's external auditors is available in the REIT's AIF in the section entitled "Management of the REIT – Committees of the Board of Trustees" which is available on the SEDAR website at [www.sedar.com](http://www.sedar.com).

Financial information for the REIT is provided in the REIT's comparative financial statements and management's discussion and analysis for the most recently completed financial year. This information and additional information relating to the REIT can be found on the SEDAR website and on the REIT's website at [www.treit.com](http://www.treit.com). Copies of the REIT's financial statements, annual report (including management's discussion and analysis) and any other public document may be obtained upon request by contacting the REIT's Chief Financial Officer. The REIT may require the payment of a reasonable charge if the request is made by a person who is not a Unitholder of the REIT.

## **TRUSTEES' APPROVAL**

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

DATED at Winnipeg, Manitoba this 9<sup>th</sup> day of October, 2012.

By Order of the Board

(Signed): "*Arni C. Thorsteinson*"

ARNI C. THORSTEINSON  
Trustee and Chief Executive Officer



SCARROW & DONALD LLP  
CHARTERED ACCOUNTANTS  
100 - Five Donald Street  
Winnipeg, Manitoba R3L 2T4  
Telephone: (204) 982-9800  
Fax: (204) 474-2886  
www.scarrowdonald.mb.ca

October 9, 2012

### **INDEPENDENT AUDITORS' CONSENT**

We have read the Notice of Meeting and Management Information Circular for the special meeting of Unitholders of Temple Real Estate Investment Trust (the "REIT") dated October 9, 2012 with respect to a plan of arrangement involving the REIT, TR Trust, Temple Limited Partnership, Temple General Partner Inc., Temple Hotels Inc. and the Unitholders of the REIT. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned circular of our report to the Unitholders of the REIT on the consolidated balance sheets of the REIT as at December 31, 2011 and 2010, and January 1, 2010, and the consolidated statements of net loss and comprehensive loss, equity and cash flows for the years ended December 31, 2011 and 2010. Our report is dated April 23, 2012.

We also consent to the use in the above-mentioned circular of our report to the shareholder of Temple Hotels Inc. on the balance sheet of Temple Hotels Inc. as at August 27, 2012 and the statements of changes in shareholder's equity and cash flows for the one day period then ended. Our report is dated October 9, 2012.

*Scarrow & Donald LLP*

Chartered Accountants  
Winnipeg, Canada



## APPENDIX A

### ARRANGEMENT RESOLUTION

#### BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The arrangement under Section 192 of the *Canada Business Corporations Act* (the “**Arrangement**”) substantially as set forth in the Plan of Arrangement (the “**Plan of Arrangement**”) attached as Exhibit “A” to Appendix D to the management information circular of Temple Real Estate Investment Trust (the “**REIT**”) dated October 9, 2012 (the “**Information Circular**”) and all transactions contemplated thereby, be and are hereby authorized and approved.
2. The arrangement agreement (“**Arrangement Agreement**”) made as of August 27, 2012 among the REIT, TR Trust, Temple Limited Partnership, Temple General Partner Inc. and Temple Hotels Inc. (“**New Temple**”) a copy of which is attached as Appendix D to the Information Circular, together 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 7 hereof, such approval to be evidenced conclusively by the execution and delivery of any such amendments or variations, is hereby confirmed, ratified and approved.
3. Any amendments to the amended and restated declaration of trust of the REIT dated December 9, 2009 (the “**REIT Declaration of Trust**”) and the declaration of trust of TR Trust dated July 12, 2006 (the “**TR Trust Declaration of Trust**”) and the limited partnership agreement of Temple Limited Partnership dated July 12, 2006 (the “**Temple LP Partnership Agreement**”) which are necessary or advisable to facilitate the Arrangement be and are hereby authorized and approved.
4. The trustees of the REIT, in the REIT’s capacity as securityholder of TR Trust, be and are hereby authorized to vote or permit to be voted securities of TR Trust that are directly or indirectly owned or controlled by the REIT to authorize the Arrangement and related matters, including any amendments to the TR Trust Declaration of Trust and the wind up of TR Trust in accordance with the terms and conditions of the Plan of Arrangement.
5. The trustees of TR Trust, as limited partners of Temple Limited Partnership, and the directors of Temple General Partner Inc., as general partner of Temple Limited Partnership, be and are hereby authorized to vote or permit to be voted securities of Temple Limited Partnership to authorize the Arrangement and related matters.
- 6.. Notwithstanding that this resolution has been duly passed and/or that the Arrangement has received the approval of the Manitoba Court of Queen’s Bench, the board of trustees of the REIT may, without further notice to or approval of the holders of trust units of the REIT, subject to the terms of the Arrangement, amend or terminate the Arrangement Agreement or the Plan of Arrangement or revoke this resolution at any time prior to the Arrangement becoming effective pursuant to the *Canada Business Corporations Act*.



7. Any one trustee or officer of the REIT or any one director or officer New Temple is hereby authorized, for and on behalf of the REIT or New Temple, respectively, 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 do all other things as in the opinion of such trustee, director or officer may be necessary or advisable 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**



**THE QUEEN'S BENCH**  
**Winnipeg Centre**

IN THE MATTER OF:                    **Section 192 of the *Canada Business Corporations Act*, R.S.C. 1985 c.C-44, as amended**

- and -

AND IN THE MATTER OF:           **an Arrangement involving Temple Real Estate Investment Trust, TR Trust, Temple Limited Partnership, Temple General Partner Inc. and Temple Hotels Inc.**

**TEMPLE REAL ESTATE INVESTMENT TRUST AND TEMPLE HOTELS INC.**

Applicants,

- and -

**THE HOLDERS OF THE TRUST UNITS OF TEMPLE REAL ESTATE INVESTMENT TRUST**

Respondents.

---

**INTERIM ORDER**

---

**AIKINS, MacAULAY & THORVALDSON LLP**

Barristers and Solicitors  
30th Floor - 360 Main Street  
Winnipeg, MB R3C 4G1

**BRENT C. ROSS**

Telephone: (204) 957-4681  
Facsimile: (204) 957-4286  
File No. 1104192



THE QUEENS BENCH  
Winnipeg Centre

THE HONOURABLE )  
JUSTICE PERLMUTTER ) Thursday, the 27th day of September, 2012  
)  
)

IN THE MATTER OF: Section 192 of the *Canada Business Corporations Act*, R.S.C. 1985 c.C-44, as amended

- and -

AND IN THE MATTER OF: an Arrangement involving Temple Real Estate Investment Trust, TR Trust, Temple Limited Partnership, Temple General Partner Inc. and Temple Hotels Inc.

TEMPLE REAL ESTATE INVESTMENT TRUST AND TEMPLE HOTELS INC.

Applicants,  
- and -

THE HOLDERS OF THE TRUST UNITS OF TEMPLE REAL ESTATE INVESTMENT TRUST

Respondents.

INTERIM ORDER

**THIS MOTION** made by Temple Real Estate Investment Trust (the "**REIT**") and Temple Hotels Inc. ("**New Temple**") (collectively the "Applicants"), for an Interim Order for advice and directions pursuant to subsection 192(4) of the *Canada Business Corporations Act* (the "**CBCA**") in connection with the within application (the "**Application**")



under section 192 of the CBCA was heard this day at the Law Courts Complex, Winnipeg, Manitoba.

**ON READING** the Notice of Application, the Notice of Motion, the affidavit of Arni C. Thorsteinson sworn on September 18, 2012 (the "**Affidavit**"), the affidavit of service of Richmond J. Bayes sworn on September 26, 2012 (the "**Affidavit of Service**") and on hearing submissions of counsel for the Applicants, no one appearing for the Director appointed under the CBCA (the "**Director**") having been properly served and providing a letter of non-appearance;

1. **THIS COURT ORDERS THAT** service on the Director as set out in paragraphs 2 and 3 of the Affidavit of Service is sufficient service for the purposes of this motion for an Interim Order.

2. **THIS COURT ORDERS THAT** the holders of trust units (the "Units") of the REIT need not be served with the Notice of Application or the Notice of Motion for the purposes of this motion for an Interim Order.

#### **DEFINITIONS**

3. **THIS COURT ORDERS THAT** all capitalized terms not otherwise defined in this Order shall have the meanings ascribed thereto in the arrangement agreement (the "**Arrangement Agreement**"), attached as Appendix "D" to the draft management information circular (the "**Information Circular**") attached as Exhibit "A" to the Affidavit.



## THE SPECIAL MEETING

4. **THIS COURT ORDERS THAT** the REIT is authorized and directed to call, hold and conduct a special meeting (the “Special Meeting”) of the registered holders of issued and outstanding Units (the “**Unitholders**”), to be held at Suite 2600, Seven Evergreen Place, Winnipeg, Manitoba at 10:00 a.m. (Winnipeg time) on November 19, 2012 to consider and, if deemed advisable, to pass, with or without variation, a special resolution (the “**Arrangement Resolution**”), a copy of which is attached as Appendix “A” to the Information Circular, approving an arrangement (the “**Arrangement**”) substantially as set forth in the plan of arrangement (the “**Plan of Arrangement**”) attached as Exhibit “A” to the Arrangement Agreement.

5. **THIS COURT ORDERS THAT** the REIT is also authorized to transact at the Special Meeting the other business provided in the “Notice of Special Meeting of Unitholders” forming part of the Information Circular (the “**Notice of Meeting**”) and such other business as may properly come before the Special Meeting.

6. **THIS COURT ORDERS THAT** the Special Meeting shall be called, held and conducted in accordance with the Notice of Meeting, the declaration of trust of the REIT as amended (the “**Declaration of Trust**”) and the terms of this Interim Order and any further Order of this Honourable Court.



## **AMENDMENTS**

7. **THIS COURT ORDERS THAT**, subject to compliance with the Arrangement Agreement, the REIT is authorized to make such amendments, modifications or supplements to the Arrangement and the Plan of Arrangement as it may determine without any additional notice to or authorization of the Unitholders. The Arrangement and the Plan of Arrangement, as so amended, modified or supplemented, shall be the Arrangement and Plan of Arrangement to be submitted to the Unitholders at the Special Meeting, and the subject of the Arrangement Resolution.

## **ADJOURNMENT AND POSTPONEMENTS**

8. **THIS COURT ORDERS THAT** the board of trustees of the REIT (the “**Trustees**”) by resolution shall be entitled to adjourn or postpone the Special Meeting, on one or more occasions without the necessity of first convening the Special Meeting or first obtaining any vote of the Unitholders respecting the adjournment or postponement. Notice of any such adjournment or postponement shall be given by press release, newspaper advertisement or notice sent to the Unitholders by one of the methods specified in paragraph 10 of this Interim Order, as determined to be the most appropriate method of communication by the Trustees.

## **MEETING MATERIALS AND RECORD DATE**

9. **THIS COURT ORDERS THAT** the record date for determining Unitholders entitled to receive the Notice of Meeting, the Information Circular, the form of proxy and the letter of transmittal for use by the Unitholders (collectively the “**Meeting Materials**”) shall be the



close of business on October 9, 2012 (the "**Record Date**"). The Record Date shall not change in the event of any adjournments or postponements of the Special Meeting.

#### **NOTICE OF SPECIAL MEETING**

10. **THIS COURT ORDERS THAT** the Meeting Materials, with such amendments or additional documents the REIT may determine to be necessary or desirable, and as are not inconsistent with the terms of this Interim Order, shall be sent:

- (a) to **(i)** registered Unitholders determined as at the Record Date; **(ii)** the Trustees; **(iii)** the auditors of the REIT; and **(iv)** the Director at least twenty-one (21) days and not more than fifty (50) days prior to the date of the Special Meeting by first class prepaid mail or by delivery in person or by recognized courier service, and in the case of the registered Unitholders addressed to each of the registered Unitholders at their address as it appears in the Unitholders' register of the REIT as at the Record Date; or
- (b) to non-registered Unitholders (those who beneficially own Units registered in the name of securities intermediary entities) as at the Record Date, by providing, at least three business days before the twenty-first day prior to the Special Meeting, the requisite number of copies of the Meeting Materials to intermediaries and registered nominees to facilitate the distribution of the Meeting Materials to beneficial Unitholders, in compliance with its obligations under National Instrument 54-101 of the Canadian Securities Administrators; and



- (c) at any time by email or facsimile transmission to any Unitholder who identifies himself to the satisfaction of the REIT as a Unitholder who requests such email or facsimile transmission and, if required by the REIT, agrees to pay the charges related to such transmission.

11. **THIS COURT ORDERS THAT** substantial compliance with paragraph 10 above shall constitute good and sufficient notice of the Special Meeting and, subject to any further Order or direction of this Honourable Court, the accidental failure of or omission by the REIT to give notice to any one or more Unitholders or the non-receipt of such notice, or any failure or omission to give such notice as a result of events beyond the reasonable control of the REIT (including, without limitation, any inability to use postal services) shall not invalidate any resolution passed or proceeding taken at the Special Meeting, but if any such failure or omission is brought to the attention of the REIT, the REIT shall use reasonable best efforts to rectify it by the method and in the time most reasonably practicable in the circumstances.

#### **DEEMED RECEIPT OF NOTICE**

12. **THIS COURT ORDERS THAT** the Meeting Materials and any amendments, modifications, updates or supplements thereto, and any notice of adjournment or postponement of the Special Meeting shall be deemed to have been received:

- (a) in the case of mailing, three (3) business days after the document is mailed;



- (b) in the case of delivery in person, upon receipt thereof at the intended recipient's address or, in the case of delivery by courier, one (1) business day after receipt by the courier;
- (c) in the case of transmission by email or facsimile, upon the transmission thereof;
- (d) in the case of advertisement, at the time of publication of the advertisement;
- (e) in the case of electronic filing on the System for Electronic Document Analysis and Retrieval ("SEDAR"), upon the transmission thereof; and
- (f) in the case of non-registered Unitholders, three (3) days after delivery thereof to intermediaries and registered nominees.

#### **UPDATING MEETING MATERIALS**

13. **THIS COURT ORDERS THAT** the REIT may amend, modify, update or supplement the Meeting Materials as it deems necessary or advisable, and notice of any such amendment, modification, update or supplement to any of the information provided in the Meeting Materials sent to the Unitholders may be communicated, at any time prior to the Special Meeting to the Unitholders by press release, news release, newspaper advertisement or by notice sent to the Unitholders by any of the means set forth in paragraph 10, as determined to be the most appropriate method of communication by the Trustees.



**PERMITTED ATTENDEES**

14. **THIS COURT ORDERS THAT** the only persons entitled to attend the Special Meeting shall be:

- (a) registered Unitholders or their respective proxyholders as at the close of business on the Record Date;
- (b) the Trustees, officers, auditors and advisors of the REIT;
- (c) the CBCA Director or a representative of the CBCA Director; and
- (d) other persons with the prior permission of the Chair of the Special Meeting.

**SOLICITATION OF PROXIES**

15. **THIS COURT ORDER THAT** the REIT is authorized to use the form of proxy for registered Unitholders in substantially the same form as is attached as Exhibit B to the Affidavit. The REIT is authorized, at its expense, to solicit proxies directly and through its officers and Trustees and through such agents or representatives as it may retain for the purpose and by mail, telephone or such other form of personal or electronic communications as it may determine.

16. **THIS COURT ORDERS THAT** the procedures for the use of proxies at the Special Meeting and revocation of proxies shall be as set out in the Notice of Meeting and the Information Circular.



17. **THIS COURT ORDERS THAT** the REIT may in its discretion generally waive the time limits for the deposit of proxies by Unitholders if the REIT deems it advisable to do so, such waiver to be endorsed on the proxy by the initials of the Chair of the Special Meeting.

#### **QUORUM AND VOTING**

18. **THIS COURT ORDERS THAT** at the Special Meeting:

- (a) in accordance with the Declaration of Trust, a quorum shall be present if there are at least two Unitholders present in person, and either holding personally or representing by proxy not less than five percent (5%) of the Units entitled to be voted at the Special Meeting, provided that, if no quorum is present within 30 minutes after the time fixed for the Special Meeting, the Special Meeting shall stand adjourned to such day being not less than twenty one (21), nor more than sixty (60), days after the date of the Special Meeting and to such place and time as may be appointed by the Chair of the Special Meeting. Not less than ten (10) days notice shall be given of the time and place of the adjourned meeting sent to the parties and in the manner set out in paragraph 10 above. At such adjourned meeting, the Unitholders present in person or by proxy shall be deemed to constitute a quorum, and may transact the business for which the Special Meeting was convened.
- (b) the only persons entitled to vote shall be the Unitholders as at the close of business on the Record Date, or their respective proxyholders, and each Unitholder is entitled to one (1) vote for each Unit registered in his/her/its



name, which vote may be cast in person or by proxy; and

- (c) the vote required to pass the Special Resolution shall be the affirmative vote of at least two-thirds of the total votes cast by the Unitholders present in person or represented by proxy and entitled to vote at the Special Meeting (excluding from the count of total votes cast any spoiled, illegible and/or defective ballots and abstentions).

## **SCRUTINEER**

19. **THIS COURT ORDERS THAT** the scrutineer for the Special Meeting shall be a representative of the REIT's transfer agent, CIBC Mellon Trust Company. The duties of the scrutineer shall include:

- (a) invigilating and reporting to the Chair of the Special Meeting on the deposit and validity of proxies;
- (b) reporting to the Chair of the Special Meeting on the quorum of the Special Meeting;
- (c) reporting to the Chair of the Special Meeting on the polls taken or ballots cast, if any, at the Special Meeting; and
- (d) providing to the REIT and to the Chair of the Special Meeting written reports on matters related to their duties.



**FINAL HEARING**

20. **THIS COURT ORDERS THAT** the balance of this application be adjourned to November 26, 2012 at 1:00 p.m. (Winnipeg time) at which time the Court will consider and, if appropriate, approve the Arrangement (the "**Final Hearing**").

21. **THIS COURT ORDERS THAT** the REIT shall include in the Meeting Materials, when sent in accordance with paragraph 10 of this Interim Order, a copy of the Notice of Application herein and this Interim Order (collectively, the "Court Materials") and the Court Materials shall be deemed to have been received at the times specified in accordance with paragraph 12 of this Interim Order, whether such persons reside within Manitoba or within another jurisdiction. Compliance with this paragraph shall be sufficient service of the Notice of Application and this Interim Order, and shall be sufficient notice to all interested parties of the Final Hearing.

22. **THIS COURT ORDERS THAT** the persons entitled to appear and be heard at the Final Hearing shall be:

- (a) the Applicants;
- (b) the Director or its representative; and
- (c) persons who have served a Notice of Appearance (as defined in paragraph 23 below) in accordance with the provisions of the Manitoba Queen's Bench Rules.



23. **THIS COURT ORDERS** that any individual who seeks to appear and be heard at the Final Hearing shall serve a notice of appearance ("**Notice of Appearance**"), subject to any further order of the Court, at least three (3) business days' prior to the Final Hearing upon counsel for the REIT at the following address: Aikins, MacAulay & Thorvaldson LLP, 30<sup>th</sup> Floor – 360 Main Street, Winnipeg, Manitoba R3C 4G1, Attention: David C. Filmon.

24. **THIS COURT ORDERS** that in the event that the within Application for final approval does not proceed on the date set forth in paragraph 20, and is adjourned, only those persons set out in paragraph 22 shall be entitled to be given notice of the adjourned date.

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

#### **PRECEDENCE**

26. **THIS COURT ORDERS THAT** to the extent of any inconsistency or discrepancy with respect to the matters provided for in this Interim Order, between this Interim Order and the Declaration of Trust or the terms of any instrument creating or governing the Units, this Interim Order shall govern.



**VARIANCE**

27. **THIS COURT ORDERS THAT** the Applicants shall be entitled, at any time, to seek leave to vary this Interim Order upon the giving of such notice as this Honourable Court may direct.

September 27, 2012

**S.I. PERLMUTTER**  
\_\_\_\_\_  
Perlmutter J.



## **APPENDIX C**

### **NOTICE OF APPLICATION**



File No. *01-12-01-79526*

**THE QUEEN'S BENCH  
Winnipeg Centre**

IN THE MATTER OF:                    **Section 192 of the *Canada Business Corporations Act*, R.S.C. 1985 c.C-44, as amended**

AND IN THE MATTER OF:           **an Arrangement involving Temple Real Estate Investment Trust, TR Trust, Temple Limited Partnership, Temple General Partner Inc. and Temple Hotels Inc.**

**TEMPLE REAL ESTATE INVESTMENT TRUST AND TEMPLE HOTELS INC.**

Applicants,

- and -

**THE HOLDERS OF THE TRUST UNITS OF TEMPLE REAL ESTATE INVESTMENT TRUST**

Respondents.

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**NOTICE OF APPLICATION**

Civil Uncontested List Before a Judge

Hearing Date: Thursday, September 6, 2012

**FILED**

**AUG 30 2012** - *200.00*

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**AIKINS, MacAULAY & THORVALDSON LLP**

Barristers and Solicitors  
30<sup>th</sup> Floor - 360 Main Street  
Winnipeg MB R3C 4G1

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**THE QUEEN'S BENCH  
Winnipeg Centre**

IN THE MATTER OF:                    **Section 192 of the *Canada Business Corporations Act*, R.S.C. 1985 c.C-44, as amended**

AND IN THE MATTER OF:           **an Arrangement involving Temple Real Estate Investment Trust, TR Trust, Temple Limited Partnership, Temple General Partner Inc. and Temple Hotels Inc.**

**TEMPLE REAL ESTATE INVESTMENT TRUST AND TEMPLE HOTELS INC.**

Applicants,

- and -

**THE HOLDERS OF THE TRUST UNITS OF TEMPLE REAL ESTATE INVESTMENT TRUST**

Respondents.

**NOTICE OF APPLICATION**

TO THE RESPONDENTS:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicants. The claim made by the Applicants appears on the following page.

