



Office  
REIT

**SLATE OFFICE REIT**

**NOTICE OF SPECIAL MEETING OF UNITHOLDERS**

to be held on March 8, 2018 and

**MANAGEMENT INFORMATION CIRCULAR**

Dated January 31, 2018

with respect to the acquisition of seven properties

## SLATE OFFICE REIT

January 31, 2018

Dear fellow unitholders of Slate Office REIT:

You are invited to attend a special meeting (the “**Meeting**”) of the holders (“**Unitholders**”) of units of Slate Office REIT (the “**REIT**”), which will be held at the offices of McCarthy Tétrault LLP, Suite 5300, TD Bank Tower, Box 48, 66 Wellington Street West, Toronto, Ontario, M5K 1E6 on March 8, 2018 at 10:00 a.m. (Eastern Standard Time).

At the Meeting, Unitholders will be asked to vote on an ordinary resolution approving the Acquisition (as defined herein), which is described in more detail below and throughout the accompanying management information circular.

We expect that the Acquisition will result in a number of benefits for Unitholders, including:

- adding presence and scale to the REIT’s existing markets;
- being an off-market transaction that provides attractive economics at \$192 per square foot which are expected to be immediately accretive to 2018 Adjusted Funds From Operations (“**AFFO**”)¹; and
- strengthening and diversifying the REIT’s tenant credit profile with significant high quality tenants, including Canadian governments and multinational corporations.

On December 8, 2017, Slate Acquisitions Inc., on behalf of Slate Canadian Real Estate Opportunity Fund I L.P. (the “**Purchaser**”), entered into the purchase and sale agreement (as amended by a waiver and amending agreement dated December 15, 2017 and as may be further amended from time to time, the “**Acquisition Agreement**”) to acquire a portfolio of real estate assets (the “**Cominar Portfolio**”) together with the equity interests in certain property related subsidiaries from Cominar Real Estate Investment Trust and certain of its subsidiaries (collectively, “**Cominar**”). On January 19, 2018, the REIT entered into an agreement with the Purchaser (the “**REIT Acquisition Agreement**”) to acquire (the “**Acquisition**”) seven of such properties (the “**Acquisition Properties**”) for an aggregate purchase price of \$191.4 million, exclusive of GST/HST, subject to adjustments, to be partially satisfied from the proceeds of the Subscription Receipt Offering (as defined herein) by the REIT assuming the Existing Mortgages (as defined herein). The REIT Acquisition Agreement was subsequently amended by an amending agreement entered into between the REIT and the Purchaser on January 26, 2018, the terms of which are described herein (the “**Amending Agreement**”).

Pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”), the Acquisition could be considered a “related party transaction” for the REIT by virtue of the relationship between the REIT and the Purchaser, and as such, the REIT intends to seek minority unitholder approval of the Acquisition at the Meeting.

The closing of the Acquisition will be conditional upon the satisfaction of certain conditions including minority approval at the Meeting. If approval of the Acquisition is obtained at the Meeting, it is anticipated that the closing of the Acquisition will occur on or about March 26, 2018 but in any event on or before July 31, 2018 (the “**Acquisition Closing**”).

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¹ AFFO is a non-IFRS measure that is used by management of the REIT, certain of the real estate industry and investors to measure the cash flows generated from operations including certain capital costs, leading costs, tenant improvements and the impact of non-cash revenue. It is a meaningful measure used to evaluate the extent of cash available for distribution to unitholders. The REIT’s use and calculation of AFFO may be different from the use or as disclosed by other businesses, and as a result, may not be comparable to similar measures presented by others.

In order to partially finance the Acquisition, the REIT has raised, through an offering which closed on January 26, 2018, gross proceeds of \$103,508,280 through the sale of 12,778,800 subscription receipts (the “**Subscription Receipts**”) at a price of \$8.10 per Subscription Receipt (which includes proceeds from the full exercise of an over-allotment option to purchase additional Subscription Receipts). On the closing of the Acquisition, each Subscription Receipt will convert, without payment of additional consideration, into one unit of the REIT.

The board of trustees of the REIT (the “**Board**”) constituted a special committee of independent trustees consisting of Pamela Spackman (Chair), Monty Baker, Nora Duke, Thomas Farley and John O'Bryan (the “**Special Committee**”) for purposes of, among other things, considering the Acquisition, supervising the process to be carried out by the REIT and its professional advisors in connection with the Acquisition, determining whether the Acquisition is in the best interests of the REIT and, as the Special Committee may determine to be necessary or advisable, report and make recommendations to the Board with respect to the Acquisition.

The Special Committee retained Blair Franklin Capital Partners Inc. (“**Blair Franklin**”) to prepare a valuation in respect of the Acquisition Properties in accordance with the requirements of MI 61-101 and to provide a written opinion (the “**Fairness Opinion**”) as to the fairness to the REIT, from a financial point of view, of the consideration to be paid by the REIT for the Acquisition Properties. Subject to the assumptions, limitations and qualifications and other matters contained in the Fairness Opinion, Blair Franklin has provided the Special Committee with its opinion that, as of the date of its opinion, the consideration payable by the REIT pursuant to the Acquisition is fair, from a financial point of view, to the REIT.

The accompanying management information circular provides a detailed description of the Acquisition, as well as information regarding the REIT and the Acquisition Properties. Please give this material your careful consideration.

The Board (with interested trustees abstaining) has unanimously approved the Acquisition and recommends that Unitholders vote FOR the Acquisition at the Unitholder Meeting.

Your vote matters. You may exercise your vote by completing the proxy voting form or voting information form or by attending the Meeting. If you have any questions or require any assistance voting your Units, please contact the REIT’s proxy solicitation agent, Laurel Hill Advisory Group (“**Laurel Hill**”) by telephone at 1-877-452-7184 (toll-free in Canada) or 1-416-304-0211 (collect calls for unitholders outside North America) or by email at [assistance@laurelhill.com](mailto:assistance@laurelhill.com).

On behalf of the Board and the REIT’s executive officers, we would like to thank you for your consideration of this important transaction. We look forward to seeing you at the Meeting.

Yours very truly,

“*Scott Antoniak*”

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SCOTT ANTONIAK  
Chief Executive Officer  
Slate Office REIT

## NOTICE OF SPECIAL MEETING OF UNITHOLDERS OF SLATE OFFICE REIT

All capitalized terms used herein but not otherwise defined have the meaning ascribed thereto in the accompanying management information circular dated January 31, 2018 (the “**Information Circular**”).

**NOTICE IS HEREBY GIVEN** that a special meeting (the “**Meeting**”) of the holders (the “**Unitholders**”) of units (“**Units**”) of Slate Office REIT (the “**REIT**”) will be held at McCarthy Tétrault LLP, Suite 5300, TD Bank Tower, Box 48, 66 Wellington Street West, Toronto, Ontario, M5K 1E6 on March 8, 2018 at 10:00 a.m. (Eastern Standard Time), for the following purposes:

- (i) to consider, and if deemed advisable, approve an ordinary resolution (the “**Acquisition Resolution**”) approving the Acquisition in the form attached hereto as Appendix “A” to the management information circular (the “**Information Circular**”) which accompanies this notice; and
- (ii) to transact such other business as may be properly brought before the Meeting and any adjournment or postponement thereof.

The specific details of the foregoing matters to be put before the Meeting are set forth in the Information Circular under “*Business of the Meeting*”, accompanying and forming part of this Notice of Special Meeting.

The board of trustees (the “**Board**”) has fixed February 6, 2018 as the record date (the “**Record Date**”) for the purpose of determining Unitholders entitled to receive notice of and to vote at the Meeting. Any holder of Units of record at the close of business on the Record Date is entitled to vote the Units registered in such Unitholder’s name at that date on each matter to be acted upon at the Meeting.

To be approved, the Acquisition Resolution must receive the affirmative vote of not less than a majority of the votes cast thereon by holders of the Units (other than Excluded Unitholders pursuant to MI 61-101, as such term is defined in the Information Circular).

For the Meeting, a quorum is present if there are two or more individuals present in person or represented by proxy, holding or representing by proxy in aggregate at least 5% of the total number of outstanding Units.

Unitholders who hold their Units with a bank, broker or other financial intermediary are not registered Unitholders. If you are not a registered Unitholder, you will have received a request for voting instructions from your broker or other nominee. Please complete and return your voting instruction form in accordance with the directions on the voting instruction form. To be effective, a voting instruction form must be received no later than 10:00 a.m. (Eastern Standard Time) on March 6, 2018. If you plan to attend the Meeting and wish to vote in person, please follow the instructions on the enclosed voting instruction form to appoint yourself, instead of the management nominees, to vote at the Meeting. Non-registered Unitholders must take the necessary steps to appoint themselves if they wish to vote at the Meeting in person. Please take the time to ensure your vote is included at the Meeting.

DATED at Toronto, Ontario this 31<sup>st</sup> day of January, 2018.