THIS APPLICATION will come on for a hearing before a Judge on, Thursday, the 6<sup>th</sup> day of September, 2012, at 10:00 a.m. at the Law Courts Complex, 408 York Avenue, Winnipeg, Manitoba.

IF YOU WISH TO OPPOSE THIS APPLICATION, you or a Manitoba lawyer acting for you 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 serve a copy of the evidence on the Applicants' lawyer or, where the Applicants does not have a lawyer, serve it on the Applicants, 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 4 days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU.

DATED: August 30, 2012

Issued by:

S. KIRTON  
DEPUTY REGISTRAR  
Deputy Registrar  
FOR MANITOBA

TO:            THE RESPONDENTS HEREIN



**APPLICATION**

1. The Applicants make application for:
  - (a) an Interim Order for advice and directions pursuant to section 192(4) of the *Canada Business Corporations Act* ("CBCA");
  - (b) an Order that this matter be heard on short leave, if necessary;
  - (c) an Order adjourning the balance of this application to a date to be fixed;
  - (d) an Order approving the proposed plan of arrangement involving Temple Real Estate Investment Trust (the "**REIT**"), TR Trust, Temple Limited Partnership, Temple General Partner Inc., Temple Hotels Inc. ("**New Temple**") and the holders of trust units (the "**Unitholders**") of the REIT (the "**Arrangement**"), under section 192 of the CBCA substantially in the form attached as Exhibit "1" to the Arrangement Agreement at Appendix "D" of the management information circular to be mailed to the Unitholders attached as Exhibit "A" to the Affidavit of Arni C. Thorsteinson, as may be amended in accordance with the terms of the Arrangement Agreement; and
  - (e) such other Order as this Honourable Court deems just.
  
2. The grounds for the application are:
  - (a) the provisions of section 192 of the CBCA;
  - (b) all statutory requirements under the CBCA have been fulfilled;
  - (c) the Arrangement is in the best interest of the parties and is fair and



reasonable and put forth in good faith; and

- (d) 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 Arni C. Thorsteinson, to be filed, and the exhibits thereto;
- (b) a further Affidavit to be filed on behalf of the REIT reporting on the results of a special meeting of the Unitholders; and
- (c) such further and other materials as counsel may advise and this Honourable Court may permit.

August 30, 2012

**AIKINS, MACAULAY & THORVALDSON LLP**  
Barristers and Solicitors  
30th Floor - 360 Main Street  
Winnipeg, Manitoba R3C 4G1

**BRENT C. ROSS**  
Solicitors for the Applicants.



## APPENDIX D

### ARRANGEMENT AGREEMENT

**THIS ARRANGEMENT AGREEMENT** is made as of the 27<sup>th</sup> day of August, 2012

**AMONG:**

**TEMPLE REAL ESTATE INVESTMENT TRUST**, a trust established under the laws of the Province of Manitoba (the “**REIT**”)

- and -

**TR TRUST**, a trust established under the laws of the Province of Manitoba (“**TR Trust**”)

- and -

**TEMPLE GENERAL PARTNER INC.**, a corporation incorporated under the laws of the Province of Manitoba (the “**General Partner**”)

- and -

**TEMPLE LIMITED PARTNERSHIP**, a limited partnership established under the laws of the Province of Manitoba (“**Temple LP**”)

- and -

**TEMPLE HOTELS INC.**, a corporation incorporated under the laws of Canada (“**New Temple**”)

**WHEREAS:**

- (a) The REIT, TR Trust, the General Partner, Temple LP and New Temple wish to propose an arrangement involving the holders of the trust units of the REIT (the “Trust Units”);
- (b) the parties hereto intend to carry out the transactions contemplated herein by way of an arrangement under the *Canada Business Corporations Act*; and
- (c) the parties hereto have entered into this Agreement to provide for the matters referred to in the foregoing recitals and for the other matters relating to such arrangement.

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



## **ARTICLE 1 INTERPRETATION**

### **1.1 DEFINITIONS**

In this Agreement, the following terms have the following meanings:

**“Agreement”**, **“herein”**, **“hereof”**, **“hereto”**, **“hereunder”** and similar expressions mean and refer to this arrangement agreement (including the schedules hereto) as supplemented, modified or amended, and not to any particular article, section, schedule or other portion hereof;

**“Arrangement”** means the proposed arrangement under the provisions of Section 192 of the CBCA, on the terms and conditions set forth in the Plan of Arrangement as amended, modified or supplemented;

**“Arrangement Resolution”** means the special resolution of the Unitholders approving the Arrangement;

**“Articles of Arrangement”** means the articles of arrangement in respect of the Arrangement required under the CBCA to be filed with the Director after the Final Order has been granted giving effect to the Arrangement;

**“Business Day”** means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Winnipeg, in the Province of Manitoba, for the transaction of banking business;

**“CBCA”** means the *Canada Business Corporation Act*, including the regulations promulgated thereunder, in either case as amended;

**“Certificate”** means the certificate which may be issued by the Director pursuant to subsection 183(2) of the CBCA giving effect to the Arrangement;

**“Class A LP Units”** means the Class A limited partnership units of Temple LP;

**“Common Shares”** means the common shares in the capital of New Temple;

**“Court”** means the Court of Queen’s Bench (Manitoba);

**“Debentures”** means, collectively, the Series B Debentures, the Series C Debentures, the Series D Debentures, the Series E Debentures and the Senior Secured Debentures;

**“Deferred Share”** means a deferred share issuable pursuant to the Deferred Share Plan;

**“Deferred Share Plan”** means the deferred share plan of New Temple to be adopted on or prior to the Effective Date;



**“Deferred Unit”** means a deferred unit issued pursuant to the Deferred Unit Plan;

**“Deferred Unit Plan”** means the deferred unit plan of the REIT dated June 19, 2009;

**“Director”** means the director appointed under Section 260 of the CBCA;

**“Effective Date”** means December 31, 2012, being the date that the Arrangement is effective under the CBCA;

**“Effective Time”** means 11:59 p.m. (local time in the City of Winnipeg, in the Province of Manitoba) on the Effective Date, or such other time on the Effective Date as may be specified in writing by the parties to this Agreement;

**“Final Order”** means the final order of the Court approving the Arrangement pursuant to subsection 192(4) of the CBCA, as such order may be affirmed, amended, modified or supplemented by any court of competent jurisdiction;

**“General Partner”** means Temple General Partner Inc., a corporation incorporated under the laws of the Province of Manitoba;

**“Indenture Trustee”** means CIBC Mellon Trust Company, in its capacity as indenture trustee under the Trust Indentures;

**“Information Circular”** means the management information circular of the REIT, together with all appendices thereto, to be distributed to Unitholders in respect of the Meeting;

**“Initial Trust Indenture”** means the trust indenture dated February 15, 2007 between the REIT and the Indenture Trustee which sets forth certain terms and conditions relating to the Series B Debentures, the Series C Debentures and the Series D Debentures;

**“Interim Order”** means an interim order of the Court under subsection 192(4) of the CBCA containing declarations and directions with respect to the Arrangement and the holding of the Meeting, as such order may be affirmed, amended, modified or supplemented by any court of competent jurisdiction;

**“Meeting”** means the special meeting of the Unitholders to be held, and any adjournment(s) thereof, to, among other things, consider and vote on the Arrangement Resolution;

**“New Temple”** means Temple Hotels Inc., a corporation incorporated under the CBCA;

**“Party”** means a party to this Agreement;

**“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 governments, agencies and political subdivisions thereof;

**“Plan of Arrangement”** means the plan of arrangement attached hereto as Exhibit “A”, as amended, modified or supplemented from time to time in accordance with the terms thereof;

**“REIT”** means Temple Real Estate Investment Trust, a trust established under the laws of the Province of Manitoba;

**“REIT Declaration of Trust”** means the second amended and restated declaration of trust of the REIT dated December 9, 2009 (as may be further amended, supplemented and/or restated from time to time);

**“Senior Secured Debentures”** means the 5 Year, 8.75% Senior Secured Convertible Redeemable Debentures of the REIT issued pursuant to the Senior Secured Trust Indenture;

**“Senior Secured Trust Indenture”** means the trust indenture dated November 27, 2009 between Temple REIT and the Indenture Trustee pursuant to which the Senior Secured Debentures were created and issued;

**“Series B Debentures”** means the 5 Year, 8.50% Series B Convertible Redeemable Debentures of the REIT issued pursuant to the Initial Trust Indenture and the Series B Trust Indenture;

**“Series B Trust Indenture”** means the supplemental trust indenture to the Initial Trust Indenture, dated April 8, 2008, pursuant to which the Series B Debentures were created and issued and includes, to the extent that the Initial Trust Indenture applies to the Series B Debentures, the Initial Trust Indenture;

**“Series C Debentures”** means the 5 Year 8% Series C Convertible Redeemable Unsecured Subordinated Debentures of the REIT issued pursuant to the Initial Trust Indenture and the Series C Trust Indenture;

**“Series C Trust Indenture”** means the second supplemental trust indenture to the Initial Trust Indenture, dated November 16, 2011, pursuant to which the Series C Debentures were created and issued and includes, to the extent that the Initial Trust Indenture applies to the Series C Debentures, the Initial Trust Indenture;

**“Series D Debentures”** means the 5 Year 7.75% Series D Convertible Redeemable Unsecured Subordinated Debentures of the REIT issued pursuant to the Initial Trust Indenture and the Series D Trust Indenture;

**“Series D Trust Indenture”** means the third supplemental trust indenture to the Initial Trust Indenture, dated March 1, 2012, pursuant to which the Series D Debentures were created and issued and includes, to the extent that the Initial Trust Indenture applies to the Series D Debentures, the Initial Trust Indenture;



**“Series E Debentures”** means the 5 Year 7.25% Series E Convertible Redeemable Unsecured Subordinated Debentures of the REIT issued pursuant to the Initial Trust Indenture and the Series E Trust Indenture;

**“Series E Trust Indenture”** means the fourth supplemental trust indenture to the Initial Trust Indenture, dated August 8, 2012, pursuant to which the Series E Debentures were created and issued and includes, to the extent that the Initial Trust Indenture applies to the Series E Debentures, the Initial Trust Indenture;

**“Stock Option(s)”** means option(s) to purchase Common Shares in accordance with the Stock Option Plan;

**“Stock Option Plan”** means the stock option plan to be adopted by New Temple on or prior to the Effective Date;

**“Subsidiary”** includes with respect to any person, a company, partnership, limited partnership, trust or other entity controlled, directly or indirectly, by such person and, without limiting the generality of the foregoing, in respect of the REIT, includes TR Trust, Temple LP, the General Partner, Temple Gardens Mineral Spa Inc. and the bare trustee corporations through which all the hotel properties are held;

**“Temple LP”** means Temple Limited Partnership, a limited partnership established under the laws of the Province of Manitoba;

**“Temple LP Agreement”** means the amended and restated limited partnership agreement dated July 12, 2006 in respect of Temple LP, as the same may be amended, modified or supplemented from time to time;

**“TR Trust”** means TR Trust, a trust formed under the laws of the Province of Manitoba;

**“TR Trust Declaration of Trust”** means the declaration of trust of TR Trust dated July 12, 2006, as amended, supplemented and/or restated from time to time;

**“Trust Indentures”** means, collectively, the Initial Trust Indenture, the Series B Trust Indenture, the Series C Trust Indenture, the Series D Trust Indenture and the Senior Secured Trust Indenture;

**“Trust Options”** means options to acquire Trust Units under the Unit Option Plan;

**“Trust Units”** means the units of beneficial interest of the REIT designated as “Trust Units” under the REIT Declaration of Trust;

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

**“Unitholder(s)”** means the holder(s) of the Trust Units; and



**“Unit Option Plan”** means the Trust Unit option plan of the REIT dated October 1, 2006.

## **1.2 CURRENCY**

All sums of money which are referred to in this Agreement are expressed in lawful money of Canada unless otherwise specified.

## **1.3 INTERPRETATION NOT AFFECTED BY HEADINGS**

The division of this Agreement into articles, sections and schedules and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

## **1.4 ARTICLE REFERENCES**

Unless reference is specifically made to some other document or instrument, all references herein to articles, sections and schedules are to articles, sections and schedules of this Agreement.

## **1.5 EXTENDED MEANINGS**

Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders and words importing persons shall include individuals, partnerships, associations, bodies corporate, trusts, unincorporated organizations, governments, regulatory authorities, and other entities.

## **1.6 ENTIRE AGREEMENT**

This Agreement, together with the exhibit attached hereto, constitutes the entire agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, between the parties with respect to the subject matter hereof.

## **1.7 GOVERNING LAW**

This Agreement shall be governed by and construed in accordance with the laws of Manitoba and the laws of Canada applicable in Manitoba and shall be treated in all respects as a Manitoba contract.

## **1.8 EXHIBIT**

Exhibit A annexed to this Agreement, being the Plan of Arrangement, is incorporated by reference into this Agreement and forms a part hereof.



## **ARTICLE 2 THE ARRANGEMENT**

### **2.1 ARRANGEMENT**

As soon as reasonably practicable, New Temple, the REIT, TR Trust, the General Partner and Temple LP shall apply to the Court pursuant to Section 192(3) of the CBCA for an order approving the Arrangement and in connection with such application shall:

- (a) forthwith file, proceed with and prosecute an application for an Interim Order under Section 192(4) of the CBCA providing for, among other things, the calling and holding of the Meeting for the purpose of considering and, if thought advisable, approving the Arrangement Resolution; and
- (b) subject to obtaining all necessary approvals as contemplated in the Interim Order and as may be directed by the Court in the Interim Order, take steps necessary to submit the Arrangement to the Court and apply for the Final Order.

Subject to satisfaction or waiver of the conditions set forth herein, New Temple shall deliver to the Director Articles of Arrangement and such other documents as may be required to give effect to the Arrangement, and the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order set out therein without any act or formality.

### **2.2 EFFECTIVE DATE**

The Arrangement shall become effective at the Effective Time on the Effective Date.

## **ARTICLE 3 COVENANTS**

### **3.1 COVENANTS OF THE REIT, TR TRUST, THE GENERAL PARTNER AND TEMPLE LP**

Each of the REIT, TR Trust, the General Partner and Temple LP covenants and agrees that it will:

- (a) take, and cause its Subsidiaries to take, all reasonable actions necessary to give effect to the transactions contemplated by this Agreement and the Arrangement;
- (b) use all reasonable efforts to obtain all consents, exemptions, approvals, assignments, waivers and amendments to or terminations of any instruments considered necessary or desirable by the parties and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;
- (c) to the extent applicable to it, solicit proxies to be voted at the Meeting in favour of the Arrangement Resolution and prepare the Information Circular and proxy solicitation



materials and any amendments, modifications or supplements thereto as required by, and in compliance with, the Interim Order, and applicable corporate and securities laws, the REIT Declaration of Trust, the TR Trust Declaration of Trust and/or the Temple LP Agreement, and file and distribute the same to the Unitholders in a timely and expeditious manner in all jurisdictions where the same are required to be filed and distributed;

- (d) to the extent applicable to it, convene the Meeting as contemplated by the Interim Order and conduct such Meeting in accordance with the Interim Order and as otherwise required by law;
- (e) use all reasonable efforts to cause each of the conditions precedent set forth in Article 5 which are within its control to be satisfied on or before the Effective Date;
- (f) subject to the approval of the Arrangement Resolution by the Unitholders, as required by the Interim Order, submit the Arrangement to the Court and apply, together with New Temple, for the Final Order;
- (g) to the extent applicable to it, carry out the terms of the Final Order;
- (h) to the extent applicable to it, upon issuance of the Final Order and subject to the conditions precedent in Article 5, proceed to file the Articles of Arrangement, the Final Order and all related documents with the Director pursuant to subsection 192(6) of the CBCA;
- (i) subject to Section 7.3, not perform any act or enter into any transaction or negotiation which might interfere or be inconsistent with the consummation of the transactions contemplated by this Agreement; and
- (j) in the case of the REIT and New Temple, prior to the Effective Date, make application for approval of the listing of the Debentures and listing of the Common Shares issuable pursuant to the Arrangement on the TSX (including the Common Shares issuable upon the conversion of the Debentures to be assumed by New Temple in connection with the Arrangement and the Common Shares issuable upon the exercise of Stock Options and the Common Shares issuable upon redemption of Deferred Shares).

### **3.2 COVENANTS OF NEW TEMPLE**

New Temple covenants and agrees that it will:

- (a) take all reasonable actions necessary to give effect to the transactions contemplated by this Agreement and the Arrangement;
- (b) use all reasonable efforts to obtain all consents, exemptions, approvals, assignments, waivers and amendments to or terminations of any instruments considered necessary or



desirable by the parties and take such measures as may be appropriate to fulfill its obligations hereunder and to carry out the transactions contemplated hereby;

- (c) until the Effective Date, other than as contemplated herein, in the Plan of Arrangement or in the Information Circular, not carry on any business or enter into any transaction without the prior written consent of the REIT;
- (d) until the Effective Date, not issue any securities or enter into any agreements to issue or grant options, warrants or rights to purchase any of its securities, except to the REIT;
- (e) use all reasonable efforts to cause each of the conditions precedent set forth in Article 5 which are within its control to be satisfied on or before the Effective Date;
- (f) subject to approval of the Arrangement Resolution by Unitholders, as required by the Interim Order, submit the Arrangement to the Court and apply, in conjunction with the REIT, TR Trust and Temple LP, for the Final Order;
- (g) to the extent applicable to it, carry out the terms of the Final Order;
- (h) upon issuance of the Final Order and subject to the conditions precedent in Article 5, proceed to file the Articles of Arrangement, the Final Order and all related documents with the Director pursuant to Section 192(6) of the CBCA;
- (i) reserve and authorize for issuance the Common Shares issuable pursuant to: (i) the Arrangement; (ii) the conversion of the Debentures to be assumed by New Temple in connection with the Arrangement; (iii) the exercise of Stock Options; and (iv) the redemption of Deferred Shares; and (iv) any dividend reinvestment plan and option cash purchase plan adopted by New Temple; and
- (j) prior to the Effective Date, cooperate with the REIT in making the application for approval of the listing of the Common Shares on the TSX and the continued listing of the Debentures.

### **3.3 AMENDMENT OF AGREEMENTS**

The parties agree that, pursuant to the Arrangement, each of the REIT Declaration of Trust, the TR Trust Declaration of Trust and the Temple LP Agreement (and such other agreements to which the parties to this Agreement are parties) will be amended in a manner satisfactory to the REIT and New Temple, in each case acting reasonably, if and as necessary to facilitate and implement the Arrangement.



## **ARTICLE 4 REPRESENTATIONS AND WARRANTIES**

### **4.1 REPRESENTATIONS AND WARRANTIES OF THE REIT**

The REIT represents and warrants to and in favour of the other parties hereto as follows, and acknowledges that the other parties hereto are relying upon such representations and warranties:

- (a) the REIT is a trust duly settled and validly existing under the laws of the Province of Manitoba and has the power and capacity to enter into this Agreement, and to perform its obligations hereunder;
- (b) the execution and delivery of this Agreement and all documents to be delivered pursuant hereto and, subject to the approval of the Arrangement Resolution, the completion of the transactions contemplated hereby and thereby do not and will not result in the breach of, or violate any term or provision of, the REIT Declaration of Trust;
- (c) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the trustees of the REIT and this Agreement constitutes a valid and binding obligation of the REIT enforceable against it in accordance with its terms;
- (d) except as may be set out in the Information Circular, there are no actions, suits, proceedings, claims or investigations commenced or, to the knowledge of the REIT, contemplated or threatened against or affecting the REIT or its Subsidiaries in law or in equity before or by any domestic or foreign government department, commission, board, bureau, court, agency, arbitrator, or instrumentality of any kind, nor, to the knowledge of the REIT, are there any facts which may reasonably be expected to be a proper basis for any actions, suits, proceedings, claims or investigations which in any case would prevent or hinder the completion of the transactions contemplated by this Agreement or which can reasonably be expected to have a material adverse effect on the business, operations, properties, assets or affairs, financial or otherwise, of the REIT and its Subsidiaries taken as a whole; and
- (e) as at the date hereof, there are 25,608,298 Trust Units and no special voting units of the REIT issued and outstanding and, except as may be contemplated by this Agreement and the Plan of Arrangement, the only obligations, contractual or otherwise, of the REIT to issue any Units or other securities is (i) pursuant to Trust Options outstanding on the date hereof or granted prior to the Effective Date; and (ii) pursuant to Deferred Units outstanding on the date hereof or granted prior to the Effective Date.



## **4.2 REPRESENTATIONS AND WARRANTIES OF TR TRUST**

TR Trust represents and warrants to and in favour of the other parties hereto as follows, and acknowledges that the other parties hereto are relying upon such representations and warranties:

- (a) TR Trust is a trust established under the laws of the Province of Manitoba and has the power and capacity to enter into this Agreement, and to perform its obligations hereunder;
- (b) the execution and delivery of this Agreement and all documents to be delivered pursuant hereto and, subject to approval of the Arrangement Resolution, the completion of the transactions contemplated hereby and thereby do not and will not result in the breach of, or violate any term or provision of, the TR Trust Declaration of Trust;
- (c) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the board of trustees of TR Trust and this Agreement constitutes a valid and binding obligation of TR Trust enforceable against it in accordance with its terms;
- (d) except as may be set out in the Information Circular, there are no actions, suits, proceedings, claims or investigations commenced or, to the knowledge of TR Trust, contemplated or threatened against or affecting TR Trust or its Subsidiaries in law or in equity before or by any domestic or foreign government department, commission, board, bureau, court, agency, arbitrator, or instrumentality of any kind, nor, to the knowledge of TR Trust, are there any facts which may reasonably be expected to be a proper basis for any actions, suits, proceedings, claims or investigations which in any case would prevent or hinder the completion of the transactions contemplated by this Agreement or which can reasonably be expected to have a material adverse effect on the business, operations, properties, assets or affairs, financial or otherwise, of TR Trust and its Subsidiaries taken as a whole; and
- (e) on the date hereof, all of the issued and outstanding trust units of TR Trust are held by the REIT and, except as may be contemplated by this Agreement and the Plan of Arrangement, TR Trust has no obligation, contractual or otherwise, of TR Trust to issue any trust units or other securities.