**By order of the Board of Trustees,**

“*John O’Bryan*”

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John O’Bryan, Chair, Board of Trustees,

Slate Office REIT

## MANAGEMENT INFORMATION CIRCULAR

### TABLE OF CONTENTS

|                                                                   |    |
|-------------------------------------------------------------------|----|
| GENERAL INFORMATION .....                                         | 1  |
| NOTICE REGARDING FORWARD-LOOKING STATEMENTS.....                  | 1  |
| NON-IFRS MEASURES .....                                           | 2  |
| PROXY AND VOTING INFORMATION .....                                | 3  |
| Solicitation of Proxies .....                                     | 3  |
| Record Date.....                                                  | 3  |
| Appointment of Proxies.....                                       | 3  |
| Revocation of Proxies.....                                        | 4  |
| Advice to Beneficial Unitholders .....                            | 4  |
| Voting of Proxies.....                                            | 5  |
| Voting Securities and Principal Holders Thereof .....             | 5  |
| BUSINESS OF THE MEETING .....                                     | 6  |
| Overview .....                                                    | 6  |
| Excluded Unitholders .....                                        | 6  |
| THE REIT .....                                                    | 7  |
| THE ACQUISITION .....                                             | 7  |
| Overview .....                                                    | 7  |
| The Acquisition Agreement and the REIT Acquisition Agreement..... | 7  |
| The Acquisition Properties.....                                   | 8  |
| Financing of the Acquisition.....                                 | 9  |
| BACKGROUND AND RECOMMENDATIONS.....                               | 11 |
| Recommendation of the Special Committee .....                     | 11 |
| Approval and Recommendation of the Board .....                    | 12 |
| Background to the Acquisition .....                               | 12 |
| Formal Valuation and Fairness Opinion .....                       | 15 |
| Prior Valuations .....                                            | 17 |
| Approvals Required for the Acquisition .....                      | 17 |
| Expenses of the Acquisition.....                                  | 17 |

|                                                                 |     |
|-----------------------------------------------------------------|-----|
| RISK FACTORS .....                                              | 18  |
| INTEREST OF EXPERTS .....                                       | 19  |
| MATERIAL CONTRACTS .....                                        | 19  |
| INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS .....    | 20  |
| AUDITORS, TRANSFER AGENT AND REGISTRAR .....                    | 20  |
| ADDITIONAL INFORMATION .....                                    | 20  |
| APPROVAL OF TRUSTEES .....                                      | 21  |
| GLOSSARY .....                                                  | 22  |
| APPENDIX A ACQUISITION RESOLUTION .....                         | A-1 |
| APPENDIX B CONSENT OF BLAIR FRANKLIN CAPITAL PARTNERS INC. .... | B-1 |
| APPENDIX C FORMAL VALUATION AND FAIRNESS OPINION .....          | C-1 |

## GENERAL INFORMATION

The Information Circular (“Information Circular”) is furnished in connection with the solicitation of proxies by and on behalf of management of Slate Office REIT (the “REIT”) for use at the special meeting (the “Meeting”) of the holders (the “Unitholders”) of units (“Units”) of the REIT and any adjournment or postponement thereof. No person has been authorized to give any information or make any representation in connection with matters to be considered at the Meeting other than those contained in the Information Circular and, if given or made, any such information or representation must not be relied upon as having been authorized by the REIT or management of the REIT.

In the Information Circular, references to the REIT include its subsidiaries as required by the context. All dollar amounts are expressed in Canadian dollars unless otherwise indicated. All capitalized terms used in the Information Circular but not otherwise defined herein have the meanings set forth under “Glossary”. Capitalized terms defined herein or under “Glossary” that import the singular number include the plural number, and vice versa.

## NOTICE REGARDING FORWARD-LOOKING STATEMENTS

The Information Circular contains “forward-looking information” as defined under Canadian securities laws (“**Forward-Looking Statements**”) which reflect management’s expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance, business prospects and opportunities of the REIT. The words “plans”, “expects”, “does not expect”, “scheduled”, “estimates”, “intends”, “anticipates”, “does not anticipate”, “projects”, “believes”, or variations of such words and phrases or statements to the effect that certain actions, events or results “may”, “will”, “could”, “would”, “might”, “occur”, “be achieved”, or “continue” and similar expressions identify Forward-Looking Statements. Some of the specific Forward-Looking Statements in the Information Circular include, but are not limited to statements with respect to the intention of the REIT to complete the closing of the Acquisition on the terms and conditions described herein, the anticipated effect of the Acquisition, and the expected timing for completion of the Acquisition. Such Forward-Looking Statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations, including that the transactions contemplated herein are completed.

Forward-Looking Statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by management as of the date of the Information Circular, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The REIT’s estimates, beliefs and assumptions, which may prove to be incorrect, include the various assumptions set forth herein, including, but not limited to, the REIT’s future growth potential, results of operations, future prospects and opportunities; the demographic and industry trends; legislative or regulatory matters; future levels of indebtedness; the tax laws as currently in effect; the continual availability of capital; and the current economic conditions.

When relying on Forward-Looking Statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as Forward-Looking Statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ, possibly materially, from the results discussed in the forward-looking statements, including but not limited to those factors discussed under “*Risk Factors*” in the Information Circular.

Certain statements included in the Information Circular may be considered a “financial outlook” for purposes of applicable Canadian securities laws, and as such, the financial outlook may not be appropriate for purposes other than the Information Circular. All Forward-Looking Statements are made as of the date of the Information Circular. Except as expressly required by applicable law, the REIT assumes no obligation to publicly update or revise any Forward-Looking Statement, whether as a result of new information, future events or otherwise. All Forward-Looking Statements in the Information Circular are qualified by these cautionary statements.

## NON-IFRS MEASURES

In the Information Circular, reference is made to funds from operations (“**FFO**”), core funds from operations (“**Core-FFO**”), adjusted funds from operations (“**AFFO**”) and net operating income (“**NOI**”). These are key measures of performance used by real estate businesses. However, such measures are not defined by IFRS and do not have standardized meanings prescribed by IFRS. The REIT believes that FFO, Core-FFO and AFFO are important measures of economic performance and NOI is an important measure of operating performance and the performance of real estate properties owned by an entity.

“**FFO**” is defined as net income in accordance with IFRS, excluding: (i) fair value adjustments to investment properties; (ii) gains (or losses) from sales of investment properties; (iii) amortization of tenant incentives; (iv) fair value adjustments, interest expense and other effects of the Units and any other exchangeable securities being classified as liabilities; (v) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (vi) the effect of recording property tax expense on other than an even basis over the period; and (vii) deferred income tax expense, after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties.

“**Core-FFO**” is defined as FFO subject to certain adjustments, including: (i) converting finance income to lease payments received for finance leases; and (ii) excluding mortgage discharge fees.

“**AFFO**” is defined as Core-FFO subject to certain adjustments, including: (i) excluding amortization of fair value mark-to-market adjustments on mortgages acquired; (ii) excluding amortization of deferred financing and leasing costs; (iii) adjusting for any differences resulting from recognizing property revenues on a straight-line basis; and (iv) deducting a reserve for normalized maintenance capital expenditures, tenant inducements and leasing costs, as determined by management.

“**NOI**” for a property and for a given period, is defined as the sum of the following: (i) cash rents and other cash revenues received in the ordinary course from such property (excluding pre-paid rents and revenues and security deposits except to the extent applied in satisfaction of tenants’ obligations for rent) minus (ii) all expenses paid or accrued related to the ownership, operation or maintenance of such properties plus the effect of recording property tax expense on other than an even basis over the period.

FFO, Core-FFO, AFFO and NOI should not be construed as alternatives to net income or cash flow from operating activities determined in accordance with IFRS as indicators of the REIT’s performance. This method of calculating FFO, Core-FFO, AFFO and NOI may differ from other issuers’ methods and accordingly may not be comparable to measures used by other issuers. For more information, including an illustrative reconciliation of FFO, Core-FFO, AFFO and NOI to the most directly comparable measure under IFRS, see the REIT’s management’s discussion and analysis of the results of operations and financial condition and results of operations of the REIT for the three and nine months ended September 30, 2017 (the “**Q3 2017 MD&A**”). A copy of the Q3 2017 MD&A may be obtained on request without charge from the REIT at 121 King Street West, Suite 200, Toronto, Ontario M5H 3T9, (416) 644-4264 Attention: Investor Relations. In addition, copies of the documents incorporated by reference herein may be obtained from the Securities Commissions electronically on System for Electronic Document Analysis and Retrieval (“**SEDAR**”), at [www.sedar.com](http://www.sedar.com).

## PROXY AND VOTING INFORMATION

**Beneficial Unitholders should read the information under “*Proxy and Voting Information – Advice to Beneficial Unitholders*” for an explanation of their rights.**

### **Solicitation of Proxies**

The Information Circular is furnished in connection with the solicitation of proxies by management of the REIT for use at the Meeting to be held at McCarthy Tétrault LLP, Suite 5300, TD Bank Tower, Box 48, 66 Wellington Street West, Toronto, Ontario, M5K 1E6 on March 8, 2018 at 10:00 a.m. (Eastern Standard Time) and any adjournment or postponement thereof. **The information contained herein is given as of January 31, 2018, the date of the Information Circular, unless otherwise stated.**

The solicitation of proxies will be primarily by mail, but proxies may also be solicited personally or by telephone by representatives of the REIT without special compensation or by such agents as the REIT may appoint. The REIT has retained the services of Laurel Hill Advisory Group (“**Laurel Hill**”) to assist with communication to unitholders and the solicitation of proxies. In connection with these services, Laurel Hill will receive a fee of \$40,000 plus reasonable out-of-pocket expenses. Unitholders who have question or require any assistance voting their Units, can contact Laurel Hill by telephone at 1-877-452-7184 (toll-free in Canada) or 1-416-304-0211 (collect calls for unitholders outside North America) or by email at [assistance@laurelhill.com](mailto:assistance@laurelhill.com).

The cost of solicitation will be borne by the REIT. The REIT may also pay brokers or nominees holding Units in their names or in the names of their principals for their reasonable expenses incurred in sending solicitation materials to their principals.

Unitholders who are unable to attend the Meeting in person are requested to complete, date, sign and return the accompanying form of proxy for use at the Meeting or any adjournment or postponement thereof to the attention of TSX Trust Company, 100 Adelaide St W, Suite 301 Toronto ON M5H 4H1, Attention: Proxy Department (i) in the envelope provided, (ii) by email at [tmxeproxysupport@tmx.com](mailto:tmxeproxysupport@tmx.com), or (iii) by facsimile to 416-595-9593. To be effective, proxies must be received by TSX Trust Company not later than 10:00 a.m. (Eastern Standard Time) on March 6, 2018 or, if the Meeting is adjourned or postponed, 48 hours (excluding Saturdays, Sundays and statutory holidays) before any adjourned or postponed Meeting. The Chair of the Meeting has the discretion to extend or waive the deadline for the deposit of proxies at his or her discretion without notice.

### **Record Date**

The REIT will prepare a list of Unitholders of record as of the close of business on February 6, 2018 (the “**Record Date**”). Unitholders named on that list will be entitled to receive notice of and vote at the Meeting or any adjournment or postponement thereof, even though he/she/it has since the Record Date disposed of his/her/its Units, and no Unitholder becoming such after the Record Date will be entitled to receive notice of and vote at the Meeting or any adjournment or postponement thereof or to be treated as a Unitholder of record for purposes of such other action. Each Unitholder is entitled to one vote at the Meeting for each Voting Unit held as provided herein.

### **Appointment of Proxies**

**A Unitholder has the right to appoint a person (who need not be a Unitholder), other than persons designated in the form of proxy accompanying the Information Circular, as nominee to attend at and act for and on behalf of such Unitholder at the Meeting.** This right may be exercised by inserting the name of such person in the blank space provided on the form of proxy applicable to the Meeting.

A form of proxy will not be valid for the Meeting or any adjournment or postponement thereof unless it is completed and delivered to TSX Trust Company no later than 10:00 a.m. EST on the second last Business Day immediately preceding the date of the Meeting or any adjournment or postponement

thereof, in accordance with the delivery instructions contained above under “*Proxy and Voting Information – Solicitation of Proxies*”.

### **Revocation of Proxies**

Proxies given by Unitholders for use at the Meeting may be revoked at any time prior to their use. Subject to compliance with the requirements described in the following paragraph, the giving of a proxy will not affect the right of a Unitholder to attend and vote in person at the Meeting.

In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the Unitholder or his/her attorney duly authorized in writing, or, if the Unitholder is a corporation, under its corporate seal by an officer or attorney thereof duly authorized and deposited with TSX Trust Company, in a manner provided above under “*Proxy and Voting Information – Solicitation of Proxies*”, at any time up to and including 10:00 a.m. (Eastern Standard Time) on the second last Business Day immediately preceding the date of the Meeting, or any adjournment or postponement thereof, as applicable, or, with the Chair at the Meeting on the day of such meeting or any adjournment or postponement thereof, and upon any such deposit, the proxy is revoked.

### **Advice to Beneficial Unitholders**

The information set forth in this section is of significant importance to a majority of Unitholders as they do not hold their Units in their own names, rather they are held through a broker, dealer, bank, trust company or other nominee (such Unitholders are referred to as “**Beneficial Unitholder(s)**”). Such Units are not registered in the Unitholder’s own name on the records of the REIT maintained by TSX Trust Company and are instead registered in the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc. (“**CDS**”), which acts as nominee for many Canadian brokerage firms). Units held by brokers or their agents or nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Unitholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting the Units for the brokers’ clients. **Therefore, each Beneficial Unitholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Beneficial Unitholders who have questions or require any assistance voting their Units, can contact Laurel Hill by telephone at 1-877-452-7184 (toll-free in Canada) or 1-416-304-0211 (collect calls for unitholders outside North America) or by email at [assistance@laurelhill.com](mailto:assistance@laurelhill.com).

Applicable Canadian regulatory policy requires brokers or other nominees to seek voting instructions from Beneficial Unitholders in advance of unitholders’ meetings by forwarding a voting instruction form (Form 54-101F7 – *Request for Voting Instructions made by Intermediary* (“**Form 54-101F7**”)) under NI 54-101. Brokers and other nominees have their own mailing and delivery procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Unitholders in order to ensure that their Units are voted at the Meeting. In Canada, many brokers delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc. (“**Broadridge**”). In most cases, Broadridge mails a scan-able voting instruction form and asks Beneficial Unitholders to return the form to Broadridge. Alternatively, Beneficial Unitholders can either call Broadridge’s toll free telephone number to provide voting instructions, or access Broadridge’s dedicated voting web site at [www.proxyvote.com](http://www.proxyvote.com) to deliver their voting instructions. Broadridge then tabulates the results of all instructions received and provides appropriate instructions to the REIT respecting the voting of Units to be represented at the Meeting.

Additionally the REIT may utilize Broadridge’s QuickVote™ service to assist Beneficial Unitholders with voting their units. Certain Beneficial Unitholders may be contacted by Laurel Hill to conveniently vote directly over the phone.

A Beneficial Unitholder will not be recognized directly at the Meeting for the purposes of voting the Units registered in the name of their broker; however, a Beneficial Unitholder may attend the Meeting as proxy holder for the registered Unitholder and vote the Units in that capacity. **Beneficial Unitholders who want to attend the Meeting in person and vote as proxy holder can enter their own names or the names**

**of their appointees in the place provided for that purpose in the voting instruction form provided to them and return the same to their intermediary (or the intermediary's agent) in accordance with the instructions provided by such broker.** Subject to the basic requirements described below, intermediaries do have flexibility as to the specific method used to appoint Beneficial Unitholders as proxy holders, and Beneficial Unitholders should carefully follow all instructions they receive.

An intermediary who is the registered holder of, or holds a proxy in respect of, securities owned by a Beneficial Unitholder must arrange, without expense to the Beneficial Unitholder, to appoint the Beneficial Unitholder or a nominee of the Beneficial Unitholder as a proxy holder in respect of those securities if the Beneficial Unitholder has instructed the intermediary to do so using either of the following methods (i) the Beneficial Unitholder filled in and submitted the Form 54-101F7 previously sent to the Beneficial Unitholder by the intermediary, or (ii) the Beneficial Unitholder submitted any other document in writing that requests that the Beneficial Unitholder or a nominee of the Beneficial Unitholder be appointed as a proxy holder. If an intermediary appoints a Beneficial Unitholder or a nominee of the Beneficial Unitholder as a proxy holder as aforesaid, the Beneficial Unitholder or nominee of the Beneficial Unitholder, as applicable, must be given the authority to attend, vote and otherwise act for and on behalf of the intermediary in respect of all matters that may come before the Meeting and any adjournment or continuance thereof, unless applicable law does not permit the giving of that authority. An intermediary who appoints a Beneficial Unitholder as proxy holder as aforesaid must deposit the proxy within the timeframe specified above, if the intermediary obtains the instructions at least one Business Day before the termination of that time.

Beneficial Unitholders fall into two categories – those who object to their identity being made known to the issuers of securities which they own (“**OBOs**”) and those who do not object to their identity being made known to the issuers of the securities they own (“**NOBOs**”). Subject to the provisions of NI 54-101, issuers may request and obtain a list of their NOBOs from intermediaries. Pursuant to NI 54-101, issuers may obtain and use the NOBO list in connection with any matters relating to the affairs of the issuer, including the distribution of proxy-related materials directly to NOBOs. The REIT is not sending meeting materials directly to NOBOs; the REIT uses and pays intermediaries and agents to send the meeting materials. The REIT also intends to pay for intermediaries to deliver the meeting materials to OBOs.

**Beneficial Unitholders should contact their broker or other intermediary if they have any questions regarding the voting of Units held through that broker or other intermediary.**

### **Voting of Proxies**

The persons named in the form of proxy accompanying the Information Circular have indicated their willingness to represent as proxy the Unitholder who appointed them. Each Unitholder may instruct their proxy how to vote their Units by completing the blanks on the proxy form.

Units represented by properly executed proxy forms in favour of the person designated on the form will be voted for, against or withheld from voting (as the case may be), in accordance with the instructions given on the proxy forms. **In the absence of such instructions, the Units will be voted “FOR” the Acquisition Resolution.**

The proxy form accompanying the Information Circular confers discretionary authority upon the persons named therein with respect to amendments and variations to matters identified in the accompanying Notice of Special Meeting and with respect to any other matters which may properly come before the Meeting. As at the date of the Information Circular, management of the REIT know of no such amendments, variations or other matters to come before the Meeting.

### **Voting Securities and Principal Holders Thereof**

The REIT is authorized to issue an unlimited number of Units and Special Voting Units, of which 56,947,505 Units and 5,285,160 Special Voting Units were issued and outstanding as at January 31, 2018. As at January 31, 2018, the REIT's subsidiaries have outstanding 2,977,132 Office I LP Class B LP Units and 2,308,028 Office II LP Class B LP Units (which are attached to the outstanding Special Voting

Units). Each Class B LP Unit is redeemable for cash or Units on a one-for-one basis, as determined by Office GP, in its sole discretion. Each Unitholder is entitled to one vote at the Meeting for each Voting Unit held as provided herein. For clarity, this does not include the Subscription Receipts which are convertible into Units of the REIT upon fulfillment of certain conditions.

As at the date of the Information Circular, there are no persons or companies of record who own or are known to the REIT to own beneficially, directly or indirectly, more than 10% of any class of Units or Special Voting Units, other than as described below.

As of January 31, 2018, Slate indirectly holds 5,285,160 Class B LP Units and Special Voting Units representing all of the outstanding Class B LP Units and Special Voting Units. As of January 31, 2018, Slate also indirectly holds 1,687,251 Units which, together with the Class B LP Units indirectly held by Slate, represent approximately 11.2% of the outstanding Units on a non-diluted basis (but including the outstanding Class B LP Units). Blair Welch and Brady Welch, trustees of the REIT, exercise control or direction over the Units, Special Voting Units and Class B LP Units indirectly held by Slate in their capacity as partners of Slate.

## **BUSINESS OF THE MEETING**

### **Overview**

The Meeting will be constituted as a special meeting of the REIT. The REIT is an unincorporated open-ended real estate investment trust constituted in accordance with the laws of the Province of Ontario pursuant to an amended and restated declaration of trust dated as of March 21, 2016 (the “**Declaration of Trust**”). The REIT’s head and registered office is located at 121 King Street West, Suite 200, Toronto, Ontario, M5H 3T9.

At the Meeting, the Unitholders will be asked to consider and, if thought fit, pass an ordinary resolution approving the Acquisition, the full text of which is set forth in Appendix “A” (the “**Acquisition Resolution**”).

**If you do not specify how you want your Units voted, the persons named as proxy holders will cast the votes represented by proxy at the Meeting FOR the Acquisition Resolution.**

To be approved, the Acquisition Resolution must receive the affirmative vote of not less than a majority of the votes cast thereon by holders of the Units (other than Excluded Unitholders) pursuant to Multilateral Instrument – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”).