## **4.3 REPRESENTATIONS AND WARRANTIES OF TEMPLE LP**

The General Partner, on behalf of Temple LP, represents and warrants to and in favour of the other parties hereto as follows, and acknowledges that the other parties hereto are relying upon such representations and warranties:

- (a) Temple LP is a limited partnership established under the laws of the Province of Manitoba and has the power and capacity to enter into this Agreement, and to perform its obligations hereunder;



- (b) the execution and delivery of this Agreement and all documents to be delivered pursuant hereto and, subject to approval of the Arrangement Resolution, the completion of the transactions contemplated hereby and thereby do not and will not result in the breach of, or violate any term or provision of, the Temple LP Agreement;
- (c) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the board of directors of the General Partner on behalf of Temple LP and this Agreement constitutes a valid and binding obligation of Temple LP enforceable against it in accordance with its terms;
- (d) except as may be set out in the Information Circular, there are no actions, suits, proceedings, claims or investigations commenced or, to the knowledge of Temple LP, contemplated or threatened against or affecting Temple LP or its Subsidiaries in law or in equity before or by any domestic or foreign government department, commission, board, bureau, court, agency, arbitrator, or instrumentality of any kind, nor, to the knowledge of Temple LP, are there any facts which may reasonably be expected to be a proper basis for any actions, suits, proceedings, claims or investigations which in any case would prevent or hinder the completion of the transactions contemplated by this Agreement or which can reasonably be expected to have a material adverse effect on the business, operations, properties, assets or affairs, financial or otherwise, of Temple LP and its Subsidiaries taken as a whole; and
- (e) on the date hereof, the general partnership interest of Temple LP is held by the General Partner, all of the Class A LP Units are held by the TR Trust and, as at the date hereof there are no Class B limited partnership units of Temple LP issued and outstanding and, except as may be contemplated by this Agreement and the Plan of Arrangement, there is no obligation, contractual or otherwise, of Temple LP to issue any partnership units or other securities.

#### **4.4 REPRESENTATIONS AND WARRANTIES OF THE GENERAL PARTNER**

The General Partner represents and warrants to and in favour of the other parties hereto as follows, and acknowledges that the other parties hereto are relying upon such representations and warranties:

- (a) the General Partner is a corporation incorporated under the laws of the Province of Manitoba and has the power and capacity to enter into this Agreement, and to perform its obligations hereunder;
- (b) the execution and delivery of this Agreement and all documents to be delivered pursuant hereto and the completion of the transactions contemplated hereby and thereby do not and will not result in the breach of, or violate any term or provision of, the articles of incorporation of the General Partner;
- (c) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the directors of the General Partner and



this Agreement constitutes a valid and binding obligation of the General Partner enforceable against it in accordance with its terms;

- (d) except as may be set out in the Information Circular, there are no actions, suits, proceedings, claims or investigations commenced or, to the knowledge of the General Partner, contemplated or threatened against or affecting the General Partner in law or in equity before or by any domestic or foreign government department, commission, board, bureau, court, agency, arbitrator, or instrumentality of any kind, nor, to the knowledge of the General Partner, are there any facts which may reasonably be expected to be a proper basis for any actions, suits, proceedings, claims or investigations which in any case would prevent or hinder the completion of the transactions contemplated by this Agreement or which can reasonably be expected to have a material adverse effect on the business, operations, properties, assets or affairs, financial or otherwise, of the General Partner; and
- (e) on the date hereof, all of the issued and outstanding common shares of the General Partner are held by TR Trust and, except as may be contemplated by this Agreement and the Plan of Arrangement, there is no obligation, contractual or otherwise, of the General Partner to issue any common shares or other securities of the General Partner

#### **4.5 REPRESENTATIONS AND WARRANTIES OF NEW TEMPLE**

New Temple represents and warrants to and in favour of the other parties hereto as follows, and acknowledges that the other parties hereto are relying upon such representations and warranties:

- (a) New Temple is a corporation incorporated under the CBCA and has the power and capacity to enter into this Agreement, and to perform its obligations hereunder;
- (b) the execution and delivery of this Agreement and all documents to be delivered pursuant hereto and the completion of the transactions contemplated hereby and thereby do not and will not result in the breach of, or violate any term or provision of, the articles of incorporation of New Temple;
- (c) the execution and delivery of this Agreement and the completion of the transactions contemplated hereby have been duly approved by the sole director of New Temple and this Agreement constitutes a valid and binding obligation of New Temple enforceable against it in accordance with its terms;
- (d) except as may be set out in the Information Circular, there are no actions, suits, proceedings, claims or investigations commenced or, to the knowledge of New Temple, contemplated or threatened against or affecting New Temple in law or in equity before or by any domestic or foreign government department, commission, board, bureau, court, agency, arbitrator, or instrumentality of any kind, nor, to the knowledge of New Temple, are there any facts which may reasonably be expected to be a proper basis for any actions, suits, proceedings, claims or investigations which in any case would prevent or hinder the completion of the transactions contemplated by this Agreement or which can



reasonably be expected to have a material adverse effect on the business, operations, properties, assets or affairs, financial or otherwise, of New Temple; and

- (e) on the date hereof, there is one New Temple Common Share issued and outstanding and, except as may be contemplated by this Agreement and the Plan of Arrangement, there is no obligation, contractual or otherwise, of New Temple to issue any Common Shares or other securities.

## **ARTICLE 5**

### **CONDITIONS PRECEDENT**

#### **5.1 MUTUAL CONDITIONS PRECEDENT**

The respective obligations of the REIT, TR Trust, Temple LP, the General Partner and New Temple to complete the transactions contemplated by this Agreement shall be subject to the fulfillment or satisfaction, on or before the Effective Date, of each of the following conditions, any of which may be waived collectively by them without prejudice to their right to rely on any other condition:

- (a) the Interim Order shall have been granted in form and substance satisfactory to the Parties, acting reasonably, not later than October 15, 2012 or such later date as the parties hereto may agree and shall not have been set aside or modified in a manner unacceptable to such parties on appeal or otherwise;
- (b) the Arrangement Resolution shall have been approved by the requisite number of votes cast by the Unitholders at the Meeting in accordance with the provisions of the Interim Order and any applicable regulatory requirements;
- (c) the Final Order shall have been granted in form and substance satisfactory to the Parties, acting reasonably, not later than November 30, 2012 or such later date as the parties hereto may agree;
- (d) the Articles of Arrangement and all necessary related documents, in form and substance satisfactory to the Parties, acting reasonably, shall have been accepted for filing by the Director together with the Final Order in accordance with the CBCA;
- (e) no material action or proceeding shall be pending or threatened by any person, company, firm, governmental authority, regulatory body or agency and there shall be no action taken under any existing applicable law or regulation, nor any statute, rule, regulation or order which is enacted, enforced, promulgated or issued by any court, department, commission, board, regulatory body, government or governmental authority or similar agency, domestic or foreign, that: (i) makes illegal or otherwise directly or indirectly restrains, enjoins or prohibits the Arrangement or any other transactions contemplated herein; or (ii) results in a judgment or assessment of material damages directly or indirectly relating to the transactions contemplated herein;



- (f) all material regulatory consents, exemptions and approvals considered necessary or desirable by the parties with respect to the transactions contemplated under the Arrangement shall have been completed or obtained including, without limitation, consents, exemptions and approvals from applicable securities regulatory authorities and under the rules or policies of the TSX;
- (g) the TSX shall have conditionally approved (i) the substitutional listing of the Common Shares to be issued in substitution for the Trust Units pursuant to the Arrangement (including the substitutional listing of the Common Shares issuable upon the conversion of the Debentures to be assumed by New Temple in connection with the Arrangement and the Common Shares issuable upon the exercise of Stock Options and Deferred Shares), subject only to the filing of required documents which cannot be filed prior to the Effective Date, and (ii) the substitutional listing of the Debentures to be assumed by New Temple in connection with the Arrangement, subject only to the filing of required documents which cannot be filed prior to the Effective Date; and
- (h) New Temple and the REIT shall have executed such instruments, and the Indenture Trustee shall have received such opinions, as contemplated and required by the Trust Indentures, in order to provide for the assumption, as of the Effective Date, by New Temple of all of the obligations of the REIT under the Trust Indentures in respect of the Debentures, such that, as of the Effective Date, the Debentures become valid and binding obligations of New Temple entitling the holders thereof, as against New Temple, to all of the rights of holders of Debentures under the Trust Indentures.

## **5.2 ADDITIONAL CONDITIONS TO OBLIGATIONS OF THE REIT, TR TRUST, THE GENERAL PARTNER AND TEMPLE LP**

In addition to the conditions contained in Section 5.1, the obligation of the REIT, TR Trust, the General Partner and Temple LP to complete the transactions contemplated by this Agreement is subject to the fulfillment or satisfaction, on or before the Effective Date, of each of the following conditions, any of which may be waived by them without prejudice to their right to rely on any other condition:

- (a) each of the covenants, acts and undertakings of New Temple to be performed or complied with on or before the Effective Date pursuant to the terms of this Agreement shall have been duly performed or complied with; and
- (b) each of the boards of trustees of the REIT and TR Trust, and the board of directors of the General Partner on its own behalf and on behalf of Temple LP shall not have determined in its sole and absolute discretion that to proceed with the Arrangement would not be in the best interests of the Unitholders, TR Trust, the General Partner or Temple LP, respectively.



### **5.3 ADDITIONAL CONDITIONS TO OBLIGATIONS OF NEW TEMPLE**

In addition to the conditions contained in Section 5.1, the obligation of New Temple to complete the transactions contemplated by this Agreement is subject to the fulfillment or satisfaction, on or before the Effective Date, of the following condition, which may be waived by New Temple without prejudice to its right to rely on any other condition:

- (a) each of the covenants, acts and undertakings of the REIT, TR Trust, the General Partner and Temple LP to be performed or complied with on or before the Effective Date pursuant to the terms of this Agreement shall have been duly performed or complied with in all material respects.

### **5.4 NOTICE AND EFFECT OF FAILURE TO COMPLY WITH CONDITIONS**

If any of the conditions precedent set forth in Sections 5.1, 5.2 or 5.3 hereof shall not be satisfied or waived by the party or parties for whose benefit such conditions are provided on or before the date required for the satisfaction thereof, then a party for whose benefit the condition precedent is provided may, in addition to any other remedies they may have at law or equity, rescind and terminate this Agreement; provided that, prior to the filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, the party intending to rely thereon has delivered a written notice to the other party, specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which the party delivering such notice is asserting as the basis for the non satisfaction of the applicable conditions precedent and the party in breach shall have failed to cure such breach within ten Business Days of receipt of such written notice thereof (except that no cure period shall be provided for a breach which by its nature cannot be cured). More than one such notice may be delivered by a party.

### **5.5 SATISFACTION OF CONDITIONS**

The conditions set out in this Article 5 are conclusively deemed to have been satisfied, waived or released when, with the agreement of the parties, Articles of Arrangement are filed under the CBCA to give effect to the Arrangement.

## **ARTICLE 6 AMENDMENT AND TERMINATION**

### **6.1 AMENDMENTS**

This Agreement may, at any time and from time to time before or after the Meeting, be amended in any respect whatsoever by written agreement of the parties hereto without further notice to or authorization on the part of their respective securityholders; provided that any such amendment that changes the consideration to be received by the Unitholders pursuant to the Arrangement is brought to the attention of the Court and is subject to such requirements as may be ordered by the Court.



## **6.2 TERMINATION**

This Agreement shall be terminated in each of the following circumstances:

- (a) the mutual agreement of the parties hereto;
- (b) the Arrangement shall not have become effective on or before December 31, 2012, or such later date as may be agreed to by the parties hereto; and
- (c) termination of this Agreement under Article 5 hereof.

## **ARTICLE 7 GENERAL**

### **7.1 BINDING EFFECT**

This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and permitted assigns.

### **7.2 NO ASSIGNMENT**

No party may assign its rights or obligations under this Agreement.

### **7.3 EXCLUSIVITY**

None of the covenants of the REIT, TR Trust, the General Partner or Temple LP contained herein shall prevent the boards of trustees of the REIT or TR Trust, or the board of directors of the General Partner, on its own behalf and on behalf of Temple LP, from responding as required by law to any unsolicited submission or proposal regarding any acquisition or disposition of assets or any unsolicited proposal to amalgamate, merge or effect an arrangement, reorganization or similar transaction or any unsolicited acquisition proposal generally or make any disclosure to its securityholders with respect thereto which in the judgment of the boards of trustees of the REIT or TR Trust, or the board of directors of the General Partner, on its own behalf and on behalf of Temple LP, acting upon the advice of counsel, is required under applicable law.

### **7.4 EQUITABLE REMEDIES**

All representations, warranties and covenants herein or to be given hereunder as to enforceability in accordance with the terms of any covenant, agreement or document shall be qualified as to applicable bankruptcy and other laws affecting the enforcement of creditors' rights generally and to the effect that specific performance, being an equitable remedy, may only be ordered at the discretion of the court.



## **7.5 SURVIVAL OF REPRESENTATIONS AND WARRANTIES**

The representations and warranties contained herein shall survive the performance by the parties of their respective obligations hereunder for a period of one year.

## **7.6 SEVERABILITY**

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom and:

- (a) the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed; and
- (b) the invalidity, illegality or unenforceability of any provision or part thereof contained in this Agreement in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this Agreement in any other jurisdiction.

## **7.7 FURTHER ASSURANCES**

Each party hereto shall, from time to time and at all times hereafter, at the request of another party hereto, but without further consideration, do all such further acts, and execute and deliver all such further documents and instruments as may be reasonably required in order to fully perform and carry out the terms and intent hereof.

## **7.8 TIME OF ESSENCE**

Time shall be of the essence.

## **7.9 LIABILITY OF THE REIT**

Each of the parties acknowledges the obligations of the REIT under this Agreement and that such obligations will not be personally binding upon any of the trustees of the REIT, any registered or beneficial holder of Units or any beneficiary under a plan of which a holder of such units acts as a trustee or carrier, and that resort will not be had to, nor will 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, and recourse for such indebtedness, obligations or liabilities of the REIT will be limited to, and satisfied only out of, the assets of the REIT.



#### **7.10 LIABILITY OF TEMPLE LP**

Temple LP is a limited partnership formed under the laws of the Province of Manitoba, a limited partner of which is only liable for any of its liabilities or any of its losses to the extent of the amount that the limited partner has contributed or agreed to contribute to its capital and the limited partner's pro rata share of any undistributed income. Each of the parties acknowledges that the obligations of Temple LP shall not be personally binding upon, nor shall resort be had to, the property of any of the limited partners, their heirs, successors and assigns, and that resort shall only be had to the property of Temple LP or the property of Temple LP's general partner. The sole general partner of Temple LP is the General Partner.

#### **7.11 COUNTERPARTS**

This Agreement may be executed in counterparts, in original, facsimile or electronic form, each of which shall be deemed an original, and all of which together constitute one and the same instrument.

**[execution page follows]**



**IN WITNESS WHEREOF** this Agreement has been executed and delivered by the parties hereto effective as of the date first above written.

**TEMPLE REAL ESTATE INVESTMENT TRUST**

(Signed) “*Arni C. Thorsteinson*”

Per: \_\_\_\_\_  
Name: Arni C. Thorsteinson  
Title: Trustee and Chief Executive Officer

**TEMPLE HOTELS INC.**

(Signed) “*Arni C. Thorsteinson*”

Per: \_\_\_\_\_  
Name: Arni C. Thorsteinson  
Title: Authorized Signatory

**TR TRUST, by its designated trustee**

(Signed) “*Arni C. Thorsteinson*”

Per: \_\_\_\_\_  
Name: Arni C. Thorsteinson  
Title: Trustee

**TEMPLE GENERAL PARTNER INC., on its own behalf and on behalf of Temple Limited Partnership**

(Signed) “*Arni C. Thorsteinson*”

Per: \_\_\_\_\_  
Name: Arni C. Thorsteinson  
Title: Director and President



**EXHIBIT A**

**PLAN OF ARRANGEMENT  
UNDER SECTION 192 OF THE  
CANADA BUSINESS CORPORATIONS ACT**

**ARTICLE 1  
INTERPRETATION**

1.1 In this Plan of Arrangement, the following terms have the following meanings:

- (a) **“Arrangement”**, **“herein”**, **“hereof”**, **“hereto”**, **“hereunder”** and similar expressions mean and refer to the arrangement pursuant to Section 184 of the CBCA set forth in this Plan of Arrangement as amended, modified or supplemented, and not to any particular article, section or other portion hereof;
- (b) **“Arrangement Agreement”** means the agreement dated as of August 27, 2012, among the REIT, TR Trust, the General Partner, Temple LP and New Temple with respect to the Arrangement and all amendments thereto;
- (c) **“Articles of Arrangement”** means the articles of arrangement in respect of the Arrangement required under subsection 192(6) of the CBCA to be filed with the Director after the Final Order has been granted giving effect to the Arrangement;
- (d) **“Business Day”** means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Winnipeg, in the Province of Manitoba, for the transaction of banking business;
- (e) **“CBCA”** means the *Canada Business Corporations Act*, including the regulations promulgated thereunder, in either case as amended;
- (f) **“Certificate”** means the certificate which may be issued by the Director pursuant to subsection 192(7) of the CBCA giving effect to the Arrangement;
- (g) **“Common Shares”** means the common shares in the capital of New Temple;
- (h) **“Court”** means the Court of Queen’s Bench (Manitoba);
- (i) **“Deferred Share”** means a deferred share issuable pursuant to the Deferred Share Plan;
- (j) **“Deferred Share Plan”** means the deferred share plan of New Temple to be adopted on or prior to the Effective Date;
- (k) **“Deferred Unit”** means a deferred unit issued pursuant to the Deferred Unit Plan;



- (l) **“Deferred Unit Plan”** means the deferred unit plan of the REIT dated June 19, 2009;
- (m) **“Director”** means the director appointed under Section 260 of the CBCA;
- (n) **“Effective Date”** means December 31, 2012;
- (o) **“Effective Time”** means 11:59 p.m. (local time in the City of Winnipeg, in the Province of Manitoba) on the Effective Date, or such other time on the Effective Date as may be specified in writing by the parties to this Agreement;
- (p) **“Final Order”** means the final order of the Court approving the Arrangement pursuant to subsection 192(4) of the CBCA, as such order may be affirmed, amended, modified or supplemented by any court of competent jurisdiction;
- (q) **“General Partner”** means Temple General Partner Inc., a corporation formed under the laws of the Province of Manitoba;
- (r) **“Information Circular”** means the management information circular of the REIT dated on or about ●, 2012, together with all appendices thereto, distributed to Unitholders in respect of the Meeting;
- (s) **“Interim Order”** means the interim order of the Court under subsection 192(4) of the CBCA containing declarations and directions with respect to this Arrangement, as such order may be affirmed, amended, modified or supplemented by any court of competent jurisdiction;
- (t) **“Meeting”** means the annual and special meeting of the Unitholders to be held on ●, 2012, and any adjournment(s) thereof, to, among other things, consider and vote on the Arrangement and related matters;
- (u) **“New Temple”** means Temple Hotels Inc., a corporation incorporated under the CBCA;
- (v) **“New Option Plan”** means New Temple’s common share option plan dated as of the Effective Date;
- (w) **“New Options”** means options to acquire Common Shares to be granted to holders of Trust Options under the Arrangement;
- (x) **“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 governments, agencies and political subdivisions thereof;



- (y) **“REIT”** means Temple Real Estate Investment Trust, a trust established under the laws of the Province of Manitoba;
- (z) **“REIT Declaration of Trust”** means the second amended and restated declaration of trust of the REIT dated December 9, 2009 (as may be further amended, supplemented and/or restated from time to time);
- (aa) **“Temple LP”** means Temple Limited Partnership, a limited partnership formed under the laws of the Province of Manitoba;
- (bb) **“Temple LP Agreement”** means the amended and restated limited partnership agreement dated July 12, 2006 in respect of Temple LP, as the same may be amended, modified or supplemented from time to time;
- (cc) **“Trust Options”** means options to acquire Trust Units outstanding under the Unit Option Plan;
- (dd) **“TR Trust”** means TR Trust, a trust formed under the laws of the Province of Ontario;
- (ee) **“TR Trust Declaration of Trust”** means the declaration of trust of TR Trust dated July 12, 2006, as amended, supplemented and/or restated from time to time;
- (ff) **“Trust Units”** means the units of beneficial interest of the REIT designated as “Trust Units” under the REIT Declaration of Trust;
- (gg) **“Trust Unitholders”** means the holders of Trust Units from time to time;
- (hh) **“Unitholders”** means the holders of Trust Units from time to time; and
- (ii) **“Unit Option Plan”** means the Trust Unit option plan of the REIT dated October 1, 2006.

1.2 The division of this Plan of Arrangement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Plan of Arrangement.

1.3 Unless reference is specifically made to some other document or instrument, all references herein to articles and sections are to articles and sections of this Plan of Arrangement.

1.4 Unless the context otherwise requires, words importing the singular number shall include the plural and vice versa; words importing any gender shall include all genders; and words importing persons shall include individuals, partnerships, associations, corporations, funds, unincorporated organizations, governments, regulatory authorities, and other entities.



1.5 References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations promulgated thereunder from time to time in effect.

## **ARTICLE 2 ARRANGEMENT AGREEMENT**

2.1 This Plan of Arrangement is made pursuant to, and is subject to the provisions of, and forms part of, the Arrangement Agreement.