### **Excluded Unitholders**

As of the date of the Information Circular, the following Unitholders will be excluded from voting their Units at the Meeting for the purposes of determining whether approval for the Acquisition Resolution has been obtained:

- Slate, which holds 1,687,251 Units, representing 3% of the outstanding Units; and
- the following officers of Slate: Robert Armstrong, Lisa Rowe, Steve Hodgson, Ramsey Ali, Scott Antoniak, Blair Welch and Brady Welch, who collectively own 112,361 Units, representing in aggregate 0.2% of the outstanding Units (or less than 0.07% of the outstanding Units in the case of each of them).

Such Unitholders, together with (i) any other party that is an “interested party” in respect of the Acquisition, (ii) any other party that is a “related party” of an “interested party”, and (iii) any other party that is a “joint actor” with any of the foregoing with respect to the Acquisition, as determined pursuant to MI 61-101 and subject to the exceptions noted therein, are referred to in the Information Circular as the “**Excluded Unitholders**”.

Collectively, to the knowledge of the REIT after reasonable inquiry, the Excluded Unitholders exercise control or direction over 1,799,612 Units representing 3.2% of the outstanding Units.

All of the outstanding Special Voting Units are owned by Excluded Unitholders and, as such, the holders thereof are not entitled to vote at the Meeting.

For the Meeting, a quorum is present if there are two or more individuals present in person or represented by proxy, holding or representing by proxy in aggregate at least 5% of the total number of outstanding Units.

## THE REIT

The REIT is an unincorporated, open-ended real estate investment trust governed by the laws of the Province of Ontario. The REIT focuses on acquiring, holding, developing, maintaining, improving, leasing and managing office properties in Canada. The head and registered office of the REIT is 121 King Street West, Suite 200, Toronto, Ontario, M5H 3T9.

The REIT currently owns a portfolio (the “**Portfolio**”) of 38 assets that is primarily comprised of office properties located throughout Canada. The Portfolio consists of 6.1 million square feet of existing GLA.

For more information on the REIT, including a description of its structure, business, investment guidelines and operating policies, see “*Overview – Structure*”, “*Description of the Business*” and “*Investment Guidelines and Operating Policies*” in the REIT’s annual information form for the period ended December 31, 2016, a copy of which may be obtained on request without charge from the REIT at 121 King Street West, Suite 200, Toronto, Ontario M5H 3T9, (416) 644-4264 Attention: Investor Relations. In addition, copies of the documents incorporated by reference herein may be obtained from SEDAR, at [www.sedar.com](http://www.sedar.com).

## THE ACQUISITION

### Overview

On December 8, 2017, Slate Acquisitions Inc., on behalf of Slate Canadian Real Estate Opportunity Fund I L.P. (the “**Purchaser**”), entered into the purchase and sale agreement (as amended by a waiver and amending agreement dated December 15, 2017 and as may be further amended from time to time, the “**Acquisition Agreement**”) to acquire a portfolio of real estate assets (the “**Cominar Portfolio**”) together with the equity interests in certain property-related subsidiaries from Cominar Real Estate Investment Trust and certain of its subsidiaries (collectively, “**Cominar**”). On January 19, 2018, the REIT entered into an agreement with the Purchaser (the “**REIT Acquisition Agreement**”) to acquire seven of such properties (the “**Acquisition Properties**”) for an aggregate purchase price of \$191.4 million, exclusive of GST/HST, subject to adjustments, to be partially satisfied by the REIT assuming the Existing Mortgages (as defined herein) (collectively, the “**Acquisition**”). The REIT Acquisition Agreement was subsequently amended by an amending agreement entered into between the REIT and the Purchaser on January 26, 2018, the terms of which are described herein (the “**Amending Agreement**”).

The closing of the Acquisition will be conditional upon the satisfaction of certain conditions including minority approval at the Meeting. If approval of the Acquisition is obtained at the Meeting, it is anticipated that the closing of the Acquisition will occur on or about March 26, 2018 but in any event on or before July 31, 2018 (the “**Acquisition Closing**”).

### The Acquisition Agreement and the REIT Acquisition Agreement

The transactions contemplated by the Acquisition Agreement will be conditional upon the satisfaction of certain conditions including receipt of consent of the Mortgagees to the assumption of the Existing Mortgages, receipt of approval under the *Competition Act* (Canada) with respect to the sale of the Cominar Portfolio to the Purchaser pursuant to the Acquisition Agreement in the form of an advance ruling certificate or a no action letter (provided that, in conjunction with the latter, the statutory waiting

period has expired or been terminated or the statutory obligation to notify has been waived), the truth and accuracy of the representations and warranties of the Purchaser and Cominar, and receipt of estoppel certificates in respect of certain tenants.

The Acquisition Agreement contains representations, warranties and covenants relating to Cominar and the Purchaser as are customary in arm's length transactions of this nature, including, among other things, representations and warranties as to organization and status, power and due authorization, non-contravention of material agreements, leases, residency status and employment matters. All representations and warranties, unless otherwise stated in the Acquisition Agreement will survive for one year after the Acquisition Closing.

The Acquisition Agreement provides that, except as set out in the representations and warranties of Cominar, the Acquisition Properties are being purchased on an "as is, where is" basis in reliance on the Purchaser's own due diligence with respect to the Acquisition Properties.

On January 19, 2018 the REIT entered into the REIT Acquisition Agreement, pursuant to which the Purchaser agreed to cause Cominar to transfer the Acquisition Properties to the REIT and the REIT agreed to acquire the Acquisition Properties from Cominar pursuant to the terms of the REIT Acquisition Agreement and the Acquisition Agreement (as it relates to the Acquisition Properties). The REIT Acquisition Agreement is conditional on satisfaction of certain conditions, including satisfaction of the conditions under the Acquisition Agreement and conditional upon regulatory approval under the *Competition Act* (Canada) in respect of the REIT's acquisition of the Acquisition Properties. There is no certainty, nor can the REIT provide any assurance, that these conditions will be satisfied and, as such, there is no assurance that the Acquisition will be completed, or if completed, will be on terms that are exactly the same as discussed in the Information Circular. The Purchaser will act as representative for the Purchaser, the REIT, and all other persons acquiring assets comprising the Cominar Portfolio for the purposes of administering claims among other matters. The REIT has completed customary due diligence to satisfy itself that further due diligence is not required in connection with the Acquisition. In connection with the Purchaser completing the purchase of the Acquisition Properties, the REIT will execute and deliver all Closing Documents (as defined in the Acquisition Agreement) relating to the Acquisition Properties, together with other general closing documents and will be bound by the provisions contained in the Acquisition Agreement applicable to the Acquisition Properties and the REIT will indemnify the Purchaser from and against all claims that may be made by Cominar in connection with the Acquisition Agreement, as it relates to the Acquisition Properties or such closing documents arising out of, incidental to or in connection with any breach by the REIT of any of its obligations under the Acquisition Agreement, the REIT Acquisition Agreement or the closing documents it delivers in respect of the period following the Acquisition. Pursuant to the Amending Agreement, the REIT is subject to the possible payment of an expense reimbursement amount of \$2,500,000 in the event that the purchase of the Acquisition Properties does not close as a result of the default of the REIT or if the REIT does not receive unitholder approval in respect of the purchase of the Acquisition Properties and the REIT will be paid an expense reimbursement amount of \$2,500,000 in the event that the purchase of the Acquisition Properties does not close as a result of the default of the Purchaser.

### **The Acquisition Properties**

The Acquisition Properties are comprised of seven properties strategically located in markets where the REIT has an existing presence. The Acquisition Properties contain 995,091 square feet of GLA and increase the occupancy of the REIT's portfolio by approximately 1%.

#### ***81 Albert Street, Moncton, New Brunswick***

81 Albert Street is an approximately 64,954 square foot office building in Moncton, New Brunswick. It was built in 2002 and is 100% occupied by various Canadian Provincial and Federal Government tenants.

#### *84 - 86 Chain Lake Drive, Halifax, Nova Scotia*

84 - 86 Chain Lake Drive is comprised of an approximately 76,016 square foot office building and an approximately 1,650 square foot retail property in Halifax, Nova Scotia. 84 Chain Lake Drive was built in 2008 and is approximately 97.0% occupied. Its major tenants include Fleetway Inc., Enterprise Castle Hall Alternatives Inc. and Sysco Canada Inc. 86 Chain Lake Drive was built in 2011 and is occupied by Starbucks Corporation.

#### *570 Queen Street, Fredericton, New Brunswick*

570 Queen Street is an approximately 69,708 square foot office property in Fredericton, New Brunswick. It was built in 1989 and is approximately 87.0% occupied. The property's major tenants include the Government of Canada, MC Legal Management LP, Capservco Limited Partnership and Sun Life Assurance Company of Canada.

#### *225 Duncan Mill Road, Toronto, Ontario*

225 Duncan Mill Road is an approximately 155,872 square foot office property in Toronto, Ontario. It was built in 1978 and its largest tenant is the City of Toronto. Concurrent with Acquisition Closing, it is expected that a headlease will be entered into through June 2019 with Cominar which would increase the property's occupancy to approximately 88.9%.

#### *105 Moatfield Drive, Toronto, Ontario*

105 Moatfield Drive is an approximately 248,981 square foot office property in Toronto, Ontario. It was built in 1981 and is 100% occupied. The property's major tenants include Thales Canada Inc.

#### *95 Moatfield Drive, Toronto, Ontario*

95 Moatfield Drive is an approximately 156,426 square foot office property in Toronto, Ontario. It was built in 1981 and is 100% occupied by Kraft Canada Inc.

Subsequent to Acquisition Closing, the REIT expects to incur a capital expenditure of up to \$10 million in connection with the refurbishment of the parking structure that is shared between 105 Moatfield Drive and 95 Moatfield Drive.

#### *5500 North Service Road, Burlington, Ontario*

5500 North Service Road is an approximately 221,484 square foot office property in Burlington, Ontario. It was built in 2001 and is approximately 80% occupied. The property's major tenants include Bluesun Inc., Navistar Canada Inc., Burlington Economic Development Corporation and Aon Canada Inc.

### **Financing of the Acquisition**

#### *The Existing Mortgages*

In connection with the Acquisition, the REIT intends to assume certain existing mortgages in respect of the Acquisition Properties held by various lenders (collectively, the "**Mortgagees**" and each a "**Mortgagee**") in the aggregate amount of \$81.9 million with maturity dates ranging from May 2021 to October 2026, together with all related security granted in favour of the Mortgagees (the "**Existing Mortgages**"). The REIT intends to obtain financing on the three unencumbered properties upon or after the Acquisition Closing, the proceeds of which are intended to be used to repay amounts drawn on the REIT's Revolving Operating Facility.

## *The Offering*

In order to partially finance the Acquisition, the REIT has raised gross proceeds of \$103,508,280 through the sale of 12,778,800 subscription receipts (the “**Subscription Receipts**”) at a price of \$8.10 per Subscription Receipt (which includes proceeds from the full exercise of an over-allotment option to purchase additional Subscription Receipts) (the “**Subscription Receipt Offering**”), which closed on January 26, 2018 (the “**Offering Closing**”). Concurrent with the Offering Closing, the REIT raised gross proceeds of \$28,750,000 through the sale of 5.25% convertible unsecured subordinated debentures (the “**Debentures**”) (which includes proceeds from the full exercise of an over-allotment option to purchase additional Debentures). The proceeds raised by the REIT from the sale of the Debentures are expected to be used by the REIT to reduce outstanding indebtedness under the Revolving Credit Facility and for general trust purposes.

The Subscription Receipts were issued at the Offering Closing pursuant to a subscription receipt agreement (the “**Subscription Receipt Agreement**”) dated the date of the Offering Closing between the REIT, BMO Capital Markets and the Subscription Receipt Agent.

The following is a summary of the material attributes and characteristics of the Subscription Receipts. This summary does not purport to be complete and is subject to, and qualified in its entirety by, reference to the terms of the Subscription Receipt Agreement.

The proceeds from the sale of the Subscription Receipts, less 50% of the Underwriters’ Fee in respect of the issue and sale of Subscription Receipts pursuant to the Underwriting Agreement, were delivered to, and are now held, by the Subscription Receipt Agent and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments that would each be a qualified investment for Exempt Plans) pending the earlier to occur of the Acquisition Closing and the occurrence of a Termination Event.

Upon the Acquisition Closing and satisfaction of the other conditions to the exchange of the Subscription Receipts: (a) one Unit will be automatically issued in exchange for each Subscription Receipt, without payment of additional consideration or any further action on the part of the holder; (b) the Subscription Receipt Adjustment Payment, if any, less applicable withholdings taxes, if any, will become payable in respect of each Subscription Receipt; and (c) the Escrowed Funds (less the remaining 50% of the Underwriters’ Fee attributable to the Subscription Receipt Offering and any remaining fees and expenses of the Subscription Receipt Agent) will be released to the REIT, which will then be utilized to pay a portion of the purchase price for the Acquisition and the REIT’s expenses of the Acquisition. The Escrowed Funds may be subject to a special release to the REIT or, at its direction, under other escrow conditions, in order to facilitate the actual completion of the Acquisition. The Subscription Receipt Agreement contains customary anti-dilution provisions with respect to the Subscription Receipts.

Upon determining that the time of closing of the Acquisition Closing (the “**Acquisition Closing Time**”) will occur on or before July 31, 2018 (the “**Deadline**”), the REIT will execute and deliver to the Subscription Receipt Agent, the Underwriters and the Transfer Agent, a notice of the Acquisition Closing Time, and will issue and deliver the Units (one Unit for each Subscription Receipt then outstanding) to the Subscription Receipt Agent. If the Acquisition Closing Time occurs on or before the Deadline, holders of Subscription Receipts will automatically receive one Unit in exchange for each Subscription Receipt held without any further action on the part of the holder and become entitled to receive from the Subscription Receipt Agent, without duplication, on or about the third Business Day following the date of the Acquisition Closing, an amount representing the Subscription Receipt Adjustment Payment, if any, less applicable withholdings taxes, if any, for each Subscription Receipt so held. The Subscription Receipt Adjustment Payment payable to a holder of a Subscription Receipt will include such holder’s *pro rata* share of the Earned Interest (provided such amount shall not exceed the Subscription Receipt Adjustment Payment payable to such holder), and if the Earned Interest is insufficient to pay the Subscription Receipt Adjustment Payment to such holder, the REIT will pay the amount of such shortfall to such holder as a reduction in the purchase price of the Units issuable to such holder pursuant to the Subscription Receipts held by such holder. To the extent that the Subscription Receipt Adjustment Payment includes amounts calculated in respect of cash distributions on the Units for which record dates have occurred (during the

period from and including the Offering Closing to and including the date immediately preceding the date Units are issued or deemed to be issued pursuant to the Subscription Receipt Agreement) and have not yet been paid, such amounts shall not be payable to holders of Subscription Receipts, unless the REIT otherwise elects, until the date that such related cash distributions are paid to Unitholders. If the Acquisition Closing Time occurs on or before the Deadline, the REIT shall be entitled to receive the Escrowed Funds (including all Earned Interest in excess of the Subscription Receipt Adjustment Payment, if applicable, but less the remaining 50% of the Underwriters' Fee) from the Subscription Receipt Agent. Promptly following the Acquisition Closing Time, the REIT will issue a press release announcing that the Acquisition Closing has occurred and that the Units have been issued.

If a Termination Event occurs, the REIT will immediately notify the Subscription Receipt Agent and the Underwriters, and promptly issue a press release specifying the Termination Event. Upon the occurrence of a Termination Event, the subscription evidenced by each Subscription Receipt will be automatically terminated and cancelled and each Subscription Receipt will entitle the holder thereof to receive an amount equal to the full Subscription Receipt Price and his or her *pro rata* share of the Earned Interest and Deemed Interest. Despite the fact that 50% of the Underwriters' Fee will be paid by the REIT to the Underwriters from the proceeds from the sale of the Subscription Receipts at the Offering Closing, the REIT will nonetheless, following a Termination Event, be responsible to compensate each holder of a Subscription Receipt for an amount equal to the full Subscription Receipt Price and his or her *pro rata* share of the Earned Interest and Deemed Interest. The obligation to make the payment of the amounts specified above will be satisfied by mailing payment by cheques payable to the holders of Subscription Receipts at such holders' registered address or by making a wire transfer for the accounts of such holders through CDS. Upon the mailing or delivery of a cheque or the making of any wire transfer as provided above (and provided such cheque has been honoured for payment, if presented for payment within six months of the date thereof, as the case may be) all rights evidenced by the Subscription Receipts relating thereto shall be satisfied and such Subscription Receipts shall be void and of no value or effect.

**Holders of Subscription Receipts are not Unitholders and Subscription Receipts do not carry any voting rights in the REIT. Holders of Subscription Receipts are entitled only to receive Units on completion of the Acquisition Closing or to a return of the Subscription Receipt Price for the Subscription Receipts together with any payments in respect of interest or distributions, in each case as applicable, as described above.**

#### *Related Party Interests*

The Acquisition could be considered a "related party transaction" pursuant to MI 61-101 by virtue of the relationship between the Purchaser and the REIT. Slate indirectly owns more than a 10% interest in the REIT, and Slate is an affiliate of Slate Canadian Real Estate Opportunity Fund I L.P. by virtue of being the owner of the general partner of Slate Canadian Real Estate Opportunity Fund I L.P. Accordingly, the Special Committee has reviewed and evaluated the Acquisition. See "*Background and Recommendations*".

## **BACKGROUND AND RECOMMENDATIONS**

### **Recommendation of the Special Committee**

Following receipt of the Formal Valuation and Fairness Opinion, the Special Committee unanimously resolved that the Acquisition is in the best interests of the REIT and unanimously resolved to recommend to the Board that it approve the Acquisition.

In arriving at its conclusions and recommendations, the Special Committee reviewed and considered all aspects of the Acquisition, including the Formal Valuation and Fairness Opinion; the financial, legal and tax implications of the Acquisition; the location, GLA, occupancy rate, tenant profile and other attributes of each of the Acquisition Properties; the REIT's acquisition criteria; the potential risks associated with the Acquisition; the terms and conditions of the Acquisition Agreement and the REIT Acquisition Agreement; and the proposed sources and terms and conditions of financing for the Acquisition.

In addition to the foregoing, the conclusions and recommendations of the Special Committee are based upon the fact that the Acquisition would result in a number of benefits for the REIT, including:

- adding presence and scale to the REIT's existing markets;
- being an off-market transaction that provides attractive economics at \$192 per square foot which are expected to be immediately accretive to 2018 AFFO; and
- strengthening and diversifying the REIT's tenant credit profile with significant high quality tenants, including Canadian governments and multinational corporations.

### **Approval and Recommendation of the Board**

**The Board has unanimously determined (with each of Blair Welch and Brady Welch declaring their interest and abstaining from voting) that the Acquisition is fair to the REIT and is in the best interests of the REIT and recommends that Unitholders vote in favour of the Acquisition Resolution.**

In approving the Acquisition and in making this recommendation, the Board considered a number of factors. In view of the variety of factors considered in connection with its evaluation of the Acquisition, the Board did not find it practicable to and did not quantify or otherwise assign relative weights to the specific factors considered in reaching its determination as to the fairness of the Acquisition.

The factors considered included the factors that were considered by the Special Committee listed herein in "*Background and Recommendations – Recommendation of the Special Committee*" as well as:

- (a) the anticipated benefits of the Acquisition described herein;
- (b) the risk factors described herein under "*Risk Factors*";
- (c) the fact that the Acquisition Resolution, a copy of which is attached as Appendix "A" of the Information Circular, must be passed by an affirmative vote of not less than a majority of the votes cast thereon by holders of the Units (other than Excluded Unitholders pursuant to MI 61-101); and
- (d) the Formal Valuation and Fairness Opinion, a copy of which is attached as Appendix "C" of the Information Circular.