2.2 This Plan of Arrangement, upon the filing of the Articles of Arrangement and the issue of the Certificate, if any, shall become effective on, and be binding on and after, the Effective Time on: (i) Unitholders; (ii) the REIT; (iii) TR Trust, (iv) the General Partner, (v) Temple LP; (vi) the holders of Trust Options; (vii) the holders of Deferred Units; and (viii) New Temple.

2.3 The Articles of Arrangement and Certificate shall be filed and issued, respectively, with respect to this Arrangement in its entirety. The Certificate 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 and at the times set out therein.

2.4 Other than as expressly provided for herein, no portion of this Plan of Arrangement shall take effect with respect to any party or Person until the Effective Time. Furthermore, each of the events listed in Article 3 shall be, without affecting the timing set out in Article 3, mutually conditional, such that no event described in said Article 3 may occur without all steps occurring, and those events shall effect the integrated transaction which constitutes the Arrangement.

## **ARTICLE 3 ARRANGEMENT**

3.1 Commencing at the Effective Time, each of the events set out below shall occur and shall be deemed to occur in the following order, each occurring five minutes apart (unless otherwise noted), without any further act or formality except as otherwise provided herein:

***December 31, 2012 –Commencing at 11:59 p.m. with all steps being completed prior to 12:00 a.m. on January 1, 2013***

### **Amendment of the REIT Declaration of Trust, the TR Trust Declaration of Trust, and the Temple LP Partnership Agreement**

- (a) the REIT Declaration of Trust, the TR Trust Declaration of Trust and Temple LP Partnership Agreement shall be amended to the extent necessary to facilitate the Arrangement as provided herein;



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

- (b) the Trust Units held by Trust Unitholders shall be transferred to New Temple, free and clear of any claims, solely in consideration for Common Shares on the basis of one Common Share for each Trust Unit so transferred;

### **Exchange of Trust Options**

- (c) all of the issued and outstanding Trust Options shall be, and shall be deemed to be, exchanged, on a one-for-one basis, for New Options with (i) the same exercise price as such Trust Option, (ii) the same vesting period as such Trust Option, and (iii) an expiration date the same as such Trust Option;

### **Exchange of Deferred Units**

- (d) all of the issued and outstanding Deferred Units shall be, and shall be deemed to be, exchanged, on a one-for-one basis, for Deferred Shares with (i) the same vesting period as such Deferred Units, and (ii) the same redemption terms as such Deferred Units;

### **Redemption of the Initial Common Share of New Temple**

- (e) the one Common Share of New Temple issued to the REIT in connection with the organization of New Temple shall be redeemed by New Temple for consideration of ten dollars (\$10.00);

### **Reduction of Stated Capital of New Temple**

- (f) in respect of step (b) there shall have been added to the stated capital account maintained for the Common Shares an amount determined by the directors of New Temple in accordance with Section 26 of the CBCA in respect of the Common Shares issued under the Arrangement, and New Temple shall be authorized to subsequently reduce its stated capital in an amount determined by its directors, in respect of which no amount is to be distributed to the shareholders of New Temple, as contemplated by Section 38 of the CBCA.

### **Other Rights**

- (g) all other rights to acquire Trust Units outstanding immediately prior to the Effective Time, if any, shall be cancelled and of no further force and effect, and shall be deemed to be exchanged for economically equivalent rights to acquire Common Shares.

### **Dissolution of TR Trust**

- (h) all of the assets of TR Trust will be transferred to the REIT, the REIT will assume all of the liabilities of TR Trust and TR Trust will be dissolved.



## **Dissolution of the REIT**

- (i) all of the assets of the REIT will be transferred to New Temple, New Temple will assume all of the liabilities of the REIT and the REIT will be dissolved.
- 3.2 Upon the exchange of Trust Units for Common Shares, pursuant to Section 3.1:
- i. each former holder of Trust Units shall cease to be the holder of the Trust Units so exchanged and the name of each such former holder of Trust Units shall be removed from the register of Trust Units and New Temple shall become the sole holder of the Trust Units and shall be added to the register of Trust Units as the sole owner of the Trust Units;
- 3.3 Upon the exchange of Trust Options for New Options pursuant to Section 3.1:
- i. all of the Trust Options will be cancelled;
  - ii. a holder of Trust Options will cease to be a holder of Trust Options and the name of such former holder of Trust Options shall be removed from the register of Trust Options; and
  - iii. in exchange for the Trust Options, New Temple shall grant to each former holder of Trust Options the same number of New Options, which shall be issuable to such former holder on terms that are economically equivalent to those of the Trust Options, and the name of such former holder of Trust Options will be added to the register of New Options.
- 3.4 Upon the exchange of Deferred Units for Deferred Shares pursuant to Section 3.1:
- i. all of the Deferred Units will be cancelled;
  - ii. a holder of Deferred Units will cease to be a holder of Deferred Units and the name of the former holder of Deferred Units shall be removed from the register of Deferred Units; and
  - iii. in exchange for the Deferred Units, New Temple shall grant to each former holder of Deferred Units the same number of Deferred Shares, which shall be issuable to such former holder on terms that are economically equivalent to those of the Deferred Units, and the name of such former holder of Deferred Units will be added to the register of Deferred Shares.



## **ARTICLE 4**

### **OUTSTANDING CERTIFICATES AND FRACTIONAL SECURITIES**

4.1 From and after the Effective Time, any certificates formerly representing Trust Units shall represent only the right to receive a share certificate evidencing Common Shares issued to the Unitholder in accordance with this Plan of Arrangement. From and after the Effective Time, the option agreement providing for the Trust Options shall represent only the right to receive the New Options, to which the holders thereof are entitled under the Arrangement.

4.2 If any certificate which immediately prior to the Effective Time represented an interest in outstanding Trust Units that were transferred pursuant to Section 3.1 hereof 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 former registered holder thereof in the register of Trust Units shall, as a condition precedent to the receipt of any certificate evidencing Common Shares issued to such person pursuant to this Plan of Arrangement, provide to New Temple and the REIT a bond, in form and substance satisfactory to New Temple, or otherwise indemnify New Temple and the REIT to their satisfaction, in their sole and absolute discretion, against any claim that may be made against them with respect to the certificate alleged to have been lost, stolen or destroyed.

4.3 No fractional Common Shares, and no certificates representing fractional Common Shares, shall be issued pursuant to the Plan of Arrangement.

## **ARTICLE 5**

### **AMENDMENTS**

5.1 The REIT, TR Trust, the General Partner, Temple LP and New Temple may amend this Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment must be: (i) set out in writing; (ii) approved by the other parties to the Arrangement Agreement; and (iii) filed with the Court.

5.2 Any amendment, modification or supplement to this Plan of Arrangement may be made prior to the Effective Time by the REIT, TR Trust, the General Partner, Temple LP and New Temple (or, following the Effective Time, by New Temple) without the approval of the Court or the Unitholders, provided that it concerns a matter which, in the reasonable opinion of the REIT, TR Trust, the General Partner, Temple LP and New Temple (or, following the Effective Time, New Temple), is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement or is not materially adverse to the financial or economic interests of any former holder of Trust Units.

5.3 Subject to Section 6.2, any amendment to this Plan of Arrangement may be proposed by the REIT, TR Trust, the General Partner, Temple LP or New Temple at any time prior to or at the Meeting (provided that the other parties to the Arrangement Agreement shall have consented thereto) with or without any prior notice or communication to Unitholders, and if so proposed and accepted by the persons voting at the Meeting (other than as may be required under the Interim Order), shall become part of this Plan of Arrangement for all purposes.



5.4 Subject to Section 6.2, the REIT, TR Trust, the General Partner, Temple LP and New Temple may amend, modify and/or supplement this Plan of Arrangement at any time and from time to time after the Meeting and prior to the Effective Time with the approval of the Court and, if and as required by the Court, after communication to the Unitholders.

## **ARTICLE 6 GENERAL**

6.1 Notwithstanding that the transactions and events set out herein shall occur and be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order to further document or evidence any of the transactions or events set out herein.

6.2 If, prior to the Effective Date, any term or provision of this Plan of Arrangement is held by the Court to be invalid, void or unenforceable, the Court, at the request of any parties, shall have the power to alter and interpret such term or provision to make it valid or enforceable to the maximum extent practicable, consistent with the original purpose of the term or provision held to be invalid, void or unenforceable, and such term or provision shall then be applicable as altered or interpreted. Notwithstanding any such holding, alteration or interpretation, the remainder of the terms and provisions of this Plan of Arrangement shall remain in full force and effect and shall in no way be affected, impaired or invalidated by such holding, alteration or interpretation.

6.3 This Plan of Arrangement shall be governed by and construed in accordance with the laws of the Province of Manitoba and the federal laws of Canada applicable therein. Any questions as to the interpretation or application of this Plan of Arrangement and all proceedings taken in connection with this Plan of Arrangement and its provisions shall be subject to the exclusive jurisdiction of the Court.



## APPENDIX E

### STOCK OPTION PLAN RESOLUTION

#### BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. The common share stock option plan (the “**Stock Option Plan**”) of Temple Hotels Inc. (“**New Temple**”), in a form substantially as set forth in Appendix F to the management information circular of Temple Real Estate Investment Trust (the “**REIT**”) dated October 9, 2012 (the “**Information Circular**”), together with such amendments or variations thereto made in accordance with the terms of the Stock Option Plan as may be approved by the persons referred to in paragraph 4 hereof, such approval to be evidenced conclusively by the execution and delivery of any such amendments or variations, is hereby approved, ratified and confirmed.
2. New Temple is hereby authorized to continue to grant common share options under the Stock Option Plan until November 19, 2015, being the date that is three years from the date of the special meeting of the holders (the “**Unitholders**”) of trust units of the REIT at which this approval of Unitholders of the REIT is being sought.
3. Notwithstanding that this resolution has been duly passed, the board of trustees of the REIT or the board of directors of New Temple (the “**Board**”), as applicable, may, without further notice to or approval of the Unitholders of the REIT or the holders of common shares of New Temple, as applicable, revoke this resolution at any time prior to the Stock Option Plan becoming effective.
4. The Board or any committee thereof designated pursuant to the Stock Option Plan, is hereby authorized to make such amendments or variations to the Stock Option Plan from time to time, as may be required by the applicable regulatory authorities, or as may be considered appropriate by the Board or committee thereof, in its sole discretion, provided always that such amendments be subject to the approval of the regulatory authorities, if applicable, and in certain cases, in accordance with the terms of the Stock Option Plan, the approval of the shareholders of New Temple.
5. Any one trustee, director or officer of the REIT or New Temple is hereby authorized, for and on behalf of the REIT or New Temple, respectively, to execute and, if appropriate, deliver all other documents and instruments and do all other things as in the opinion of such trustee, director or officer may be necessary or advisable 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 F

### STOCK OPTION PLAN

TEMPLE HOTELS INC.  
(the "Corporation")

### STOCK OPTION PLAN

#### 1. The Plan

A stock option plan (the "**Plan**") pursuant to which options (hereinafter, an "**Option**" or "**Options**") to purchase common shares or such other securities as may be substituted therefor or may be acquired by a Participant (as defined in Section 6 hereof) upon the exercise of an Option the terms of which have been modified in accordance with section 15 below (collectively, the "**Common Shares**") of the Corporation may be granted to the Participants is hereby established on the terms and conditions herein set forth.

#### 2. Purpose

The purpose of this Plan is to advance the interests of the Corporation by encouraging the Directors, officers, key employees and consultants employed or retained by the Corporation and its subsidiaries to acquire Common Shares, thereby:

- (a) increasing the proprietary interests of such persons in the Corporation;
- (b) aligning the interests of such persons with the interests of the shareholders of the Corporation generally;
- (c) encouraging such persons to remain associated with the Corporation; and
- (d) furnishing such persons with an additional incentive in their efforts on behalf of the Corporation.

#### 3. Administration

- (a) This Plan shall be administered by the board of directors of the Corporation (the "Directors") or a committee of board of directors determined by the Directors. Notwithstanding the foregoing or any other provision contained herein, the Directors shall have the right to delegate the administration and operation of this Plan, in whole or in part, to a committee of the Directors. Whenever used herein, the term "Directors" shall be deemed to include any committee to which the Directors have, fully or partially, delegated responsibilities and/or authority relating to the Plan or the administration and operation of the Plan pursuant to this section 3.
- (b) Subject to the terms and conditions set forth herein, the Directors are authorized to provide for the granting, exercise and method of exercise of Options, all on such terms as they shall determine in their sole discretion. In addition, the Directors shall have the authority to:
  - (i) construe and interpret this Plan and all option agreements entered into hereunder;
  - (ii) prescribe, amend and rescind rules and regulations relating to this Plan; and



- (iii) make all other determinations necessary or advisable for the administration of this Plan. All determinations and interpretations made by the Directors shall be binding on all Participants (as hereinafter defined) and on their legal, personal representatives and beneficiaries.
- (c) Options to purchase the Common Shares granted hereunder shall be evidenced by an agreement, signed on behalf of the Corporation and by the person to whom an Option is granted, which agreement shall be in such form as the agreement attached hereto as Schedule "A", as amended from time to time by the Directors.

#### **4. Common Shares Subject to Plan**

- (a) Subject to section 15 below, the securities that may be acquired by Participants under this Plan shall consist of authorized but unissued Common Shares of the Corporation.
- (b) The aggregate number of Common Shares reserved for issuance under this Plan, or any other securities compensation arrangement of the Corporation, shall not exceed ten percent (10%) of the total number of issued and outstanding Common Shares (calculated on a non-diluted basis).
- (c) The aggregate number of Common Shares reserved for issuance under this Plan in respect of all Options granted to any one Participant is subject to the limits set forth in section 8 of this Plan.
- (d) If any Option granted under this Plan shall expire or terminate for any reason without having been exercised in full, any unpurchased Common Shares to which such Option relates shall be available for the purposes of the granting of Options under this Plan.
- (e) Pursuant to the Plan, no Options shall be granted that would result in Insiders receiving, within a 12 month period, Options exceeding 10% of the total number of issued and outstanding Common Shares (calculated on a non-diluted basis).

#### **5. Maintenance of Sufficient Capital**

The Corporation shall at all times during the term of this Plan ensure that the number of Common Shares it is authorized to issue shall be sufficient to satisfy the requirements of this Plan.

#### **6. Eligibility and Participation**

- (a) The Directors may from time to time, in their sole discretion, grant an Option to any Participant, upon such terms, conditions and limitations as the Directors may determine, including the terms, conditions and limitations set forth herein and pursuant to the terms and conditions of an individual option agreement set forth as Schedule "A", provided that Options granted to any Participant or a reduction in the exercise price of a previously granted Option shall be approved by the shareholders of the Corporation if the rules of the Exchange require such approval.
- (b) The Directors may, in their discretion, select any of the following Persons to participate in this Plan, provided that any such Person, at the time of issuance, is:
  - (i) a Director or a director of any subsidiary of the Corporation;



- (ii) an officer of the Corporation or any subsidiary of the Corporation;
- (iii) an Employee of the Corporation, or of any subsidiary of the Corporation;
- (iv) a Management Company Employee of the Corporation or of any subsidiary of the Corporation; or
- (v) a Consultant retained by the Corporation or by any subsidiary of the Corporation;
- (vi) a Consultant retained to carry out Investor Relations Activities for the Corporation or for any subsidiary of the Corporation.

Any such person having been selected for participation in this Plan by the Directors is herein referred to as a "Participant".

(c) Where used herein:

"Consultant" means an individual (or a company controlled by such individual) who:

- (i) provides ongoing consulting services to the Corporation or any subsidiary of the Corporation under a written contract, and
- (ii) possesses technical, business or management expertise of value to the Corporation or any subsidiary of the Corporation, and
- (iii) spends a significant amount of time and attention on the business and affairs of the Corporation or any subsidiary of the Corporation; and
- (iv) has a relationship with the Corporation or any subsidiary of the Corporation that enables the individual to be knowledgeable about the business and affairs of the Corporation.

"Employee" means:

- (i) an individual who is considered an employee under the *Income Tax Act* (Canada) (i.e. for whom income tax, employment insurance and CPP deductions must be made at source); or
- (ii) an individual who works full time for the Corporation or a subsidiary of the Corporation providing services normally provided by an employee and who is subject to the same control and direction by the Corporation or a subsidiary of the Corporation over the details and methods of work as an employee of the Corporation or of a subsidiary of the Corporation, but for whom income tax deductions are not made at source; or
- (iii) an individual who works for the Corporation or a subsidiary of the Corporation on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction of the Corporation or of a subsidiary of the Corporation over the details and methods of work as an employee of the Corporation or of a subsidiary of the Corporation, but for whom income tax deductions are not made at source.



"Insider" means:

- (i) a director or senior officer of the Corporation; or
- (ii) a director or senior officer of a company or other entity that is an Insider or subsidiary of the Corporation; or
- (iii) a Person that beneficially owns or controls, directly or indirectly, securities carrying more than 10% of the voting rights attached to all outstanding voting securities of the Corporation, or
- (iv) the Corporation itself if it holds any of its own securities.

"Investor Relations Activities" means activities or oral or written communications, by or on behalf of the Corporation or a shareholder that promote or reasonably could be expected to promote the purchase or sale of securities of the Corporation, but does not include:

- (i) the dissemination of information provided, or records prepared, in the ordinary course of business of the Corporation:
  - to promote the products or services of the Corporation; or
  - to raise public awareness of the Corporation,

that cannot reasonably be considered to promote the purchase or sale of securities of the Corporation;

- (ii) activities or communications necessary to comply with the requirements of:
  - any and all securities laws applicable to the Corporation; or
  - requirements of the Exchange or the by-laws, rules or other regulatory instruments of any other self regulatory body or exchange having jurisdiction over the Corporation;
- (iii) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchaser of it, if:
  - the communication is only through the newspaper, magazine or publication; and
  - the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer; or
- (iv) activities or communications that may be otherwise specified by the Exchange.

"Management Company Employees" means individuals employed by a Person providing management services to the Corporation, which are required for the ongoing successful operation of the business enterprise of the Corporation, but excluding a Person engaged in Investor Relations Activities;



"Person" means a corporation, incorporated association or organization, body corporate, partnership, trust, association or other entity other than an individual, or an individual.

- (d) The granting of an Option to an Employee, Consultant or Management Company Employee constitutes a representation by the Corporation that such Participant is a *bona fide* Employee, Consultant or Management Company Employee, as the case may be.

## **7. Exercise Price**

The Directors shall, at the time an Option is granted under this Plan, fix the exercise price at which Common Shares may be acquired upon the exercise of such Option provided that the minimum exercise price shall not be less than the market price of the Common Shares on the date of that the Option is granted. Where used herein "market price" means, subject to certain exceptions required by the rules of the Exchange, the last daily closing price of the Common Shares before the date of grant of the Option.

Any reduction in the exercise price of an Option held by an Insider of the Corporation at the time of the proposed amendment shall be subject to disinterested shareholder approval.

## **8. Number of Optioned Common Shares**

The number of Common Shares that may be acquired under an Option granted to a Participant shall be determined by the Directors as at the time the Option is granted, provided that the aggregate number of Common Shares reserved for issuance to:

- (a) any one Participant (other than a Consultant or a person employed in Investor Relations Activities, as hereinafter defined) together with such Participant's participation in any other plan of the Corporation, shall not exceed five percent (5%) of the total number of issued and outstanding Common Shares on a yearly basis (calculated on a non-diluted basis); and
- (b) all Consultants or persons employed in Investor Relations Activities, in the aggregate, shall not exceed two percent (2%) of the total number of issued and outstanding Common Shares (calculated on a non-diluted basis).

## **9. Term**

The period during which an Option may be exercised (the "Option Period") shall be determined by the Directors at the time the Option is granted, subject to any vesting limitations which may be imposed by the Directors in their sole unfettered discretion at the time such Option is granted, provided that:

- (a) no Option shall be exercisable for a period exceeding five (5) years from the date the Option is granted unless otherwise specifically provided by the Directors and authorized by the Exchange, if applicable;
- (b) for a Participant employed in Investor Relations Activities, Options must vest over a period of twelve (12) months from the date the Option is granted, with no more than one-fourth ( $\frac{1}{4}$ ) of the Options vesting in any three (3) month period;
- (c) the Option Period shall be automatically reduced in accordance with Sections 11 and 12 below upon the occurrence of any of the events referred to therein; and



- (d) no Option in respect of which the approval of the shareholders of the Corporation is required under the rules of any Exchange shall be exercisable until such time as the Option has been approved by the shareholders of the Corporation.

**10. Method of Exercise of Option**

- (a) Except as set forth in Sections 11 and 12 below or as otherwise determined by the Directors, no Option may be exercised unless the holder of such Option is, at the time the Option is exercised, a Participant.
- (b) Options may be exercised in whole or in part and may be exercised on a cumulative basis where a vesting limitation has been imposed at the time of grant.
- (c) Any Participant (or his legal, personal representative) wishing to exercise an Option shall deliver to the Directors, at its principal office in the City of Winnipeg, Manitoba:
  - (i) a written notice expressing the intention of such Participant (or his or her legal, personal representative) to exercise his or her Option and specifying the number of Common Shares in respect of which the Option is exercised; and
  - (ii) a cash payment, cheque or bank draft, representing the full purchase price of the Common Shares in respect of which the Option is exercised.
- (d) Upon the exercise of an Option as aforesaid, the Corporation shall use its reasonable efforts to forthwith deliver, or cause the registrar and transfer agent of the Common Shares to deliver, to the relevant Participant (or his or her legal, personal representative) or to the order thereof, a certificate representing the aggregate number of fully paid and non-assessable Common Shares as the Participant (or his or her legal, personal representative) shall have then paid for.

**11. Ceasing to be a Director, Officer, Employee, Management Company Employee or Consultant**

If any Participant shall cease to be a Director, senior officer, Employee, Management Company Employee or Consultant of the Corporation or of any subsidiary of the Corporation for any reason other than death, permanent disability or normal retirement, his or her Option will terminate at 5:00 p.m. (Winnipeg time) on the earlier of the date of the expiration of the Option Period and:

- (a) for Participants other than those employed in Investor Relations Activities, 90 days after the date such Participant ceases to be a director, senior officer, Employee, Management Company Employee or Consultant of the Corporation or of any subsidiary of the Corporation; and
- (b) for Participants employed in Investor Relations Activities, 30 days after the date such Participant ceases to be employed in Investor Relations Activities

If such cessation or termination is by reason of substantial breach or cause on the part of the Participant, the Options shall be automatically terminated forthwith and shall be of no further force or effect.

Neither the selection of any person as a Participant nor the granting of an Option to any Participant under this Plan shall



- (a) confer upon such Participant any right to continue as a director (as applicable), senior officer, Employee, Management Company Employee or Consultant of the Corporation, or of any subsidiary of the Corporation as the case may be, or
- (b) be construed as a guarantee that the Participant will continue as a director, senior officer, Employee, Management Company Employee or Consultant of the Corporation or of any subsidiary of the Corporation, as the case may be.

**12. Death, Permanent Disability or Normal Retirement of a Participant**

In the event of the death, permanent disability or normal retirement of a Participant, any Option previously granted to such Participant shall be exercisable until the end of the Option Period or until the expiration of 12 months or a period determined by the Directors, after the date of death, permanent disability or normal retirement of such Participant, whichever is earlier, and then, in the event of death or permanent disability, only:

- (a) by the Participant or person or persons to whom the Participant's rights under the Option shall pass by the Participant's Will or by applicable law; and
- (b) to the extent that the Participant was entitled to exercise the Option as at the date of his death or permanent disability.

**13. Rights of Participants**

No person entitled to exercise any Option granted under this Plan shall have any of the rights or privileges of a shareholders of the Corporation in respect of any Common Shares issuable upon exercise of such Option until such Common Shares have been paid for in full and issued to such person.

**14. Proceeds from Exercise of Options**

The proceeds from any sale of Common Shares issued upon the exercise of Options shall be added to the general funds of the Corporation and shall thereafter be used from time to time for such purposes as the Directors may determine and direct.

**15. Adjustments**

- (a) The number of Common Shares subject to the Plan shall be increased or decreased proportionately in the event of the subdivision or consolidation of the outstanding Common Shares, and in any such event a corresponding adjustment shall be made changing the number of Common Shares deliverable upon the exercise of any Option granted prior to such event without any change in the total price applicable to the unexercised portion of the Option, but with a corresponding adjustment in the price for each Common Share covered by the Option. In case the Corporation is reorganized, appropriate provisions shall be made for the continuance of the Options outstanding under this Plan and to prevent their dilution or enlargement.
- (b) Adjustments under this section 15 shall be made by the Directors, whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. No fractional Common Share shall be issued under this Plan on any such adjustment.



16. **Transferability**

No benefits, rights and Options accruing to any Participant in accordance with the terms and conditions of this Plan shall be transferable or assignable except, where qualified, to a Registered Retirement or similar plan where the Participant is the annuitant thereof, or to a family trust controlled by the Participant. During the lifetime of a Participant, any Options granted hereunder may only be exercised at the direction of the Participant and in the event of the death or permanent disability of a Participant, by the person or persons to whom the Participant's rights under the Option pass by the Participant's Will or by applicable law. Any transfer of Options by a Participant is subject to the approval of the Exchange.

17. **Amendment and Termination of Plan**

The Directors may amend the Plan at any time, provided however, that no such amendment may materially and adversely affect any Option previously granted to a Participant without the consent of the Participant, except to the extent required by law. Any such amendment shall, if required, be subjected to the prior approval of, or acceptance by, the Exchange.

18. **Necessary Approvals**

The obligation of the Corporation to issue and deliver Common Shares in accordance with this Plan is subject to applicable securities legislation and to the receipt of any approvals that may be required from any regulatory authority to stock exchange having jurisdiction over the securities of the Corporation. If Common Shares cannot be issued to a Participant upon the exercise of an Option (for any reason whatsoever) the obligation of the Corporation to issue such Common Shares shall terminate and any funds paid to the Corporation in connection with the exercise of such Option will be returned to the relevant Participant as soon as practicable.

19. **Stock Exchange Rules**

This Plan and any option agreements entered into hereunder shall comply with the any applicable requirements of the Exchange from time to time.

20. **Right to Issue Other Common Shares**

The Corporation shall not by virtue of this Plan be in any way restricted from declaring and paying dividends, issuing further Common Shares, varying or amending its structure or conducting its business in any way whatsoever.

21. **Notice**

Any notice required to be given by this Plan shall be in writing and shall be given by registered mail, postage prepaid or delivered by courier or by facsimile transmission addressed, if to the Corporation, at its principal address in Winnipeg, Manitoba (being currently: 2600 Seven Evergreen Place, Winnipeg, MB R3L 2T3), Attention: Arni Thorsteinson; or if to a Participant, to such Participant at his or her address as it appears on the books of the Corporation or in the event of the address of any such Participant not so appearing then to the last known address of such Participant; or if to any other person, to the last known address of such person.



22. **Gender**

Whenever used herein words importing the masculine gender shall include the feminine and neuter genders and vice versa.

23. **Interpretation**

This Plan will be governed by and construed in accordance with the laws of the Province of Manitoba.

DATED as of the 31<sup>st</sup> day of December, 2012.

**TEMPLE HOTELS INC.**

Per: \_\_\_\_\_  
Arni Thorsteinson  
President and Chief Executive Officer



## **Schedule "A"**

### **OPTION AGREEMENT**

This Agreement dated as of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

BETWEEN:

#### **TEMPLE HOTELS INC.**

a corporation incorporated under the laws of Canada,  
(hereinafter called the "Corporation"),

OF THE FIRST PART,

- and -

\_\_\_\_\_,  
of the \_\_\_\_\_ of \_\_\_\_\_,  
(hereinafter called the "Participant"),

OF THE SECOND PART.

WHEREAS the Corporation has entered into a stock option plan dated as of December 31, 2012 (the "Plan");

AND WHEREAS terms not otherwise defined herein shall have the meaning set forth in the Plan;

WHEREAS the Participant is a bona fide director, senior officer, Employee, Management Company Employee or Consultant of the Corporation or any subsidiary of the Corporation;

AND WHEREAS the Corporation desires to grant to the Participant an option to purchase common shares of the Corporation (the "Common Shares") on the terms and conditions hereinafter set forth;

NOW THEREFORE THIS AGREEMENT WITNESSETH that the parties hereto agree as follows:

1. The Corporation hereby grants to the Participant an irrevocable, non-assignable and non-transferable option (the "Option") to purchase all or any part of ● Common Shares at a price of \$● per Common Share subject to the terms and conditions set forth herein.
2. The Option expires and terminates at 5:00 p.m. (Winnipeg time) on the day (the "Expiry Date") that is the earlier of (i) the fifth anniversary of the date hereof and (ii) the dates determined by Sections 6 and 7 below.
3. The Option shall vest as follows: ●.
4. Except as provided in Sections 6 and 7 below, the Option may only be exercised while the Participant is a director, officer, Employee, Management Company Employee or Consultant of the Corporation or any subsidiary of the Corporation. The Participant (or his legal representative) may exercise the Option by delivering to the Corporation, at its principal office in Winnipeg, Manitoba:
  - (a) a written notice expressing the intention to exercise the Option and specifying the number of Common Shares in respect of which the Option is exercised;



- (b) a cash payment, cheque or bank draft, representing the full purchase price of the Common Shares in respect of which the Option is exercised; and
  - (c) in the event the Option is exercised in accordance with this Agreement by person(s) other than the Participant, proof satisfactory to the Corporation of the right of such person(s) to exercise the Option.
- 5. Upon the exercise of the Option as aforesaid, the Corporation shall employ its reasonable efforts to forthwith deliver, or cause the registrar and transfer agent of the Common Shares to deliver, to the Participant (or his legal representative) or to the order thereof, a certificate representing the aggregate number of fully paid and non-assessable Common Shares as the Participant (or his legal representative) shall have then paid for.
- 6.
  - (a) Subject to Subsection 6(b) hereof, if the Participant shall cease to be a director, officer, Employee, Management Company Employee or Consultant of the Corporation or any subsidiary of the Corporation for any reason other than death or permanent disability or normal retirement, the Option granted herein will terminate at 5:00 p.m. (Winnipeg time) on the earlier of the (i) ninetieth (90<sup>th</sup>) day after the date the Participant ceases to be a director, officer, Employee, Management Company Employee or Consultant of the Corporation or any subsidiary of the Corporation and (ii) the fifth anniversary of the date hereof.
  - (b) If the Participant is engaged in Investor Relations Activities on behalf of the Corporation or any subsidiary of the Corporation and ceases to be retained as a Consultant engaged in Investor Relations Activities for the Corporation or any subsidiary of the Corporation for any reason other than death, permanent disability or normal retirement, his Option will terminate at 5:00 p.m. (Winnipeg time) on the earlier of the (i) thirtieth day after the date the Participant ceases to be a Consultant engaged in Investor Relations Activities on behalf of the Corporation or any subsidiary of the Corporation and (ii) the fifth anniversary of the date hereof.
- 7. In the event of the death, permanent disability or normal retirement of the Participant, the Option shall be exercisable until 5:00 p.m. (Winnipeg time) on the day that is the earlier of (i) 12 months after the date of death, permanent disability or normal retirement of the Participant and (ii) the fifth anniversary of the date hereof, and then, in the event of death or permanent disability, only:
  - (a) by the person or persons to whom the Participant's rights under the Option shall pass by the Participant's will or applicable law; and
  - (b) to the extent that the Participant was entitled to exercise the Option as at the date of the Participant's death or permanent disability.
- 8. The Participant acknowledges and agrees that neither the selection of the Participant as a Participant under the Plan nor the granting of the Option hereunder shall confer upon the Participant any right to continue as a director, officer, Employee, Management Company Employee or Consultant of the Corporation or any subsidiary of the Corporation, as the case may be. The Participant further acknowledges and agrees that this Agreement and the Option granted hereby shall in no way constitute the basis for a claim for damages by the Participant against the Corporation or any subsidiary of the Corporation in the event of the termination of the employment (or other contractual relationship) of the Participant with the Corporation or any subsidiary of the Corporation for any reason whatsoever, including the Participant's wrongful dismissal, and the Participant hereby releases and forever discharges the Corporation or any subsidiary of



the Corporation from all claims and rights of action for damages whatsoever based upon or arising out of this Agreement and the Option.

9. The Participant shall not have any of the rights or privileges of a shareholder of the Corporation in respect of any Common Shares issuable upon exercise of the Option until such Common Shares have been paid for in full and issued to the Participant in accordance with the terms of this Agreement.
10. The number of Common Shares deliverable upon the exercise of the Option shall be increased or decreased proportionately in the event of the subdivision or consolidation of the outstanding Common Shares of the Corporation prior to the Expiry Date, without any change in the total price applicable to the unexercised portion of the Option. In case the Corporation is reorganized, appropriate provisions shall be made for the continuance of the Option and to prevent its dilution or enlargement. Adjustments under this Section 10 shall be made by the Directors (or by such committee or persons as may be delegated such authority by the Directors), whose determination as to what adjustments shall be made, and the extent thereof, shall be final, binding and conclusive. No fractional Common Shares shall be issued on any such adjustment.
11. The Option and all benefits and rights accruing to the Participant hereunder shall not be transferable or assignable unless specifically provided herein. During the lifetime of the Participant the Option granted hereunder may only be exercised by the Participant as herein provided and in the event of death of the Participant, by the person or persons to whom the Participant's rights under the Option pass by the Participant's will or applicable law in accordance with Section 7 above.
12. The Corporation shall at all times ensure that the number of Common Shares it is authorized to issue shall be sufficient to satisfy the requirements of this Agreement.
13. The obligation of the Corporation to issue and deliver Common Shares on the exercise of the Option in accordance with the terms and conditions of this Agreement is subject to applicable securities legislation and to the receipt of any approvals that may be required from any regulatory authority including any stock exchange having jurisdiction over the securities of the Corporation. If Common Shares cannot be issued to the Corporation upon the exercise of the Option for any reason whatsoever, the obligation of the Corporation to issue such Common Shares shall terminate and any funds paid to the Corporation in connection with the exercise of the Option will be returned to the Participant as soon as practicable.
14. All Common Shares issued upon the exercise of the Option must contain any legend required under applicable securities laws or under the rules or policies of the Exchange.
15. The Participant acknowledges that the Participant has read and understands this Agreement.
16. Time shall be of the essence of this Agreement.
17. Any notice required to be given by this Agreement shall be in writing and shall be given by registered mail, postage prepaid or delivered by courier or by facsimile transmission addressed, if to the Corporation, at its principal address in Winnipeg, Manitoba (being currently 2600 Seven Evergreen Place, Winnipeg, MB, R3L 2T3) Attention: President and Chief Executive Officer; or if to the Participant at the last address of the Participant in the records of the Corporation.
18. This Agreement shall be governed by and construed in accordance with the laws of the Province of Manitoba.



19. This Agreement may be executed in several parts in the same form and the parts as so executed shall together constitute one original agreement, and the parts, if more than one, shall be read together and construed as if all the signing parties hereto had executed one copy of this agreement.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

**TEMPLE HOTELS INC.**

Per: \_\_\_\_\_

SIGNED, SEALED AND DELIVERED  
in the presence of:

\_\_\_\_\_  
Witness

\_\_\_\_\_  
**Name of Participant:**



## APPENDIX G

### DEFERRED SHARE PLAN RESOLUTION

#### BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. The deferred share plan (the “**Deferred Share Plan**”) of Temple Hotels Inc. (“**New Temple**”), in a form substantially as set forth in Appendix H to the management information circular of Temple Real Estate Investment Trust (the “**REIT**”) dated October 9, 2012 (the “**Information Circular**”), together with such amendments or variations thereto made in accordance with the terms of the Deferred Share Plan as may be approved by the persons referred to in paragraph 4 hereof, such approval to be evidenced conclusively by the execution and delivery of any such amendments or variations, is hereby approved, ratified and confirmed.
2. New Temple is hereby authorized to grant deferred shares under the Deferred Share Plan until November 19, 2015, being the date that is three years from the date of the special meeting of the holders (the “**Unitholders**”) of trust units of the REIT at which this approval of Unitholders of the REIT is being sought.
3. Notwithstanding that this resolution has been duly passed, the board of trustees of the REIT or the board of directors of New Temple (the “**Board**”), as applicable, may, without further notice to or approval of the Unitholders of the REIT or the holders of common shares of New Temple, as applicable revoke this resolution at any time prior to the Deferred Share Plan becoming effective.
4. The Board or any committee thereof designated pursuant to the Deferred Share Plan, is hereby authorized to make such amendments or variations to the Deferred Share Plan from time to time, as may be required by the applicable regulatory authorities, or as may be considered appropriate by the Board or committee thereof, in its sole discretion, provided always that such amendments be subject to the approval of the regulatory authorities, if applicable, and in certain cases, in accordance with the terms of the Deferred Share Plan, the approval of the shareholders of New Temple.
5. Any one trustee, director or officer of the REIT or New Temple is hereby authorized, for and on behalf of the REIT or New Temple, respectively, to execute and, if appropriate, deliver all other documents and instruments and do all other things as in the opinion of such trustee, director or officer may be necessary or advisable 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 H**  
**DEFERRED SHARE PLAN**

**TEMPLE HOTELS INC.**  
**DEFERRED SHARE PLAN**

**Dated: December 31, 2012**



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**ARTICLE 1**  
**INTERPRETATION, ADMINISTRATION, RESERVED COMMON SHARES**

**1.01 Purpose**

The purpose of the Deferred Share Plan (the “Plan”) of Temple Hotels Inc. (the “Corporation”) is to promote a greater alignment of interests between the Directors, Officers, Employees and Consultants (as defined below) of the Corporation and the Shareholders (as defined below) of the Corporation.

**1.02 Definitions**

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

- (a) **“affiliate”** has the meaning given to that term in National Instrument 45-106 – *Prospectus and Registration Exemptions*;
- (b) **“Annual Board Retainer”** means the annual retainer (to be paid at such times during the calendar year as determined by the Board) by the Corporation to a Director in a calendar year for service on the Board, which shall include Board committee fees and retainers to committee chairs;
- (c) **“Annual Bonus”** means the annual bonus, if any, paid by the Corporation to an Officer or Employee in a calendar year for service;
- (d) **“Applicable Withholding Taxes”** means any and all taxes and other source deductions or other amounts which the Corporation is required by law to withhold from any amounts to be paid or credited under the Plan;
- (e) **“Award Date”** means the date during the year on which the Annual Bonus or Annual Board Retainer is awarded for the prior year, or the date on which any other grant of Deferred Shares is made in accordance with the Plan;
- (f) **“Board”** means the board of Directors of the Corporation;
- (g) **“Board Meeting Fees”** means the fees payable by the Corporation for attending Board meetings and Board committee meetings, which shall be payable on the date of the applicable meeting;
- (h) **“Change of Control”** means:
  - (i) a successful take-over bid (as defined under National Instrument 62-104 – *Take-over Bids and Issuer Bids*) of the Corporation made by way of take-over bid circular;
  - (ii) any change in the beneficial ownership or control of the outstanding securities or other interests which results in:



- (A) a person or group of persons “acting jointly or in concert” (within the meaning of *The Securities Act* (Manitoba), as amended from time to time), or
- (B) an “affiliate” or “associate” (each as defined in *The Securities Act* (Manitoba), as amended from time to time) of such person or group of persons,

holding, owning or controlling, directly or indirectly, more than 30% of the outstanding Common Shares, other than as a result of a transaction or series of transactions approved by the Incumbent Directors unless such holding, owning or controlling, directly or indirectly, exceeds 50% of the outstanding Common Shares;

- (iii) Incumbent Directors no longer constituting a majority of the Board;
  - (iv) The sale, lease or transfer of all or substantially all of the directly or indirectly held assets of the Corporation to any other person or persons (other than pursuant to an internal reorganization or a dissolution of the Corporation); or
  - (v) Any determination by a majority of the Board that a Change of Control has occurred or is about to occur and any such determination shall be binding and conclusive for all purposes of the Plan;
- (i) “**Common Share**” means a common shares in the capital stock of the Corporation;
  - (j) “**Compensation Committee**” means the Governance, Compensation and Nominating Committee of the Board or such other committee of the Board to which the Board has delegated responsibility for administration of the Plan or, if the Board has not made such delegation, “Compensation Committee” shall mean the Board;
  - (k) “**Consultant Company**” means a corporation or other entity which is engaged by the Corporation or one or more of its affiliates to provide, on a *bona fide* basis, consulting, technical, management or other services to the Corporation or an affiliate of the Corporation under a written contract between such corporation or other entity and the Corporation or an affiliate of the Corporation;
  - (l) “**Consultant Employee**” means an employee of a Consultant Company who, in the Board’s reasonable opinion, spends or will spend a significant amount of time and attention on the affairs and business of the Corporation and/or an affiliate of the Corporation and whose relationship with the Corporation enables the employee to be knowledgeable about the business and affairs of the Corporation;
  - (m) “**Deferred Share**” means a bookkeeping entry, equivalent in value to a Common Share, credited to a Participant’s Deferred Share Account in



accordance with the terms and conditions of the Plan and reflected in a Deferred Share Award Agreement in the form attached as Schedule A-4 hereto;

- (n) **"Deferred Share Account"** has the meaning ascribed thereto in Section 7.02 of the Plan;
- (o) **"Director"** means a member of the Board;
- (p) **"Election Date"** means the date on which the Eligible Person files an Election Notice in accordance with Section 5.02 of the Plan;
- (q) **"Election Notice"** has the meaning ascribed thereto in Section 5.02 of the Plan;
- (r) **"Eligible Person"** means a person who is, on the applicable Election Date, (i) a Director; (ii) an Officer; (iii) an Employee; or (iv) a Consultant Employee, and who is designated by the Compensation Committee as being eligible to receive Deferred Shares under the Plan;
- (s) **"Employee"** means an employee of the Corporation or an affiliate of the Corporation;
- (t) **"Exchange"** means the Toronto Stock Exchange, or such other stock exchange upon which the Common Shares are listed, as the context may require;
- (u) **"Incumbent Director(s)"** means any member of the Board who was a member of the Board at the effective date of the Plan and any successor to an Incumbent Director who was recommended or elected or appointed to succeed any Incumbent Director by the affirmative vote of the Board, including a majority of the Incumbent Directors then on the Board, prior to the occurrence of the transaction, transactions, elections or appointments giving rise to a Change of Control;
- (v) **"Insider"** has the meaning set forth in *The Securities Act* (Manitoba) and also includes associates and affiliates of an insider;
- (w) **"Investor Relations Activities"** means any activities, by or on behalf of the Corporation or a shareholder of the Corporation, that promote or reasonably could be expected to promote the purchase or sale of securities of the Corporation, but does not include:
  - (i) the dissemination of information provided, or records prepared, in the ordinary course of business of the Corporation;
  - (A) to promote the sale of products or services of the Corporation, or
  - (B) to raise public awareness of the Corporation;



that cannot reasonably be considered to promote the purchase or sale of securities of the Corporation;

- (ii) activities or communications necessary to comply with the requirements of:
  - (A) applicable securities laws;
  - (B) requirements of the Exchange or the by-laws, rules or other regulatory instruments of any other stock exchange, self regulatory body or exchange having jurisdiction over the Corporation;
- (iii) communications by a publisher of, or writer for, a newspaper, magazine or business or financial publication, that is of general and regular paid circulation, distributed only to subscribers to it for value or to purchasers of it, if:
  - (A) the communication is only through the newspaper, magazine or publication, and
  - (B) the publisher or writer receives no commission or other consideration other than for acting in the capacity of publisher or writer; or
- (iii) activities or communications that may be otherwise specified by the Exchange.