The foregoing discussion of the information and factors considered and given weight by the Board is not intended to be exhaustive. There are risks associated with the Acquisition, including that some of the potential benefits set forth in the Information Circular may not be realized or that there may be significant costs associated with realizing such benefits.

Each of the trustees and officers of the REIT who are entitled to vote have indicated they intend to vote all of their Units in favour of the Acquisition Resolution.

### **Background to the Acquisition**

#### *Formation of the Special Committee*

Throughout early January, the REIT engaged in preliminary discussions with John O'Bryan, the Chair of the Board with respect to potentially pursuing the Acquisition.

On January 12, 2018, the Board met and discussed the possibility of pursuing the Acquisition and the potential timing and process relating thereto. As the Acquisition could be considered a "related party transaction" pursuant to MI 61-101, the Board constituted the special committee of independent trustees

consisting of Pamela Spackman (Chair), Monty Baker, Nora Duke, Thomas Farley and John O'Bryan (the **"Special Committee"**).

The mandate of the Special Committee included, among other things, considering the Acquisition, supervising the process to be carried out by the REIT and its professional advisors in connection with the Acquisition, determining whether the Acquisition is in the best interests of the REIT and, as the Special Committee may determine to be necessary or advisable, report and make recommendations to the Board with respect to the Acquisition. In addition, as part of its mandate, the Special Committee was delegated authority to retain its own independent counsel and a financial advisor to prepare a formal valuation in respect of the Acquisition Properties and deliver a fairness opinion to assist the Special Committee in discharging its duties in connection with the Acquisition.

On the same day, following the board meeting on January 12, 2018, the Special Committee met with a representative of Wildeboer Dellelce LLP. Following a presentation as to Wildeboer Dellelce LLP's capabilities and relevant experience, the Special Committee resolved to retain Wildeboer Dellelce LLP as independent counsel to advise the Special Committee in respect of its review of the Acquisition. The Special Committee also agreed to obtain fee quotes and other relevant information from financial advisors in connection with the preparation of a formal valuation of the Acquisition Properties and to provide a fairness opinion in respect of the Acquisition.

On January 12, 2018, Pamela Spackman, acting on behalf of the Special Committee, engaged in discussions with Blair Franklin Capital Partners Inc. (**"Blair Franklin"**) as part of a competitive bidding process, which included Blair Franklin providing Ms. Spackman with its capabilities and prior experience acting as a valuator and financial advisor to boards and committees in connection with transactions in the real estate sector, as well as a proposal to provide a valuation in respect of the Acquisition Properties and an opinion as to the fairness, from a financial point of view, of the consideration to be paid by the REIT for the Acquisition Properties. Based on the foregoing, the Special Committee subsequently formally approved the engagement of Blair Franklin to prepare a valuation (the **"Formal Valuation"**) in respect of the Acquisition in accordance with the requirements of MI 61-101 and to provide a written opinion as to the fairness to the REIT, from a financial point of view, of the consideration to be paid by the REIT for the Acquisition (the **"Fairness Opinion"**).

On January 16, 2018, representatives of Blair Franklin provided the Special Committee with a comprehensive overview of its draft report, a copy of which had been circulated to the Special Committee in advance, regarding the Acquisition and its analysis and views as to the value of the Acquisition Properties.

The Special Committee convened another meeting on January 17, 2018, which members of the REIT's management and Blair Franklin were invited to attend. At that meeting, the REIT's management provided additional details with respect to the Acquisition as well as its assessment of the anticipated benefits and associated risks of the Acquisition to the REIT. The REIT's management also outlined the terms of the concurrent debt and equity financings which were proposed in order to assist with financing of the Acquisition. The REIT's management then left the meeting, following which Blair Franklin re-confirmed (the **"January 17 Confirmation"**) its preliminary view that the purchase price for the Acquisition of \$191.4 million is within the value range for the Acquisition Properties and that therefore, the consideration to be paid pursuant to the Acquisition is fair, from a financial point of view, to the REIT. The Special Committee determined that, based on the presentation from the REIT's management, the January 17 Confirmation, receipt of the Blair Franklin's opinion as to fairness and a number of other factors as described herein, the Acquisition is in the best interests of the REIT and unanimously resolved to recommend to the Board that it approve the Acquisition.

On January 17, 2018, the REIT announced that it had entered into an agreement to issue and sell to a syndicate of underwriters co-led by BMO Capital Markets and National Bank Financial Inc. (the **"Underwriters"**) \$25,000,000 aggregate principal amount of Debentures and \$90,007,200 of Subscription Receipts (collectively, the **"Public Offering"**). The REIT also announced that it had granted the underwriters an option (the **"Subscription Receipt Over-Allotment Option"**) to purchase an additional 1,666,800 Subscription Receipts and an option (the **"Debenture Over-Allotment Option"**) and together

with the Subscription Receipt Over-Allotment Option, the “**Over-Allotment Options**”) to purchase up to an additional \$3,750,000 aggregate principal amount of Debentures. The REIT announced that the use of proceeds from the sale of the Subscription Receipts would be used to partially finance the Acquisition (assuming the Acquisition Closing), and the use of proceeds from the sale of the Debentures would be used by the REIT to reduce outstanding indebtedness under the Revolving Credit Facility and for general trust purposes. On the closing of the Acquisition, each Subscription Receipt will convert, without payment of additional consideration, into one Unit of the REIT.

In conjunction with the announcement of the Public Offering by the REIT, the REIT announced that it had agreed to acquire the Acquisition Properties subject to completion of the conditions to the Acquisition Closing, including receipt of approval of the Unitholders at the Meeting.

On January 19, 2018, the REIT entered into the Acquisition Agreement and a prospectus supplement was filed on SEDAR in respect of the Public Offering.

On January 23, 2018, a meeting of the Special Committee was convened, with members of the REIT’s management present for part of the meeting. During the meeting, the members of the REIT’s management outlined the possibility of and rationale for the REIT and the Purchaser agreeing to a reciprocal an expense reimbursement amount of \$2,500,000, as well as the respective advantages and disadvantages. Members of the REIT’s management then left the meeting and members of the Special Committee considered the proposal and concluded that (i) the amount of the fee is reflective of the estimated expenses to be incurred by the REIT if the Acquisition is not completed and is likely less than the expenses to be incurred by the Purchaser if the Acquisition is not completed and therefore, on balance, the fee is fair and reasonable to the REIT; (ii) the amount of the fee is within the customary range of expense reimbursement amounts for similar transactions; (iii) if the REIT was to acquire the Acquisition Properties directly from a third party, the REIT would have been required to post a significant deposit which would likely be well in excess of the amount of the an expense reimbursement; and (iv) the Purchaser identified the opportunity to acquire the Acquisition Properties and, in effect, is holding the opportunity for the benefit of the REIT. As a result of the foregoing, the Special Committee recommended that the REIT agree to a reciprocal an expense reimbursement, to be reflected in the Amending Agreement.

Late in the day on January 23, 2018, the Special Committee was provided with drafts of the Formal Valuation, the Fairness Opinion and the Information Circular. From January 23, 2018 to January 26, 2018, the Special Committee was in ongoing communication with its advisors and the REIT’s management with respect to the Acquisition, which included the Special Committee being provided with subsequent drafts of the Formal Valuation, the Fairness Opinion and the Information Circular and a draft of the Amending Agreement.

On January 26, 2018, Blair Franklin delivered the final version of the Formal Valuation and the Fairness Opinion to the Special Committee. The Special Committee reviewed the Formal Valuation and the Fairness Opinion and after careful deliberation, the Special Committee confirmed its prior determination that the Acquisition is in the best interests of the REIT and unanimously recommended to the Board that (i) the Board approve the Information Circular, and (ii) the Board recommend to the Unitholders that they vote in favour of the Acquisition Resolution at the Meeting. At the January 26, 2018 meeting, the Special Committee also approved the form of Amending Agreement.

In the late afternoon of January 26, 2018, the Board met to consider the Acquisition. After full discussion and careful deliberation, and after receiving the recommendations of the Special Committee, the Board (with each of Blair Welch and Brady Welch declaring their interest and abstaining from voting) unanimously approved the Acquisition and the Information Circular, and unanimously resolved to recommend to Unitholders that they vote in favour of the Acquisition Resolution at the Meeting. Following the January 26, 2018 meeting of the Board, the Amending Agreement was executed.

## Formal Valuation and Fairness Opinion

### *Selection of Blair Franklin*

Pursuant to an engagement letter dated January 12, 2018, the Special Committee retained Blair Franklin to prepare and deliver the Formal Valuation and Fairness Opinion. The Special Committee determined, based in part on certain representations made to them by Blair Franklin, that Blair Franklin was independent and qualified to prepare the Formal Valuation and Fairness Opinion.

In furtherance of the terms of the engagement letter between Blair Franklin and the REIT, a fixed fee in the aggregate amount of \$165,000 was paid by the REIT to Blair Franklin as follows: (i) \$70,000 upon execution of the engagement letter; (ii) \$70,000 upon delivery by Blair Franklin of its preliminary views on the value of the Acquisition Properties; and (iii) \$25,000 upon delivery of the Formal Valuation and Fairness Opinion to the Special Committee. The compensation of Blair Franklin under the engagement letter was not contingent upon the conclusions reached by Blair Franklin, or upon the completion of the Acquisition. In addition, Blair Franklin was to be reimbursed for its reasonable out-of-pocket expenses and has been indemnified by the REIT in respect of certain matters relating to its engagement.

### *Credentials of Blair Franklin*

Blair Franklin is an independent investment bank providing a full range of merger and acquisition, divestiture, valuation and financial restructuring services. The Formal Valuation and Fairness Opinion expressed herein represents the opinion of Blair Franklin and the form and content herein has been approved for release by a committee of its principals, each of whom is experienced in mergers, acquisitions, divestitures, and valuation matters.