(x) **"Market Value"** in respect of Common Shares mean:

- (i) for the purposes of grants of Deferred Shares to Directors for payment of the Annual Board Retainer: (i) where such grants are made on a quarterly basis (or other period exceeding one month), the average closing Common Share price on the last trading day for each of the months in the prior quarter (or other period exceeding one month); and (ii) where such grants are made on a monthly basis, the average closing Common Shares trading price for the month preceding the date of the grant,
- (ii) for the purposes of grants of Deferred Shares to Directors for payment of the Board Meeting Fees, the closing Common Share price (or, if there was no trading of Common Shares on such date, the average of the bid price and ask price) on the last trading day prior to the applicable meeting; and
- (iii) for any other purpose (including without limitation for the purposes of Section 7.03 hereof), the volume weighted average price of all Common Shares traded on the Exchange for the ten trading days immediately preceding the date on which the Market Value of Common Shares is determined (or, if such Common Shares are



not listed and posted for trading on the Exchange, on such other stock exchange on which such Common Shares are listed and posted for trading as may be selected for such purpose by the Directors). In the event that such Common Shares are not listed and posted for trading on any stock exchange, the Market Value shall be the fair market value of such Common Shares as determined by the Compensation Committee in its sole discretion;

- (y) **“Officer”** means an officer of the Corporation or a director or officer of an affiliate of the Corporation, including without limitation a Consultant Employee who serves as an officer of the Corporation;
- (z) **“Participant”** means an Eligible Person who has been selected to participate in the Plan in accordance with Article 5 of the Plan;
- (aa) **“Redemption Date”** has the meaning ascribed thereto in Section 9.02 of the Plan;
- (bb) **“Shareholder(s)”** means holder(s) of Common Shares; and
- (cc) **“Termination Date”** has the meaning ascribed thereto in Section 9.01 of the Plan.

## **ARTICLE 2 CONSTRUCTION AND INTERPRETATION**

- 2.01 The effective date of the Plan is December 31, 2012 or such other date as the Board may determine, subject to the approval of the Exchange.
- 2.02 All references in the Plan to currency refer to lawful currency of Canada.
- 2.03 The Plan shall be governed and interpreted in accordance with the laws of the Province of Manitoba and the applicable laws of Canada.
- 2.04 If any provision of the Plan or part hereof is determined to be void or unenforceable in whole or in part, such determination shall not affect the validity or enforceability of any other provision or part thereof.
- 2.05 In the Plan, references to the masculine include the feminine; reference to the singular shall include the plural and vice versa, as the context shall require.
- 2.06 Headings wherever used herein are for reference purposes only and do not limit or extend the meaning of the provisions herein contained.



### **ARTICLE 3 ADMINISTRATION**

- 3.01 The Plan shall be administered by the Compensation Committee or such other committee of the Board as the Board may designate from time to time or, if the Board has not designated a committee to be responsible for the administration of the Plan, the Plan shall be administered by the Board and the term "Compensation Committee" shall refer to the Board.
- 3.02 The Compensation Committee is authorized, subject to the provisions of the Plan, to establish such rules and regulations as it deems necessary for the proper administration of the Plan, and to make determinations and take such other action in connection with or in relation to the Plan as it deems necessary or advisable. Each determination or action made or taken pursuant to the Plan, including interpretation of the Plan, shall be final and conclusive for all purposes and binding on all parties, absent manifest error, including interpretation of the Plan.
- 3.03 The Corporation will be responsible for all costs relating to the administration of the Plan.
- 3.04 The Board may from time to time amend or suspend the Plan in whole or in part, without the approval of Shareholders, and may at any time terminate the Plan without prior notice, as it deems appropriate; provided, however, that any amendment to the Plan that would: (a) result in any increase in the number of Deferred Shares issuable under the Plan; (b) permit Deferred Shares granted under the Plan to be transferable or assignable other than as set forth in Article 11 hereof; or (c) result in any modification to this Section 3.04 or Section 10.01 hereof shall require approval by a majority of the votes cast by Shareholders at a meeting called for that purpose. Without limiting the generality of the foregoing, the Board may, without obtaining the approval of Shareholders, make changes: (a) to correct errors, immaterial inconsistencies or ambiguities in the Plan text; (b) necessary or desirable to comply with applicable laws or regulatory requirements, rules or policies (including applicable stock exchange requirements and policies); and (c) to the vesting provisions applicable to Deferred Shares issued under the Plan.
- 3.05 If the Board terminates the Plan, Deferred Shares previously credited to Participants shall remain outstanding and in effect and shall be settled subject to and in accordance with the applicable terms and conditions of the Plan in effect immediately prior to the termination.
- 3.06 Unless otherwise determined by the Board, the Plan shall remain an unfunded obligation of the Corporation and the rights of Participants under the Plan shall be general unsecured obligations of the Corporation.
- 3.07 The Corporation shall be authorized to deduct from any amount to be paid or credited under this Plan any Applicable Withholding Taxes in such manner as the Corporation determines.

### **ARTICLE 4 ELIGIBILITY**



- 4.01 The Compensation Committee shall determine which Eligible Persons may participate in the Plan. The participation in the Plan by each Eligible Person is voluntary.
- 4.02 Nothing herein contained shall be deemed to give any person the right to be retained as a Director, Officer, Employee, Consultant or Consultant Employee.

## **ARTICLE 5 ELECTION**

- 5.01 At the discretion of the Board, a grant of Deferred Shares may be made to any Eligible Person at any time in any year. In addition, each Eligible Person who is entitled to receive an Annual Bonus, an Annual Board Retainer or Board Meeting Fees is given, subject to the conditions stated herein, the right to elect in accordance with Section 5.02 to be a Participant of the Plan. Subject to an election in accordance with Section 5.02 below, Eligible Persons who elect to be Participants shall be paid up to 100% of their Annual Board Retainer, Annual Bonus and Board Meeting Fees (the "Elected Amount"), as applicable, in the form of Deferred Shares, in lieu of cash. Deferred Shares granted as payment of Board Meeting Fees shall be credited on the date on which such Board Meeting Fees are payable, being the date of the Board meeting or Board committee meeting to which they relate.
- 5.02 Where the terms of an Eligible Person's compensation entitle them to elect to receive cash or Deferred Shares, each Eligible Person who elects to be a Participant will be required to file a notice of election in the form of Schedule A-I hereto (the "Election Notice") with the Chief Financial Officer of the Corporation: (i) in the case of an existing Director, Officer, Employee or Consultant Employee, by February 28 in the year to which such election is to apply; and (ii) in the case of a newly appointed Director, Officer, Employee or Consultant Employee, within thirty (30) days of such appointment. If an Eligible Person is entitled to receive cash under the terms of their compensation and no election is made within the foregoing time frames, the Eligible Person shall be deemed to have elected to be paid his Annual Board Retainer, Annual Bonus or Board Meeting Fees, as applicable, in cash.
- 5.03 Subject to Section 5.04, the election of an Eligible Person to participate in the Plan shall be deemed to apply to all Annual Board Retainers, all Board Meeting Fees and all Annual Bonuses, as applicable, paid subsequent to the filing of the Election Notice, and such Eligible Person is not required to file another Election Notice.
- 5.04 If permitted under the terms of the compensation granted to the Eligible Person, each Eligible Person participating in the Plan is entitled once per calendar year to terminate his or her participation in the Plan by filing with the Chief Financial Officer of the Corporation a notice electing to terminate the receipt of additional Deferred Shares in the form of Schedule A-2 attached hereto. Such election shall be effective immediately upon receipt. Thereafter, any portion of such Participant's Annual Board Retainer, Board Meeting Fees or Annual Bonus payable or paid in the same calendar year and, subject to complying with Section 5.02, all subsequent calendar years shall be paid in cash. For greater certainty, to the extent an Eligible Person terminates his or her participation in the Plan, he or she shall not be entitled to become a Participant again until the calendar year following the year in which the termination notice is delivered.



- 5.05 Any Deferred Shares granted under the Plan prior to the election shall remain in the Plan and will be redeemable only in accordance with the terms of the Plan.

## **ARTICLE 6 DEFERRED SHARES**

- 6.01 Under no circumstances shall Deferred Shares be considered Common Shares nor entitle a Participant to any rights as a Shareholder, including, without limitation, voting rights, distribution entitlements (other than in accordance herewith) or rights on liquidation.
- 6.02 Subject to Section 6.01 hereof, one (1) Deferred Share is equivalent to one (1) Common Share. Fractional Deferred Shares are permitted under the Plan.
- 6.03 Subject to the Board's discretion to vary the manner in which Deferred Shares vest for any Participant, Deferred Shares, if any, shall be granted by the Compensation Committee at any time, or at such times, in any year as the Board determines in its discretion. Subject to Section 9.01, Deferred Shares granted pursuant to the Plan: (i) to Directors shall vest immediately; and (ii) to Participants other than Directors shall vest in accordance with the following schedule:
- a) 33% of the Deferred Shares on the first anniversary of the grant;
  - b) 33% of the Deferred Shares on the second anniversary of the grant; and
  - c) 34% of the Deferred Shares on the third anniversary of the grant;

provided, however, that in the event of any Change of Control, any unvested Deferred Shares shall vest upon the earlier of (i) the next applicable vesting date determined in accordance with the above provisions, and (ii) the date which is immediately prior to the date upon which the Change of Control is completed. Notwithstanding the foregoing or anything else herein contained, the Board shall have the discretion to vary the manner in which Deferred Shares vest for any Participant.

## **ARTICLE 7 DEFERRED SHARE GRANTS AND ACCOUNTS**

- 7.01 The number of Deferred Shares (including fractional Deferred Shares) granted at any particular time pursuant to this Plan will be, in the case of elections made by a Participant (if applicable), calculated by dividing (i) the Elected Amount allocated to the Participant by (ii) the Market Value of a Common Share on the Award Date.
- 7.02 An account, to be known as a "Deferred Share Account" shall be maintained by the Corporation for each Participant and will be credited with notional grants of Deferred Shares received by a Participant from time to time.
- 7.03 Whenever cash dividends are paid on the Common Shares, additional Deferred Shares will be credited to the Participant's Deferred Share Account. The number of such additional Deferred Shares shall be calculated by the formula  $A/B$ , where:



A = the amount determined by multiplying: (i) the number of Deferred Share in such Participant's Deferred Share Account on the record date for the payment of such dividend; and (ii) the dividend paid per Common Share; and

B = the Market Value of a Common Share on the dividend payment date for such distribution,

in each case, with fractions computed to two decimal places. Such additional Deferred Shares shall vest at the same time and on the same basis as the Deferred Shares in respect of which they are credited.

## **ARTICLE 8 ADJUSTMENTS**

- 8.01 In the event of any Common Share distribution, Common Share split, combination or exchange of Common Shares, merger, consolidation, spin-off or other distribution (other than normal cash dividends) of the Corporation's assets to the Shareholders, or any other change affecting the Common Shares, the Deferred Share Account of each Participant and the Deferred Shares outstanding under the Plan shall be adjusted in such manner, if any, as the Compensation Committee may in its discretion deem appropriate to reflect the event. However, no amount will be paid to, or in respect of, a Participant under the Plan or pursuant to any other arrangement, and no additional Deferred Shares will be granted to such Participant to compensate for a downward fluctuation in the Market Price of the Common Shares, nor will any other form of benefit be conferred upon, or in respect of a Participant for such purpose.

## **ARTICLE 9 REDEMPTION OF DEFERRED SHARES**

- 9.01 The Deferred Shares credited to a Participant's Deferred Share Account (including Deferred Shares which have not yet vested) shall vest immediately and be redeemable by the Participant (or, where the Participant has died, his or her estate) following an event, including termination other than for cause, retirement or death, causing the Participant to no longer be an Eligible Person (the "Termination Date"). In the event that a Participant is terminated for cause, only the Deferred Shares which have vested shall be redeemable and any unvested Deferred Shares shall be cancelled.
- 9.02 Subject to the approval of the Compensation Committee, the Deferred Shares credited to a Participant's Deferred Share Account that have vested may be redeemable in whole or in part on the date on which the Participant files a written notice of redemption in the form of Schedule A-3 hereto with the Chief Financial Officer of the Corporation (the "Redemption Date").
- 9.03 Subject to: (i) the provisions of the Plan; and (ii) the receipt by CDS Clearing and Depository Services Inc. of the Participant's brokerage account information from his or her securities broker, the Participant shall receive, within ten (10) business days after the Termination Date or Redemption Date, as applicable, a whole number of Common Shares from the Corporation equal to the whole number of Deferred Shares then



recorded in the Participant's Deferred Share Account, net of any Applicable Withholding Taxes.

- 9.04 The Corporation shall also make a cash payment, net of any Applicable Withholding Taxes, to the Participant with respect to the value of fractional Deferred Shares standing to the Participant's credit after the maximum number of whole Common Shares have been issued by the Corporation, calculated by multiplying: (i) the number of such fractional Deferred Shares; by (ii) the Market Value of such fractional Deferred Shares on the Termination Date or Redemption Date, as applicable.
- 9.05 Upon payment in full of the value of the Deferred Shares, the Deferred Shares shall be cancelled.

## **ARTICLE 10 NUMBER OF COMMON SHARES**

- 10.01 The aggregate number of Common Shares authorized for issuance upon the redemption of all Deferred Shares granted under the Plan, subject to any adjustment of such number pursuant to the provisions of Article 8 hereof, together with Common Shares authorized for issuance under any other security-based compensation plan of the Corporation, shall not exceed 10% of the issued and outstanding Common Shares from time to time, subject to approval, if required, by any relevant stock exchange or other regulatory authority; provided, however, that the number of Common Shares issued to Insiders of the Corporation pursuant to outstanding Deferred Shares, together with the number of Common Shares issued to such persons pursuant to any other compensation arrangements, within any one year period, shall not exceed 10% of the then outstanding Common Shares.
- 10.02 In addition to the limitation set forth in Section 10.01 above, the aggregate number of Common Shares authorized for issuance upon the redemption of all Deferred Shares granted under the Plan, together with Common Shares authorized for issuance under any other security-based compensation plan of the Corporation, to:
- (a) any Eligible Employee during any 12 month period may not be greater than 5% of the issued and outstanding Common Shares;
  - (b) any Consultant Employee during any 12 month period may not be greater than 2% of the issued and outstanding Common Shares; and
  - (c) any Eligible Employee performing Investor Relations Activities during any 12 month period may not be greater than 2% of the issued and outstanding Common Shares.

The foregoing is subject to adjustment pursuant to the provisions of Article 8 hereof.

## **ARTICLE 11 ASSIGNMENT**

- 11.01 In no event may the rights or interests of a Participant under the Plan be assigned, encumbered, pledged, transferred or alienated in any way, except to the extent that



certain rights may pass to a beneficiary or legal representative upon death of a Participant, by will or by the laws of succession and distribution.

- 11.02 Rights and obligations under the Plan may be assigned by the Corporation to a successor in the business of the Corporation.

## **ARTICLE 12**

### **COMPLIANCE WITH APPLICABLE LAWS**

- 12.01 The administration of the Plan shall be subject to and performed in conformity with all applicable laws, rules, regulations, policies, orders of governmental or regulatory authorities and the requirements of any stock exchange on which the Common Shares are listed. Should the Compensation Committee, in its sole discretion, determine that it is not desirable or feasible to provide for the redemption of Deferred Shares in Common Shares pursuant to the provisions of Article 9, including by reason of any such laws, rules, regulations, policies, orders or requirements, it shall notify the Participants of such determination and on receipt of such notice each Participant shall have the option of electing that such redemption obligations be satisfied by means of a cash payment by the Corporation equal to the Market Value of the Common Shares that would otherwise be delivered to a Participant in settlement of Deferred Shares on the Redemption Date (less any Applicable Withholding Taxes). Each Participant shall comply with all such laws, rules, regulations, policies, orders and requirements, and shall furnish the Corporation with any and all information and undertakings, as may be required to ensure compliance therewith.



## SCHEDULE A-1

### TEMPLE HOTELS INC. DEFERRED SHARE PLAN (THE "PLAN")

#### ELECTION NOTICE

*(To be completed where terms of an Eligible Person's compensation permits an election to receive cash in lieu of Deferred Shares).*

*All capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Plan.*

Pursuant to the Plan, I hereby elect to participate in the Plan and to receive \_\_\_\_% of my Annual Board Retainer, Annual Bonus or Board Meeting Fees, as applicable, in the form of Deferred Shares in lieu of cash.

I confirm that:

- a) I have received and reviewed a copy of the terms of the Plan and agreed to be bound by them.
- b) I recognize that when Deferred Shares credited pursuant to this election are redeemed in accordance with the terms of the Plan, income tax and other withholdings as required will arise at that time. Upon redemption of the Deferred Shares, the Corporation will make all appropriate withholdings as required by law at that time.
- c) The value of Deferred Shares is based on the value of the Common Shares of the Corporation and therefore is not guaranteed.

The foregoing is only a brief outline of certain key provisions of the Plan. For more complete information, reference should be made to the Plan text.

Date: \_\_\_\_\_

\_\_\_\_\_  
(Name of Participant)

\_\_\_\_\_  
(Signature of Participant)



## SCHEDULE A-2

### TEMPLE HOTELS INC. DEFERRED SHARE PLAN (THE "PLAN")

#### ELECTION TO TERMINATE RECEIPT OF ADDITIONAL DEFERRED SHARES

*All capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Plan.*

Notwithstanding my previous election in the form of Schedule A-1 to the Plan, I hereby elect that no portion of the Annual Board Retainer, Annual Bonus or Board Meeting Fees, as applicable, accrued after the date hereof shall be paid in Deferred Shares in accordance with the terms of the Plan.

I understand that the Deferred Shares already granted under the Plan cannot be redeemed until (i) I am no longer a Director, Officer, Employee or Consultant Employee, or (ii) approval is granted by the Compensation Committee for such redemption.

I confirm that I have received and reviewed a copy of the terms of the Plan and agree to be bound by them.

Date: \_\_\_\_\_

\_\_\_\_\_  
(Name of Participant)

\_\_\_\_\_  
(Signature of Participant)

**Note:** An election to terminate receipt of additional Deferred Shares can only be made by a Participant once in a calendar year.



**SCHEDULE A-3**

**TEMPLE HOTELS INC.  
DEFERRED SHARE PLAN (THE "PLAN")**

**REDEMPTION NOTICE**

*All capitalized terms used herein but not otherwise defined shall have the meanings ascribed to them in the Plan.*

I hereby advise Temple Hotels Inc. that I wish to redeem all, or alternatively \_\_\_\_\_, of the Deferred Shares credited to my account under the Plan in accordance with the terms of the Plan.

Date: \_\_\_\_\_

\_\_\_\_\_  
(Name of Participant)

\_\_\_\_\_  
(Signature of Participant)

**Note:** If the Redemption Notice is signed by a beneficiary or legal representative, documents providing the authority of such signature should accompany this notice.



## **SCHEDULE A-4**

### **DEFERRED SHARE AWARD AGREEMENT**

#### **OF**

#### **TEMPLE HOTELS INC.**

**THIS AGREEMENT** (this “**Agreement**”) is dated as of the Grant Date (set forth on Schedule “A” hereto) and is entered into between **TEMPLE HOTELS INC.**, a corporation governed under the laws of Canada (the “**Corporation**”), and the Participant set forth on the signature page to this Agreement (the “**Participant**”).

**WHEREAS** the Corporation has agreed to grant to the Participant, effective on the Grant Date, an Award of deferred shares (the “Award”), the particulars of which are set forth on Schedule “A” hereto, pursuant to the Corporation’s deferred share plan dated December 31, 2012 (the “**Plan**”), as amended from time to time, on the terms and subject to the conditions set forth in this Agreement and the Plan; and

**NOW, THEREFORE** in consideration of the promises and of the mutual agreements contained in this Agreement, the parties hereto hereby agree as follows:

#### **Section 1      The Plan**

The terms and provisions of the Plan are hereby incorporated into this Agreement as if set forth herein in their entirety. In the event of a conflict between any provision of this Agreement and the Plan, the provisions of this Agreement shall prevail. The Participant acknowledges that the Participant has received and reviewed a copy of the Plan. Capitalized terms used herein and not otherwise defined herein shall have the respective meanings ascribed thereto in the Plan.

#### **Section 2      Grant**

Effective on the Grant Date, on the terms and subject to the conditions of the Plan and this Agreement (including Schedule “A” hereto), the Corporation hereby grants to the Participant the Award. Additional deferred shares shall accrue to the Participant from time to time on the terms and subject to the conditions of the Plan and this Agreement (including Schedule “A” hereto) whenever the Corporation pays a cash dividend on its common shares.

#### **Section 3      Vesting**

The deferred shares and any additional deferred shares which accrue to the Participant in accordance with the Plan shall vest in accordance with the terms of the Plan, unless otherwise specified in Schedule “A” hereto.

#### **Section 4      General Provisions**

Without limiting the generality of Section 1, the Participant acknowledges having read Sections 3.07 of the Plan relating to withholdings and agrees to and acknowledges the matters set forth therein.



## **Section 5      Securities Law Representations**

The Participant hereby represents and warrants to the Corporation that the Participant is a director, officer or an employee of the Corporation or of an affiliate of the Corporation and that the Participant's acceptance of the Award is voluntary and the Participant has not been induced to accept the Award as a promise of employment or future nomination as a director, appointment as an officer or employment with the Corporation or an affiliate of the Corporation.

## **Section 6      Notices**

All notices, claims, certifications, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given and delivered if personally delivered or if sent by nationally-recognized overnight courier, by facsimile, or by registered or certified mail, return receipt requested and postage prepaid, addressed as follows

- (i) If to the Corporation: Temple Hotels Inc., \_\_\_\_\_  
Attention: \_\_\_\_\_; Facsimile: \_\_\_\_\_.
- (ii) If to the Participant, at the last address set forth in the records of the Corporation or an affiliate of the Corporation or at his electronic mail address at the Corporation or an affiliate of the Corporation; or to such other address as the party to whom notice is to be given may have furnished to the other party in writing in accordance herewith.

Any such notice or other communication shall be deemed to have been received (a) in the case of personal delivery, on the date of such delivery (or if such date is not a business day, on the next business day after the date of delivery), (b) in the case of nationally-recognized overnight courier, on the next business day after the date sent, (c) in the case of telecopy transmission, when received (or if not sent on a business day, on the next business day after the date sent), (d) in the case of mailing, on the third business day following that on which the piece of mail containing such communication is posted and (e) in the case of email, on the date of delivery.

## **Section 7 Waiver of Breach.**

The waiver by either party of a breach of any provision of this Agreement must be in writing and shall not operate or be construed as a waiver of any other or subsequent breach.

## **Section 8 Participant's Undertaking**

The Participant hereby agrees to take whatever additional actions and execute whatever additional documents the Corporation may in its reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the Participant pursuant to the express provisions of this Agreement and the Plan, provided, however, that such additional actions and documents are consistent with the terms of this Agreement and the Plan.

## **Section 9 Modification of Rights .**

The rights of the Participant are subject to modification and termination in certain events as provided in this Agreement and the Plan.



**Section 10 Governing Law.**

THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE PROVINCE OF MANITOBA, WITHOUT GIVING EFFECT TO ANY CHOICE OR CONFLICT OF LAW PROVISION OR RULE (WHETHER OF THE PROVINCE OF MANITOBA OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE LAWS OF ANY JURISDICTION OTHER THAN THE PROVINCE OF MANITOBA TO BE APPLIED. IN FURTHERANCE OF THE FOREGOING, THE LAW OF THE PROVINCE OF MANITOBA WILL CONTROL THE INTERPRETATION AND CONSTRUCTION OF THIS AGREEMENT, EVEN IF UNDER SUCH JURISDICTION'S CHOICE OF LAW OR CONFLICT OF LAW ANALYSIS, THE SUBSTANTIVE LAW OF SOME OTHER JURISDICTION WOULD ORDINARILY APPLY.

**Section 11 Counterparts.**

This Agreement may be executed in one or more counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts together shall constitute but one agreement.

**Section 12 Entire Agreement.**

This Agreement and the Plan (including Schedule "A" hereto) constitute the entire agreement between the parties with respect to the subject matter hereof and thereof and supersede all prior written or oral negotiations, commitments, representations and agreements with respect thereto.

**Section 13 Severability.**

It is the desire and intent of the parties hereto that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Agreement shall be adjudicated by a court of competent jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

IN WITNESS HEREOF THE PARTIES HAVE EXECUTED THIS AGREEMENT EFFECTIVE ON THE GRANT DATE:

**TEMPLE HOTELS INC.**

Per: \_\_\_\_\_

\_\_\_\_\_  
**Participant's Signature**

Participants Name: \_\_\_\_\_



**APPENDIX I**  
**INFORMATION CONCERNING NEW TEMPLE**  
**NOTICE TO READER**

As at the date hereof, New Temple has not carried on any active business other than executing the Arrangement Agreement. Unless otherwise noted, the disclosure in this Appendix I has been prepared assuming that the Arrangement has been completed. New Temple will be the publicly listed corporation resulting from the reorganization of the REIT's trust structure into a corporation pursuant to the Arrangement. Unless otherwise defined herein, all capitalized words and phrases used in this Appendix I have the meaning given to such words and phrases in the "Glossary of Terms" or elsewhere in the Information Circular.

**FORWARD-LOOKING STATEMENTS**

This Appendix I, including documents incorporated by reference in the Information Circular, contains forward-looking statements with respect to future financial performance, strategy and business conditions. These statements are based on current expectations, estimates about the markets in which the New Temple and its Subsidiaries will operate and beliefs and assumptions of the REIT's management regarding these markets. These statements are subject to risks and uncertainties, as a result of which the statements may prove to be inaccurate. Actual results may differ materially from current expectations and those expressed or implied by New Temple. Factors that could cause such differences include, but are not limited to, the REIT's failure to complete its proposed conversion, including by reason of its inability to obtain the consents, permits or approvals that are required, including the approval of the court and of its unitholders, actual future market conditions being different than anticipated by the management of the REIT and/or New Temple, global financial markets, legislative and regulatory changes, industry competition, technological developments, catastrophic events and other factors described under "Risk Factors" in the Information Circular or discussed in other materials filed by the REIT or New Temple with applicable securities regulatory authorities from time to time. The reader is cautioned against undue reliance on these forward-looking statements. Except as required by applicable law, none of management of New Temple, management of the REIT, the board of directors of New Temple, and the Trustees of the REIT, undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

**CORPORATE STRUCTURE**

**Name, Address and Incorporation**

New Temple was incorporated on August 27, 2012 pursuant to the provisions of the CBCA for the sole purpose of effecting the Conversion. Upon the completion of the Arrangement, New Temple will own all of the outstanding limited partnership units of Temple LP and the shares of Temple General Partner Inc. New Temple (through its Subsidiaries) will continue to operate the business of the REIT and its Subsidiaries. The principal and head office of New Temple is



located at Suite 2600, Seven Evergreen Place, Winnipeg, Manitoba, R3L 2T3. The registered office of New Temple is located at 3000 – 360 Main Street, Winnipeg, Manitoba R3C 4G1.

### **Organizational Structure of New Temple**

As at the date hereof, New Temple is a wholly owned subsidiary of the REIT. A diagram illustrating the anticipated organizational structure of New Temple after giving effect to the Arrangement can be found in the Information Circular under “The Arrangement – Post Arrangement Structure”.

### **GENERAL DEVELOPMENT OF THE BUSINESS**

New Temple has not carried on any active business since its incorporation other than the execution of the Arrangement Agreement. If approved, the Arrangement will result in the conversion of the REIT into a corporation, New Temple, that will own all of the limited partnership units of Temple LP and all of the shares of Temple General Partner Inc. and the former Unitholders will become common shareholders of New Temple. Temple LP will continue to own all of the shares of Temple Gardens Mineral Spa Inc. and all of the shares of the bare trustee corporations which hold title to the other hotel properties of the REIT. The investment objectives and investment guidelines applicable to New Temple and its Subsidiaries will be determined by the board of directors of New Temple from time to time.

For a detailed description of the historical development of the business of the REIT, see “General Development of the Business” in the AIF which is incorporated by reference in this Information Circular.

For a description of the business to be carried on by New Temple following completion of the Arrangement, see “Description of the Business” in this Appendix I. New Temple will, as a result of the Arrangement, become a reporting issuer (or equivalent) in all Canadian provinces and territories, other than the Province of Quebec, on the Effective Date and, accordingly, become subject to the informational reporting requirements under the securities laws of each such jurisdiction in which it so becomes a reporting issuer (or equivalent).

The TSX has conditionally approved the substitutional listing of the Common Shares (including the Common Shares issuable upon the conversion of the outstanding Debentures to be assumed by New Temple pursuant to the Arrangement and the Common Shares issuable upon the exercise of Stock Options and upon the redemption of Deferred Shares) under the trading symbol “TPH”, subject to New Temple fulfilling the requirements of the TSX.

The TSX has also conditionally approved the substitutional listing of the Series B Debentures, the Series C Debentures, the Series D Debentures, the Series E Debentures and the Senior Secured Debentures under the trading symbols “TPH.DB.B”, “TPH.DB.C”, “TPH.DB.D”, “TPH.DB.E and TPH.S, respectively, subject to New Temple fulfilling the requirements of the TSX.



## **DESCRIPTION OF THE BUSINESS**

If approved, the Arrangement will result in the reorganization of the REIT's trust structure into a corporation, New Temple, which will own all of the limited partnership units of Temple LP and all of the shares of Temple General Partner Inc. Temple LP will continue to own all of the shares of Temple Gardens Mineral Spa Inc. and all of the shares of the bare trustee corporations which hold title to the other hotel properties of the REIT. Immediately following the completion of the Arrangement, New Temple will continue to operate the business of the REIT as it exists immediately prior to the completion of the Arrangement.

The investment objectives and investment guidelines applicable to New Temple and its Subsidiaries will be determined by the board of directors of New Temple from time to time.

It is anticipated that the board of directors of New Temple will initially be comprised of the Trustees of the REIT: Arni Thorsteinson, Rosanne Hill-Blaisdell, David Drybrough, Rod Marlin and Brent McLean, as well as an additional nominee of the Asset Manager.

The senior management of New Temple will be comprised of the current members of senior management of the REIT. The Asset Management Agreement will be assigned from the REIT to New Temple.

For a detailed description of the REIT's business as at December 31, 2011, as well as a description of the hotel properties acquired by the REIT after December 31, 2012, see the section entitled "Business Strategy" and "Hotel Portfolio" in the Annual Information Form, which is incorporated by reference in this Information Circular, as well as the section entitled "The Business of the REIT" in the Information Circular.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As at the date of this Information Circular, New Temple has not conducted any business or operations, other than to execute the Arrangement Agreement, and has issued one Common Share to the REIT in connection with its organization. In the event that the Arrangement is completed, New Temple (through its Subsidiaries) will own and continue to operate the business of the REIT and its Subsidiaries. New Temple's financial position, risks and outlook after the Arrangement is completed will be substantially the same as those of the REIT immediately prior to the Arrangement. The REIT's management discussion and analysis for the year ended December 31, 2011 and the REIT's management discussion and analysis for the six-month period ended June 30, 2012 are incorporated by reference in this Information Circular. It is anticipated that New Temple will account for the Arrangement transaction as a continuity of interests with the REIT identified as the acquirer in accordance with IFRS 3 – Business Combinations.

New Temple will agree to indemnify its directors and officers, to the extent permitted under corporate law, against costs and damages incurred by the directors and officers as a result of lawsuits or any other judicial, administrative or investigative proceedings in which the directors and officers are sued as a result of their serving in such capacity. Management intends that New



Temple's directors and officers will be covered by directors' and officers' liability insurance substantially similar, and in the same amount, as that currently in place for the trustees and officers of the REIT.

Readers are encouraged to review the Annual Information Form, the REIT's management discussion and analysis for the year ended December 31, 2011 and the REIT's management discussion and analysis for the six-month period ended June 30, 2012, which have been filed on the SEDAR website at [www.sedar.com](http://www.sedar.com) and are incorporated by reference in this Information Circular.

## **DESCRIPTION OF CAPITAL STRUCTURE**

The authorized capital of New Temple consists of an unlimited number of Common Shares. The Common Share issued to the REIT upon the formation of New Temple will be redeemed, for nominal consideration, as a step in the Plan of Arrangement. See "The Arrangement – Arrangement Steps" in this Information Circular. The following is a summary of the rights, privileges, restrictions and conditions attaching to the securities of New Temple which will, upon completion of the Arrangement, comprise the share capital of New Temple.

### **Common Shares**

Holders of Common Shares will be entitled to one vote per share at meetings of shareholders of New Temple, to receive dividends if, as and when declared by the board of directors of New Temple and to receive *pro rata* the remaining property and assets of New Temple upon its dissolution or winding-up.

### **Convertible Debentures**

Upon completion of the Arrangement, any Debentures that are outstanding immediately prior to the Effective Time will be assumed by and become the obligations of New Temple. Upon completion of the Arrangement, a holder of a series of Debentures will have the right to convert such Debentures into Common Shares at the same conversion price, and on the same terms and condition, as the holder's right to convert such Debentures into Units immediately prior to the Arrangement.

For a description of the Series B Debentures, the Series C Debentures, the Series D Debentures and the Senior Secured Debentures, including the applicable interest rate, interest payment dates, maturity date, conversion rights, redemption provisions and (in the case of the Senior Securities Debentures) security provisions, see "Description of Securities - Temple REIT" in the Annual Information Form, which is incorporated by reference in this Information Circular and is available under the REIT's profile on SEDAR at [www.sedar.com](http://www.sedar.com). For a description of certain material terms of the Series E Debentures, see the material change report of the REIT dated July 18, 2012, which is incorporated by reference in this Information Circular.



## **PRO FORMA CONSOLIDATED CAPITALIZATION**

The following table sets forth the unaudited *pro forma* consolidated capitalization of New Temple as at June 30, 2012, both before and after giving effect to the completion of the Arrangement and the material transactions completed prior to the date hereof. This table should be read in conjunction with the audited balance sheet of New Temple attached as Schedule “A” to this Appendix I and the unaudited *pro forma* consolidated financial statements of New Temple, including the related notes thereto, attached as Appendix J to this Information Circular. The figures in this section, other than the number of Common Shares, are expressed in thousands of dollars.

<b>Pro Forma as at June 30, 2011 after giving effect to the Arrangement and other transactions<sup>(1)(2)</sup></b>	
Debt	\$ 337,547
Shareholders’ equity	102,953
Total capitalization	<u>\$ 440,500</u>
Common Shares (unlimited)	25,128,548

Notes:

- (1) Assumes that New Temple was incorporated as of June 30, 2012 and no Units are issued, redeemed or cancelled prior to the Effective Date.
- (2) There have been no material changes in the capitalization of Temple REIT since June 30, 2012, the date of Temple REIT's most recently filed condensed consolidated financial statements, to the date of this information circular, other than the follow:
  - (a) the issuance of \$46,000 of 5 year 7.25% Series E Debentures allocated \$38,929 to debt and \$7,071 to shareholders’ equity for purposes of the pro forma capitalization, and
  - (b) the mortgage loan indebtedness in the principal amount of \$20,000 in connection with the acquisition of Hilton Garden Inn.

## **DIVIDEND RECORD AND POLICY**

New Temple has not declared or paid any dividends since its incorporation and will not declare any dividends prior to completion of the Arrangement. If the Conversion is approved at the Meeting, New Temple anticipates that it will initially pay dividends in the same amount and in the same frequency as the REIT. Following the Conversion, New Temple’s dividend policy will be subject to the discretion of the board of directors of New Temple and may vary depending on, among other things, New Temple’s earnings, financial requirements, growth opportunities, the satisfaction of solvency tests imposed by the CBCA for the declaration of dividends, conditions existing from time to time and other relevant factors. See “Risk Factors”.

## **PRIOR SALES**

Prior to the Effective Date, New Temple will not issue any securities from its share capital other than the one Common Share currently held by the REIT issued at a price of \$10.00.



## **PRINCIPAL SHAREHOLDERS**

As of the date hereof, the REIT is the sole shareholder of New Temple, holding one Common Share. To the knowledge of the Trustees and management of the REIT, no person or company will, following the Arrangement, beneficially own, directly or indirectly, or exercise control and direction over, more than 10% of the voting rights attached to the outstanding Common Shares.

## **DIRECTORS AND OFFICERS**

Following the completion of the Arrangement, the board of directors of New Temple will initially be comprised of the following individuals, being the current Trustees of the REIT: Arni Thorsteinson, Rosanne Hill-Blaisdell, David Drybrough, Rod Marlin and Brent McLean. The senior management of New Temple will be comprised of the current members of management of the REIT. The Asset Management Agreement between the REIT and Shelter will be assigned by the REIT to New Temple pursuant to an amendment and restatement thereof such that, following the Arrangement, Shelter will continue to be the asset manager of New Temple.

Information concerning the directors and officers of New Temple upon completion of the Arrangement (including, in respect of each director or officer, his or her name, municipality of residence, offices held and principal occupation for each of the last five years), other than information concerning Mr. Brent McLean, who was elected as a Trustee on June 29, 2012, are set forth under “Particulars of Matters to be Acted Upon – Election of Trustees” in the REIT’s management information circular dated May 4, 2012, which is incorporated by reference herein. The directors of New Temple will hold office until the next annual meeting of shareholders of New Temple or until their resignation or removal or until their respective successors have been duly elected or appointed.

As consideration for Shelter acting as the Asset Manager, for so long as the amended and restated Asset Management Agreement remains in effect, New Temple will use its commercially reasonable best efforts, subject to applicable laws and the policies of the TSX, to cause, or influence or require assurances from, its directors from time to time to effect the following:

- (a) to retain in its articles the provision entitling the directors to appoint one or more additional directors, provided that the total number of directors so appointed may not exceed one third of the number of directors elected at the previous annual meeting of the shareholders of New Temple;
- (b) to appoint the Chief Executive Officer (or other designated nominee of Shelter) as a director of New Temple immediately following each annual meeting of the shareholders of New Temple or other meeting at which directors are elected;
- (c) to appoint a second designated nominee of Shelter as a director of New Temple immediately following each annual meeting of shareholders of New Temple or other meeting at which directors are elected or, alternatively, if such appointment would not be permitted pursuant to the articles of New Temple (or is expected to not be permitted



based upon the number of directors nominated for election at the meeting) by virtue of the two Shelter designees constituting greater than one third of the number of directors elected (or nominated for election), to nominate the second designated nominee of Shelter for election as a director of New Temple prior to the applicable meeting; and

- (d) in the event that a vacancy occurs in the board of directors of New Temple as a result of one or both of the designated nominees of Shelter who have been elected and/or appointed in accordance with clauses (b) or (c) above no longer being willing or able to serve as a director of New Temple, the directors shall appoint an individual designated by Shelter to fill such vacancy.

As at the date of this Information Circular, New Temple has no employees. Following the Arrangement, New Temple does not expect to have any direct employees as New Temple will be a party to the Asset Management Agreement (as amended and restated) and Shelter will provide asset management and administrative services to New Temple.

Following the completion of the Arrangement, the directors of New Temple intend to appoint a second nominee of Shelter to the board of directors of New Temple pursuant to the terms of the amended and restated Asset Management Agreement and the articles of New Temple.

#### **COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS**

To date, New Temple has not carried on any active business. No compensation has been paid by New Temple to its directors or executive officers and none will be paid until after the Arrangement is completed. The proposed directors and executive officers of New Temple are currently compensated as set out in the section entitled “Statement of Executive Compensation” in the REIT’s management information circular dated May 4, 2012, which is incorporated by reference herein.

The compensation arrangements of the directors and officers of New Temple, are expected to be structured similarly to the current compensation policy of the REIT, provided that the Stock Option Plan will replace the Unit Option Plan and the Deferred Share Plan will replace the Deferred Unit Plan.

#### **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

No director or officer of New Temple is anticipated to have any indebtedness to New Temple following the completion of the Arrangement.

#### **AUDIT COMMITTEE AND CORPORATE GOVERNANCE**

It is currently anticipated that each of the existing committees of the Trustees will become committees of the board of directors of New Temple. See “Directors and Officers” in this Appendix I. It is anticipated that the mandates and policies of New Temple in respect of corporate governance matters will be substantially similar to those of the REIT. For a description of corporate governance matters relating to the REIT, see “Corporate Governance Disclosure”



and Schedule “A” – Audit Committee Charter in the REIT’s management information circular dated May 4, 2012, which is incorporated by reference herein.

### **CONFLICTS OF INTEREST**

Except as disclosed in the Information Circular or under “Trustees and Officers – Conflicts of Interest” in the Annual Information Form, which is incorporated by reference herein, none of the directors or officers of New Temple has any existing or potential material conflict of interest with New Temple or any of its Subsidiaries.

### **RISK FACTORS**

Risk factors related to the business of the REIT and its Subsidiaries will continue to apply to New Temple after the Effective Date. In the event that the Arrangement is completed, the business and operations of, and an investment in, New Temple will be subject to various risk factors set forth in the Information Circular, the AIF and the REIT’s management discussion and analysis for the year ended December 31, 2011 and for the six-month period ended June 30, 2012, each of which is incorporated by reference herein.

Such risk factors include, but are not limited to, risks associated with the default under current economic conditions, default under debt service coverage covenants, debt financing risk, interest rate fluctuations and financing risk, availability of cash flow, legal rights attaching to the Units, market price of the Common Shares, real property ownership, liquidity, potential adverse change in laws, potential labour disruptions, the hotel industry, franchised hotels, seasonality, competition, diversification, investment concentration, lack of available growth opportunities, acquisition risks, failure to obtain additional financing, dilution, general uninsured losses, environmental matters, potential conflicts of interest, relationship with the asset manager and the hotel property manager, securities investment risks, risks relating to disclosure controls and procedures, risks relating to convertible debentures and risks specific to Temple Gardens.

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

To the knowledge of the REIT, other than in respect of the Arrangement, there are no legal proceedings to which New Temple, REIT or its Subsidiaries is a party or to which any of their assets are subject, which are material to New Temple, the REIT or its Subsidiaries, and New Temple is not aware of any such proceedings that are contemplated.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as disclosed in the Annual Information Form or elsewhere in this Information Circular (including this Appendix I), none of the directors or officers of New Temple, or any of their respective associates or affiliates, has or has had any material interest, direct or indirect, in any transaction during the three years preceding the date of the Information Circular or any proposed transaction that has materially affected or is reasonably expected to materially affect New Temple.



## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

### **Auditors**

The auditors of New Temple are Scarrow & Donald LLP, Chartered Accountants, 100 – Five Donald Street, Winnipeg, Manitoba R3L 2T4.

### **Transfer Agent and Registrar**

The transfer agent and registrar for the Common Shares is anticipated to be CIBC Mellon Trust Company at its principal offices in Calgary, Alberta and Toronto, Ontario. Canadian Stock Transfer Company acts as the Administrative Agent for CIBC Mellon Trust Company.

The transfer agent and registrar for the Debentures following the completion of the Arrangement will continue to be the Indenture Trustee.