### *Relationship with Interested Parties*

Neither Blair Franklin nor any of its associated entities or affiliated entities is (i) an associated or affiliated entity or issuer insider (as such terms are defined for the purposes of MI 61-101) of the REIT, Slate, or any of their respective associates or affiliates (collectively, the “**Interested Parties**”), (ii) an advisor to any of the Interested Parties in connection to the Acquisition, or (iii) a member of a soliciting dealer group formed in respect of the Acquisition. Blair Franklin has not been engaged to provide any financial advisory services nor has it participated in any financing involving the Interested Parties within the past two years, other than the services provided under the engagement letter and as described herein. There are no understandings, agreements or commitments between Blair Franklin and the Interested Parties with respect to any future business dealings. Blair Franklin may, in the future, in the ordinary course of its business, perform financial advisory or investment banking services for the Interested Parties.

Blair Franklin is of the view that it is independent of all Interested Parties in the Acquisition (as such terms are defined for the purposes of MI 61-101).

### *Formal Valuation and Fairness Opinion*

In connection with the preparation of the Formal Valuation and Fairness Opinion, Blair Franklin reviewed both public and non-public information relating to the Acquisition Properties including the REIT’s public filings; documents provided by management of the REIT to the Special Committee with respect to the Acquisition; the latest independent reports related to each of the Acquisition Properties that was available to the REIT; cash flow forecasts prepared by the REIT for each of the Acquisition Properties; lease documents for each of the Acquisition Properties; historical financial statements and rent rolls for each of the Acquisition Properties; academic studies; equity research and general industry reports; real estate market research reports prepared by third party, independent brokers; provincial economic forecast data for each of the geographies in which the Acquisition Properties are located; and a summary of the key financing terms for the Subscription Receipts and Debentures. Blair Franklin also undertook various procedures, met with the REIT’s management and representatives of the Special Committee and conducted investigative exercises as more specifically detailed in the Formal Valuation and Fairness Opinion.

The Special Committee and Blair Franklin relied upon the accuracy and completeness of all data and other information obtained by Blair Franklin from public sources or provided to it by the REIT. The Formal Valuation and Fairness Opinion are conditional upon such accuracy and completeness. Subject to the exercise of its professional judgment, and except as expressly described in the Formal Valuation and Fairness Opinion, Blair Franklin did not independently verify the accuracy or completeness of any of such information.

The effective date of the Formal Valuation and Fairness Opinion is January 17, 2018. A copy of the Formal Valuation and Fairness Opinion is available for inspection from the REIT at 121 King Street West, Suite 200, Toronto, Ontario M5H 3T9, (416) 644-4264 Attention: Investor Relations. A copy of the Formal Valuation and Fairness Opinion will be sent to any Unitholder upon request and for a nominal charge sufficient to cover printing and postage.

#### Definition of Fair Market Value

The Formal Valuation and Fairness Opinion states that, for the purpose of the opinions given therein, fair market value is defined to mean the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, where each is acting at arm's length with the other and under no compulsion to act.

#### Approach to Value

The Formal Valuation and Fairness Opinion is based upon the methodologies and assumptions Blair Franklin considered appropriate in the circumstances for the purposes of arriving at an opinion as to the range of fair market values of the Acquisition Properties. Fair market value of the Acquisition Properties was analyzed on a going concern basis.

#### Valuation Methodologies

For the purposes of arriving at the en-bloc value of the Acquisition Properties, Blair Franklin principally relied on: (i) a discounted cash flow approach; and (ii) a capitalization rate approach to arrive at a value range for the Acquisition Properties. Blair Franklin also considered other observations, including the tax assessed values of the Acquisition Properties, as well as precedent transactions on a per square foot basis. However, these methodologies did not form a meaningful component of the valuation analysis.

#### Conclusions of Formal Valuation and Fairness Opinion

On January 26, 2018, Blair Franklin provided the Special Committee with the Formal Valuation and Fairness Opinion which indicates that, as of January 17, 2018 and based on and subject to the assumptions, factors considered and limitations described therein:

(a) the fair market value range of the Acquisition Properties is \$185 million to \$205 million; and

(b) the consideration of \$191.4 million to be paid by the REIT for the Acquisition Properties pursuant to the REIT Acquisition Agreement (as amended by the Amending Agreement) is fair, from a financial point of view, to the REIT.

**The full text of the Formal Valuation and Fairness Opinion describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken by Blair Franklin. The full text of the Formal Valuation and Fairness Opinion is attached as Appendix "C" and is incorporated by reference into the Information Circular in its entirety. See Appendix "C" – "Formal Valuation and Fairness Opinion". Unitholders are encouraged to read the Formal Valuation and Fairness Opinion carefully in its entirety. The Formal Valuation and Fairness Opinion is directed only to the value of the Acquisition Properties and the fairness, from a financial point of view, to the REIT of the consideration of \$191.4 million being paid for the Acquisition Properties pursuant to the Acquisition and does not address any other aspect of the Acquisition or any related transaction. The Formal Valuation and Fairness Opinion does not**

address the relative merits of the Acquisition or any related transaction as compared to other business strategies or transactions that might be available to the REIT or the underlying business decision of the REIT to effect the Acquisition or any related transaction. The Formal Valuation and Fairness Opinion does not constitute a recommendation to any Unitholder as to how such Unitholder should vote or act with respect to any matters relating to the Acquisition.

Caution should be exercised in the evaluation and use of the results of a formal valuation such as those contained in the Formal Valuation and Fairness Opinion. A formal valuation is an estimate of market value as at a particular date. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The Formal Valuation and Fairness Opinion based on various assumptions of future expectations and some of the assumptions may not materialize or may differ materially from actual experience in the future.

The Formal Valuation and Fairness Opinion was only one of many factors considered by the Special Committee and by the Board in their evaluation of the Acquisition and should not be viewed as determinative of the views of the Special Committee, the Board or the REIT's management with respect to the Acquisition or the consideration provided for in the Acquisition.

### **Prior Valuations**

There are no Prior Valuations (as such term is defined in MI 61-101) in respect of the Acquisition Properties that have been made within 24 months before the date of the announcement of the Acquisition, that are known, after reasonable inquiry, to the REIT or to any trustee or senior officer of the REIT.

### **Approvals Required for the Acquisition**

#### *Unitholder Approval*

At the Meeting, Unitholders will be asked to consider, and if thought advisable, pass the Acquisition Resolution in the form attached hereto as Appendix "A", with or without variation. To be approved, the Acquisition Resolution must receive the affirmative vote of not less than a majority of the votes cast thereon by holders of the Units (other than Excluded Unitholders pursuant to MI 61-101).

### **Expenses of the Acquisition**

The estimated out-of-pocket costs to be incurred by the REIT relating to the Acquisition, including financial advisory, appraisal, accounting and legal fees and the preparation of the Information Circular and the printing of the required materials (but excluding the Underwriters' Fees) are expected to aggregate approximately \$800,000.

## **RISK FACTORS**

Unitholders should carefully consider the risks related to the Acquisition described below, the other information elsewhere in the Information Circular and the documents incorporated by reference herein, before determining whether to vote in favour of the Acquisition Resolution. If any of such or other risks occur, the REIT's business, prospectus, financial condition, results of operations and cash flows could be materially adversely impacted. In that case, the trading price of the Subscription Receipts or Debentures or Units could decline and investors could lose all or part of their investment. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the below described or other unforeseen risks.

### **Risks Related to the Acquisition**

#### *Possible Failure to Complete the Acquisition*

Closing of the Subscription Receipt Offering has occurred before the Acquisition Closing. Completion of the Acquisition is subject to the satisfaction of certain closing conditions, including regulatory approvals, such as under the *Competition Act* (Canada). There is no certainty, nor can the REIT provide any assurance, that these conditions will be satisfied and, as such, there is no assurance that the Acquisition will be completed, or if completed, will be on terms that are exactly the same as discussed in the Information Circular. If the Acquisition Closing does not take place as contemplated, the REIT will not benefit from the Acquisition, will have incurred significant management time and expenses and could suffer adverse consequences, including the loss of investor confidence.

#### *Potential Undisclosed Liabilities Associated with the Acquisition*

Upon the Acquisition Closing, the REIT will assume liabilities arising out of or related to the Acquisition Properties. The REIT may assume unknown liabilities that could be significant. Although the REIT has conducted a comprehensive due diligence review of each of the Acquisition Properties, there may be liabilities, including under applicable environmental laws, that the REIT failed to discover or was unable to quantify in its due diligence review and the REIT may not be fully indemnified for some or all of these liabilities under the Acquisition Agreement. The subsequent discovery or quantification of any other material liabilities (including if the assessment of the environmental condition of the Acquisition Properties turns out to be incorrect) could have a material adverse effect on the REIT's business, financial condition or future prospects, which could include diminution in the value of the affected assets or the inability to finance or dispose of the affected assets on acceptable terms.

#### *Potential Indemnity of Cominar for Assumed Existing Mortgages*

Upon the Acquisition Closing, to the extent a Mortgagee has not released Cominar from its obligations arising under such applicable Existing Mortgage, the REIT is required to provide a separate indemnity of Cominar pursuant to which the REIT agrees to indemnify Cominar and any guarantor of such applicable Existing Mortgage from any amounts required to be paid by such parties from and after the date of the Acquisition Closing. The payment of any such indemnity could have a material adverse effect on the REIT's business, financial condition or future prospects, which could include diminution in the value of the affected assets or the inability to finance or dispose of the affected assets on acceptable terms.

#### *Information Provided by the Vendor*

All information relating to the assets to be acquired pursuant to the Acquisition Agreement contained in the Information Circular has been provided to the REIT by Cominar or other third parties. Although the REIT has conducted what it believes to be a prudent and thorough level of investigation in connection with such assets, an unavoidable level of risk remains regarding the accuracy and completeness of such information. While the REIT has no reason to believe that the information provided by any third parties is misleading, untrue or incomplete in any material respect, the REIT does not assume any responsibility for the accuracy or completeness of such information or the failure by any third parties to disclose events

which may have occurred or may affect the completeness or accuracy of such information but which are unknown to the REIT.