## **MATERIAL CONTRACTS**

The following is a list of material contracts to which New Temple and/or its Subsidiaries are, or to the knowledge of New Temple will become, a party to on or prior to the Effective Date, other than contracts entered into in the ordinary course of business:

1. the Arrangement Agreement attached as Appendix D to the Information Circular;
2. the Temple LP Agreement;
3. the Asset Management Agreement (as amended and restated in connection with the assignment from the REIT to New Temple);
4. the hotel management agreements with Atlific with respect to the management of the hotel properties in the REIT's portfolio;
5. the Stock Option Plan attached as Appendix F to the Information Circular (assuming that the Stock Option Plan Resolution is passed by Unitholders at the Meeting);
6. the Deferred Share Plan attached as Appendix H to the Information Circular (assuming that the Deferred Share Plan Resolution is passed by Unitholders at the Meeting);
7. the Supplemental Trust Indentures.

For a description of material contracts of the REIT, see the section entitled "Material Contracts" in the Annual Information Form which is incorporated by reference in this Information Circular.



**SCHEDULE “A”  
TO  
APPENDIX I**

**FINANCIAL STATEMENTS OF NEW TEMPLE**



**TEMPLE HOTELS INC.**  
**FINANCIAL STATEMENTS**  
**AUGUST 27, 2012**



October 9, 2012

## INDEPENDENT AUDITORS' REPORT

### To the Shareholder of Temple Hotels Inc.:

We have audited the accompanying financial statements of Temple Hotels Inc., which comprise the balance sheet as at August 27, 2012, and the statements of changes in shareholder's equity and cash flows for the one day period then ended, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Temple Hotels Inc. as at August 27, 2012, and its cash flows for the one day period then ended in accordance with International Financial Reporting Standards.

**Scarrow & Donald LLP**

Chartered Accountants  
Winnipeg, Canada

For this communication, together with the work done to prepare this communication and for opinions we have formed, if any, we accept and assume responsibility only to the addressee of this communication, as specified in our letter of engagement.



**Temple Hotels Inc.**  
**Balance Sheet**

**August 27,**  
**2012**

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**Assets**

**Current assets**

Cash

\$ 10

**Shareholder's Equity**

Share capital

\$ 10



**Temple Hotels Inc.**  
**Statement of Changes in Shareholder's Equity**

**For the one day  
period ended  
August 27, 2012**

**Share capital**

Issuance of common share on incorporation

\$ 10

**Shareholder's equity**

\$ 10



**Temple Hotels Inc.**  
**Statement of Cash Flows**

	<b>For the one day period ended August 27, 2012</b>
<b>Financing activities</b>	
Issuance of common share	<u>\$          10</u>
<b>Net increase in cash</b>	10
<b>Cash, beginning of period</b>	<u>-</u>
<b>Cash, end of period</b>	<u><u>\$          10</u></u>



## **Temple Hotels Inc.**

Notes to the Financial Statements

August 27, 2012

### **1. Organization and Basis of Presentation**

Temple Hotels Inc. ("New Temple") was incorporated under the *Canada Business Corporations Act* on August 27, 2012 to facilitate the conversion of Temple Real Estate Investment Trust (the "REIT") from a trust structure to a corporate structure. Other than the issuance of one common share, New Temple has not conducted any business and will not carry on any business until the Plan of Arrangement (the "Arrangement") is completed. Accordingly, a statement of net income and comprehensive income has not been prepared. These financial statements are presented in Canadian dollars.

The registered office of New Temple is 30<sup>th</sup> Floor, 360 Main Street, Winnipeg, Canada. New Temple's financial statements as at August 27, 2012 were authorized for issue by the directors on October 9, 2012, after which date the financial statements may be amended with board approval.

### **2. Basis of Presentation and Significant Accounting Policies**

#### **Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards.

#### **Basis of measurement**

The financial statements have been prepared on the historical cost basis.

#### **Use of judgments and estimates**

The preparation of these financial statements in conformity with International Financial Reporting Standards requires management to make estimates, judgments and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from these estimates.

#### **Cash**

Cash on the balance sheet consists of cash on hand.

#### **Share capital**

Shares are initially recognized at the fair value of the consideration received by New Temple. Transactions costs related to the issuance of the common shares are recognized directly in shareholders' equity as a reduction of the proceeds received.

### **3. Share Capital**

At August 27, 2012 the authorized share capital comprised an unlimited number of common shares. On August 27, 2012 New Temple issued one common share for \$10 cash.



## **Temple Hotels Inc.**

Notes to the Financial Statements

August 27, 2012

### **4. Plan of Arrangement**

On August 27, 2012, the Board of Trustees of the REIT approved a proposed transaction providing for the conversion of the REIT from a trust to a corporation.

If the Arrangement is approved by the unitholders of the REIT, unitholders will receive, for each unit of the REIT held, one common share of New Temple on the effective date of the Arrangement (Effective Date). All assets and liabilities of the REIT and its subsidiary, TR Trust, will become the assets and liabilities of New Temple. Following completion of the Arrangement, the former unitholders of the REIT will hold all outstanding common shares of New Temple.

If the Arrangement is approved by the unitholders of the REIT, all of the issued and outstanding trust options shall be, and shall be deemed to be, exchanged, on a one-for-one basis, for stock options with the same exercise price as such trust option, the same vesting period as such trust option, and the same expiration date as such trust option.

If the Arrangement is approved by the unitholders of the REIT, all of the issued and outstanding deferred units shall be, and shall be deemed to be, exchanged, on a one-for-one basis, for deferred shares with the same vesting period as such deferred units and the same redemption terms as such deferred units.

Upon completion of the Arrangement, any Debentures that are outstanding immediately prior to the Effective Date will be assumed by and become the obligations of New Temple. Upon completion of the Arrangement, a holder of a series of Debentures will have the right to convert such Debentures into common shares of New Temple at the same conversion price, and on the same terms and condition, as the holder's right to convert such Debentures into Units immediately prior to the Arrangement.

Since the Arrangement does not constitute a change of control for accounting purposes, the financial statements of New Temple will be the continuation of the REIT. As a result of the Arrangement, the financial statements of New Temple will reflect the assets and liabilities of the REIT at their respective carrying amounts. Any change in the deferred income tax balance due to the change in tax status will be charged to the income tax expense at the Effective Date.

Completion of the transactions as contemplated by the Arrangement is subject to certain conditions, including regulatory approval and approval by the REIT's Unitholders at a meeting scheduled for November 19, 2012, but it is anticipated that the Arrangement will become effective on December 31, 2012.



## **APPENDIX J**

### **PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS**



**TEMPLE HOTELS INC.**  
**PRO FORMA CONSOLIDATED**  
**FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED JUNE 30, 2012**  
**AND YEAR ENDED DECEMBER 31, 2011**  
**(unaudited)**



**Temple Hotels Inc.**  
**Pro Forma Consolidated Balance Sheet**  
(in thousands of Canadian dollars)  
(unaudited)

As at June 30, 2012

	<b>Note</b>	<b>Trust</b>	<b>Pro forma adjustments</b>	<b>New Temple</b>
<b>Assets</b>				
<b>Current assets</b>				
Cash	2(b)	\$ 24,487	\$ (400)	\$ 24,087
Marketable securities		15,089	-	15,089
Trade and other receivables		5,497	-	5,497
Deposits and prepaid		2,475	-	2,475
Inventories		812	-	812
Net investment in lease		160	-	160
		48,520	(400)	48,120
<b>Non-current assets</b>				
Property and equipment		331,429	-	331,429
Net investment in lease		4,215	-	4,215
Goodwill		1,608	-	1,608
Other assets		1,860	-	1,860
Intangible assets		1,969	-	1,969
Deferred income tax	2(f)	17	(17)	-
		<u>\$ 389,618</u>	<u>\$ (417)</u>	<u>\$ 389,201</u>
<b>Liabilities and Equity</b>				
<b>Current liabilities</b>				
Accounts payable and other liabilities		\$ 9,489	\$ -	\$ 9,489
Unit based compensation	2(d)	668	(668)	-
Declared distribution payable		1,005	-	1,005
Debt	2(e)	114,520	(10,707)	103,813
Income tax payable		208	-	208
		125,890	(11,375)	114,515
<b>Non-current liabilities</b>				
Debt		174,805	-	174,805
Deferred income tax	2(f)	2,502	1,497	3,999
		303,197	(9,878)	293,319
<b>Shareholders' equity</b>				
	2(a)	86,421	-	
	2(b)		(400)	
	2(d)		668	
	2(e)		10,707	
	2(f)		(1,514)	95,882
		<u>\$ 389,618</u>	<u>\$ (417)</u>	<u>\$ 389,201</u>



**Temple Hotels Inc.****Pro Forma Consolidated Statement of Net Income and Comprehensive Income****(in thousands of Canadian dollars, except per share amounts)****(unaudited)****For the six months ended June 30, 2012**

	<b>Note</b>	<b>Trust</b>	<b>Pro forma adjustments</b>	<b>New Temple</b>
<b>Revenue</b>				
Room revenue		\$ 30,884	\$ -	\$ 30,884
Other hotel revenue		13,847	-	13,847
		44,731	-	44,731
<b>Expenses</b>				
Hotel operating costs		28,071	-	28,071
Hotel operating income		16,660	-	16,660
Interest expense, net	2(e)	10,219	(604)	9,615
General and administrative	2(c)	672	-	672
Depreciation		4,429	-	4,429
Amortization		55	-	55
Income before change in fair value of financial instruments and income tax expense		1,285	604	1,889
Change in fair value of financial instruments	2(d)	3,630	(45)	
	2(e)		3,019	6,604
Income before income taxes		4,915	3,578	8,493
Income tax expense:				
Current		225	-	225
Deferred	2(f)	394	520	914
		619	520	1,139
Net income and comprehensive income		\$ 4,296	\$ 3,058	\$ 7,354
Net income per share:				
Basic				\$ 0.32
Diluted				\$ 0.28
Weighted average number of share outstanding:				
Basic				23,147,330
Diluted				31,066,870



**Temple Hotels Inc.****Pro Forma Consolidated Statement of Net Income (Loss) and Comprehensive Income (Loss)****(in thousands of Canadian dollars, except per share amounts)****(unaudited)****For the year ended December 31, 2011**

	<b>Note</b>	<b>Trust</b>	<b>Pro forma adjustments</b>	<b>New Temple</b>
<b>Revenue</b>				
Room revenue		\$ 44,321	\$ -	\$ 44,321
Other hotel revenue		26,864	-	26,864
		71,185	-	71,185
<b>Expenses</b>				
Hotel operating costs		47,196	-	47,196
Hotel operating income		23,989	-	23,989
Interest expense, net	3(d)	13,707	(55)	13,652
General and administrative	3(a)(b)	804	400	1,204
Depreciation		7,133	-	7,133
Amortization		2	-	2
Income (loss) before change in fair value of financial instruments and income tax expense		2,343	(345)	1,998
Loss on disposal of property and equipment		(561)	-	(561)
Change in fair value of financial instruments	3(c)	(4,985)	475	
	3(d)		4,385	(125)
Income (loss) before income taxes		(3,203)	4,515	1,312
Income tax expense (recovery):				
Current	3(e)	431	-	431
Deferred	3(e)	(603)	608	5
		(172)	608	436
Net income (loss) and comprehensive income (loss)		\$ (3,031)	\$ 3,907	\$ 876
Net income per share:				
Basic				\$ 0.05
Diluted				\$ 0.05
Weighted average number of share outstanding:				
Basic				18,080,503
Diluted				18,112,479



## **Temple Hotels Inc.**

Notes to Pro Forma Consolidated Financial Statements

(in thousands of Canadian dollars)

(unaudited)

Six months ended June 30, 2012 and year ended December 31, 2011

### **1. Basis of Presentation:**

The accompanying unaudited pro forma statement of financial position as at June 30, 2012 and the statements of income (loss) and comprehensive income (loss) for the six months then ended and the year ended December 31, 2011 of Temple Hotels Inc. ("New Temple") have been prepared by management of Temple Real Estate Investment Trust (the "REIT") to reflect the Plan of Arrangement (the "Arrangement") to convert the REIT from an trust to a corporate structure as described in the REIT's Management Information Circular dated October 9, 2012 ("Information Circular") The accompanying unaudited pro forma consolidated financial statements give effect to the reorganization of the REIT into a corporation under the Arrangement as described in the Information Circular.

These unaudited pro forma consolidated financial statements should be read in conjunction with the Information Circular, the unaudited condensed consolidated financial statements of the REIT for the six months ended June 30, 2012, which are incorporated by reference in the Information Circular and the audited consolidated financial statements for the year ended December 31, 2011 which are incorporated by reference in the Information Circular.

These unaudited pro forma consolidated financial statements have been prepared using the audited consolidated statement of income (loss) and comprehensive income (loss) of the REIT for the year ended December 31, 2011, the unaudited condensed consolidated balance sheet of the REIT as at June 30, 2012 and the unaudited condensed consolidated statement of income (loss) and comprehensive income (loss) of the REIT for the six months ended June 30, 2012. The assumptions and adjustments to compute the pro forma balances are described in notes 2 and 3.

These unaudited pro forma consolidated financial statements reflect the acquisition of the REIT by New Temple which will continue the business of the REIT. Since the Arrangement does not constitute change of control for accounting purposes, the financial statements of New Temple will be the continuation of the REIT. Accordingly, the assets acquired and liabilities assumed are measured at the REIT's carrying amounts.

These unaudited pro forma consolidated financial statements are based on available financial information and certain estimates and assumptions, which may not be indicative of the results that would have occurred if the events reflected herein had been in effect on the dates indicated or of the results that may be obtained in the future. The actual adjustments may differ materially from those assumed or described herein.

Management of the REIT believes these unaudited pro forma consolidated financial statements include the adjustments necessary for the fair presentation of the transactions described above in accordance with International Financial Reporting Standards ("IFRS"). These unaudited pro forma consolidated financial statements are not intended to reflect the results of operations which would have actually resulted had the reorganization of the REIT into a corporation been effective on the dates indicated below. The unaudited pro forma consolidated statement of income (loss) and comprehensive income (loss) is not necessarily indicative of the results that may be obtained by New Temple in the future.



## **Temple Hotels Inc.**

Notes to Pro Forma Consolidated Financial Statements

(in thousands of Canadian dollars)

(unaudited)

Six months ended June 30, 2012 and year ended December 31, 2011

### **2. Pro forma adjustments and assumptions – as at and for the six months ended June 30, 2012:**

The unaudited pro forma consolidated statement of financial position as at June 30, 2012 gives effect to the Arrangement and the related assumptions described herein as if they occurred at the date of the balance sheet. The unaudited pro forma consolidated statement of income and comprehensive income for the six months ended June 30, 2012 gives effect to the Arrangement and the related assumptions described herein as if they had occurred on January 1, 2011.

- a) Completion of the Arrangement whereby holders of the trust units of the REIT receive a corresponding number of common shares of New Temple on a one-to-one basis. Previously described equity has been described as shareholders' equity.
- b) Estimated costs incurred in connection with the Arrangement, including legal, advisory fees, and other costs of \$400 will be expensed.
- c) Expenses previously described as trust expense have been described as general and administrative.
- d) Units of the REIT are considered puttable financial instruments because of the holder's option to redeem in accordance with the terms of the Declaration of Trust. Therefore, subsequent to initial recognition, unit options and deferred units are measured at fair value at each reporting date and are presented as liabilities. Changes in fair value are recognized in net income (loss) as additional compensation expense over their vesting period and as a fair value gain or loss as change in fair value of financial instruments once vested. As a result of the REIT's conversion from a trust to a corporation, the unit options and deferred units will be exchanged for share options and deferred shares. Share options and deferred shares will be treated as equity settled, and as a result the unit based compensation liabilities of \$668 at June 30, 2012 will be reclassified to shareholders' equity. Change in fair value of financial instruments expense has been decreased by \$45 during the six months ended June 30, 2012 as a result of the treatment of the share options and deferred shares as equity-settled.
- e) The convertible debentures and convertible mortgages issued by the REIT are convertible into trust units of the REIT, which are considered a puttable financial instrument. The debt and conversion feature of the convertible debentures and convertible mortgages are presented as liabilities. The REIT has recorded the full outstanding amount of each convertible debenture and convertible mortgage at its fair value with the changes being recorded in net income (loss) as a fair value adjustment. As a result of the REIT's conversion from a trust to a corporation convertible debenture and convertible mortgages will be convertible to shares rather than units, and the debt and equity components of the convertible debentures and convertible mortgages are required to be separated.

Transaction costs related to convertible debentures issued by the REIT are expensed in interest expense, net in the period incurred. As a result of the REIT's conversion from a trust to a corporation transaction costs related to the debt component of convertible debentures will be deferred and amortized using the effective interest rate method over the term of the convertible debenture. Costs related to the conversion feature of convertible debentures will be allocated to equity.



## **Temple Hotels Inc.**

Notes to Pro Forma Consolidated Financial Statements

(in thousands of Canadian dollars)

(unaudited)

Six months ended June 30, 2012 and year ended December 31, 2011

### **2. Pro forma adjustments and assumptions – as at and for the six months ended June 30, 2012 (continued):**

At June 30, 2012, the convertible debentures had a full fair value of \$84,955, of which \$74,248 was attributed to the fair value of the debentures and \$10,707 was attributed to the equity conversion option. As a result, there was a reclassification of \$10,707 from debt to shareholders' equity. Change in fair value of financial instruments expense has been increased by \$3,067 during the six months ended June 30, 2012 as a result of the treatment of the conversion option as an equity component. Interest expense, net for the six month ended June 30, 2012 has been increased by \$1,259 as a result of adjustments to effective interest on the debt component of the convertible debentures. Interest expense, net for the six month ended June 30, 2012 has been reduced by \$1,546 as a result of the deferral and amortization of transaction costs related to the debt component of convertible debenture issued subsequent to January 1, 2011. Interest expense, net for the six month ended June 30, 2012 has been reduced by \$317 as a result of the allocation of transaction costs related to the conversion feature to equity.

At June 30, 2012, the convertible mortgages had a full fair value of \$4,206, which was attributed to the fair value of the mortgages as the equity conversion option had a nominal fair value. As a result, there was no reclassification from debt to shareholders' equity. Change in fair value of financial instruments expense has been decreased by \$48 during the six months ended June 30, 2012 as a result of the treatment of the conversion option as an equity component.

- f) Deferred income tax asset has decreased and deferred income tax liability has increased by \$1,346 as a result of the reclassification of the equity conversion option to shareholders' equity as at June 30, 2012. Deferred income tax asset has decreased and deferred income tax liability has increased by \$168 as a result of the reclassification of unit-based compensation liabilities to shareholders' equity as at June 30, 2012.

Deferred income tax expense has increased by \$520 to reflect the adjustments to interest expense, net and change in fair value of financial instruments during the six months ended June 30, 2012.

### **3. Pro forma adjustments and assumptions – for the year ended December 31, 2011:**

The unaudited pro forma consolidated statement of income (loss) and comprehensive income (loss) for the year ended December 31, 2011 gives effect to the Arrangement and the related assumptions described herein as if they had occurred on January 1, 2011.

- a) Costs incurred in connection with the Arrangement, including legal, advisory fees, and other costs of \$400 will be expensed.
- b) Expenses previously described as trust expense have been described as general and administrative.
- c) Units of the REIT are considered puttable financial instruments because of the holder's option to redeem in accordance with the terms of the Declaration of Trust. Therefore, subsequent to initial recognition, unit options and deferred units are measured at fair value at each reporting date and are presented as liabilities. Changes in fair value are recognized in net income (loss) as additional compensation expense over their vesting period and as a fair value gain or loss as change in fair value of financial instruments once vested. As a result of the REIT's conversion from a trust to a corporation, the unit options and deferred units will be exchanged for share options and deferred shares. Change in fair value of financial instruments expense has been decreased by \$475 during the year ended December 31, 2011 as a result of the treatment of the share options and deferred shares as equity-settled.



## **Temple Hotels Inc.**

Notes to Pro Forma Consolidated Financial Statements

(in thousands of Canadian dollars)

(unaudited)

Six months ended June 30, 2012 and year ended December 31, 2011

### **3. Pro forma adjustments and assumptions – for the year ended December 31, 2011 (continued):**

- d) The convertible debentures and convertible mortgages issued by the REIT are convertible into trust units of the REIT, which are considered a puttable financial instrument. The debt and conversion feature of the convertible debentures and convertible mortgages are presented as liabilities. The REIT has recorded the full outstanding amount of each convertible debenture and convertible mortgage at its fair value with the changes being recorded in net income (loss) as a fair value adjustment. As a result of the REIT's conversion from a trust to a corporation convertible debenture and convertible mortgages will be convertible to shares rather than units, and the debt and equity components of the convertible debentures and convertible mortgages are required to be separated.

Transaction costs related to convertible debentures issued by the REIT are expensed in interest expense, net in the period incurred. As a result of the REIT's conversion from a trust to a corporation transaction costs related to the debt component of convertible debentures will be deferred and amortized using the effective interest rate method over the term of the convertible debenture. Costs related to the conversion feature of convertible debentures will be allocated to equity.

Change in fair value of financial instruments expense has been decreased by \$4,294 during the year ended December 31, 2011 as a result of the treatment of the conversion option for convertible debentures as an equity component. Interest expense, net for the year ended December 31, 2011 has been increased by \$1,550 as a result of adjustments to effective interest on the debt component of the convertible debentures. Interest expense, net for the year ended December 31, 2011 has been reduced by \$1,362 as a result of the deferral and amortization of transaction costs related to the debt component of convertible debenture issued subsequent to January 1, 2011. Interest expense, net for the year ended December 31, 2011 has been reduced by \$243 as a result of the allocation of transaction costs related to the conversion feature to equity.

Change in fair value of financial instruments expense has been decreased by \$91 during the year ended December 31, 2011 as a result of the treatment of the conversion option for convertible mortgages as an equity component.

- e) Deferred income tax expense has increased by \$608 to reflect the adjustments to general and administrative expenses, interest expense, net and change in fair value of financial instruments during the year ended December 31, 2011.