#### *Possible Failure to Realize Expected Returns on the Acquisition*

Acquisitions involve risks that could materially and adversely affect the REIT's business plan, including the failure of the Acquisition to realize the results the REIT expects. While management of the REIT, based on an analysis of accretion (as well as other information deemed appropriate and sufficient for such purposes), believes the Acquisition will be accretive to the REIT's AFFO per Unit and FFO per Unit, such determination should not be regarded as a guarantee of future performance or results and includes certain estimates and assumptions, the actual result of which may be different. If the Acquisition fails to realize the results that the REIT expects, including continued high occupancy rates and renewal rates or the general state of the economy and interest rate volatility, the Acquisition could have a material adverse effect on the REIT and its financial results.

#### *Possible Payment of a Expense Reimbursement*

The REIT is subject to the possible payment of an expense reimbursement amount of \$2,500,000 in the event that the purchase of the Acquisition Properties does not close as a result of the default of the REIT or if the REIT does not receive Unitholder approval in respect of the purchase of the Acquisition Properties.

### **INTEREST OF EXPERTS**

Blair Franklin has provided the Formal Valuation and the Fairness Opinion.

As of the date hereof, the designated professionals of Blair Franklin beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the REIT.

### **MATERIAL CONTRACTS**

The REIT appointed Slate to provide the REIT with management services, including providing the REIT and its Subsidiaries with the strategic, advisory, asset management, administrative, property management, leasing, construction management and administrative services (the "**Asset Management Services**") necessary to manage the day-to-day operations of the REIT and its properties. Slate also provides in-house legal services to the REIT.

Slate's activities are subject to the supervision and direction of the trustees of the REIT. Slate provides the Asset Management Services in accordance with the Management Agreement and makes available such administrative, executive and management personnel of the REIT to allow Slate to comply with its obligations under the Management Agreement.

Slate receives the following fees for its Asset Management Services:

- (a) a base management fee equal to 0.3% of the gross book value of the REIT's assets;
- (b) a property management fee equal to 3.0% of the gross revenues collected and remitted from the REIT's assets;
- (c) an acquisition fee equal to: (i) 1.0% of the purchase price on the first \$100 million of properties acquired in each fiscal year; (ii) 0.75% of the purchase price on the next \$100 million of properties acquired each fiscal year, and (iii) 0.50% of the purchase price on properties in excess of \$200 million acquired in each fiscal year;
- (d) a financing fee equal to 0.25% of the value of any debt financing payable on transaction completion;

- (e) a leasing fee equal to 5.0% of the base rent for all new leases and 2.0% of base rent for all renewals of existing leases and expansion of leased premises, payable on the signing of a binding lease, extension, renewal or amending document; and
- (f) a construction management fee equal to 5.0% of all costs of any construction activity undertaken by the REIT, payable at the time payments for construction are made. Construction activities include all tenant and building improvements undertaken by the REIT but exclude maintenance capital expenditures.

Slate is also entitled to receive reimbursement for all reasonable out-of-pocket costs and expenses incurred by Slate in the performance of its duties under the Management Agreement, consistent with industry standards in such regard. Slate does not charge any disposition fees.

Slate was paid approximately \$15 million in fees pursuant to the Management Agreement for the period from January 1, 2017 to December 31, 2017, from which salaries of on-site personnel and fees to other third party service providers are paid by Slate.

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

Except as otherwise disclosed in the Information Circular, there are no material interests, direct or indirect, of any informed person of the REIT, any proposed trustee of the REIT, or any associate or any associate or affiliate of any of the foregoing persons in any transaction since the commencement of the REIT's most recently completed financial year or any proposed transaction that has materially affected or would materially affect the REIT or any of its Subsidiaries.

### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors of the REIT are KPMG LLP, Chartered Professional Accountants, Winnipeg, Manitoba and are independent in accordance with the rules of professional conduct of the Institute of Chartered Professional Accountants in Manitoba.

The transfer agent and registrar for the Units is TSX Trust Company at its principal office in Toronto, Ontario ("**Transfer Agent**").

The debenture trustee for the Debentures (and the Additional Debentures) is TSX Trust Company at its principal office in Toronto, Ontario.

The subscription receipt agent for the Subscription Receipts (and the Additional Subscription Receipts) is TSX Trust Company at its principal office in Toronto, Ontario ("**Subscription Receipt Agent**").

### **ADDITIONAL INFORMATION**

Additional information relating to the REIT may be found by visiting the REIT's website at: [www.slateam.com/reits/office](http://www.slateam.com/reits/office). In addition, more information, including additional financial information which is provided in the REIT's audited consolidated financial statements and management's discussion and analysis for the REIT's most recently completed financial year, and any documents, or sections of documents, as applicable, incorporated by reference into the Information Circular, can be found on SEDAR by visiting [www.sedar.com](http://www.sedar.com). Unitholders may contact the REIT to request a copy of the REIT's audited consolidated financial statements and management's discussion and analysis for its most recently completed financial year and any documents incorporated by reference into the Information Circular. Any such request should be directed to: 121 King Street West, Suite 200, Toronto, Ontario, M5H 3T9, (416) 644-4264, Attention: Investor Relations.

## **APPROVAL OF TRUSTEES**

The contents and distribution of the Information Circular, including the Notice of Meeting, to each Unitholder entitled to receive notice of the special meeting have been approved and authorized by the trustees of the REIT on January 26, 2018.

### **BY ORDER OF THE BOARD OF TRUSTEES**

*"John O'Bryan"*

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John O'Bryan  
Chair, Board of Trustees  
Slate Office REIT  
January 26, 2018

## GLOSSARY

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

**“Acquisition”** has the meaning ascribed thereto under *The Acquisition – Overview*.

**“Acquisition Agreement”** has the meaning ascribed thereto under *The Acquisition – Overview*.

**“Acquisition Closing”** has the meaning ascribed thereto under *The Acquisition – Overview*.

**“Acquisition Closing Time”** has the meaning ascribed thereto under *The Acquisition – Financing of the Acquisition – The Offering*.

**“Acquisition Properties”** has the meaning ascribed thereto under *The Acquisition – Overview*.

**“Acquisition Resolution”** has the meaning ascribed thereto under *Business of the Meeting – Overview*.

**“Affiliate”**, unless otherwise specified, when used to indicate a relationship with a person, has the meaning ascribed thereto in National Instrument 45-106 – *Prospectus Exemptions*.

**“AFFO”** has the meaning ascribed thereto under *Non-IFRS Measures*.

**“Amending Agreement”** has the meaning ascribed thereto under *The Acquisition – Overview*.

**“Asset Management Services”** has the meaning ascribed thereto under *Material Contracts*.

**“Beneficial Unitholder(s)”** has the meaning ascribed thereto under *Proxy and Voting Information – Advice to Beneficial Unitholders*.

**“Blair Franklin”** has the meaning ascribed thereto under *Background and Recommendations – Background to the Acquisition – Formation of the Special Committee*.

**“Board”** means the board of trustees of the REIT.

**“Broadridge”** has the meaning ascribed thereto under *Proxy and Voting Information – Advice to Beneficial Unitholders*.

**“Business Day”** means any day except a Saturday, Sunday or a statutory holiday in the city of Toronto, Ontario.

**“CDS”** has the meaning ascribed thereto under *Proxy and Voting Information – Advice to Beneficial Unitholders*.

**“Class B LP Units”** means the Office I LP Class B Units and the Office II LP Class B Units.

**“Closing Documents”** the meaning ascribed thereto in the Acquisition Agreement.

**“Cominar”** has the meaning ascribed thereto under *The Acquisition – Overview*.

**“Cominar Portfolio”** has the meaning ascribed thereto under *The Acquisition – Overview*.

**“Core-FFO”** has the meaning ascribed thereto under *Non-IFRS Measures*.

**“Deadline”** has the meaning ascribed thereto under *The Acquisition – Financing of the Acquisition – The Offering*.

**“Debentures”** has the meaning ascribed thereto under *The Acquisition – Financing of the Acquisition – The Offering*.

**“Debenture Over-Allotment Option”** has the meaning ascribed thereto under *Background and Recommendations – Background to the Acquisition – Formation of the Special Committee*.

**“Declaration of Trust”** has the meaning ascribed thereto under *Business of the Meeting – Overview*.

**“Deemed Interest”** means the interest that would have otherwise been earned on 50% of the Underwriters’ Fee attributable to the Subscription Receipt Offering paid to the Underwriters on the Offering Closing as if such 50% of the Underwriters’ Fee had been held in escrow as part of the Escrowed Funds and not paid to the Underwriters.

**“Earned Interest”** means the interest or other income actually earned on the investment of the Escrowed Funds from, and including, the date of the Offering Closing to, but excluding, the date of the Termination Event.

**“Escrowed Funds”** means the Earned Interest together with proceeds of the Subscription Receipt Offering (less 50% of the Underwriters’ Fee attributable to the Subscription Receipt Offering).

**“Excluded Unitholders”** has the meaning ascribed thereto under *Business of the Meeting – Excluded Unitholders*.

**“Exempt Plans”** means registered retirement savings plans, registered retirement income funds, registered disability savings plans, registered education savings plans, tax-free savings accounts, and deferred profit sharing plans as defined in the *Tax Act*.

**“Existing Mortgages”** has the meaning ascribed thereto under *The Acquisition – Financing of the Acquisition – The Existing Mortgages*.

**“FFO”** has the meaning ascribed thereto under *Non-IFRS Measures*.

**“Fairness Opinion”** has the meaning ascribed thereto under *Background and Recommendations – Background to the Acquisition – Formation of the Special Committee*.

**“Form 54-101F7”** has the meaning ascribed thereto under *Proxy and Voting Information – Advice to Beneficial Unitholders*.

**“Formal Valuation”** has the meaning ascribed thereto under *Background and Recommendations – Background to the Acquisition – Formation of the Special Committee*.

**“Fortis Transaction”** means the acquisition of a portfolio of 14 commercial properties throughout Atlantic Canada by the REIT from Fortis Properties Corporation on June 30, 2015;

**“Forward-Looking Statements”** has the meaning ascribed thereto under *Notice Regarding Forward-Looking Statements*.

**“GLA”** means gross leasable area.

**“IFRS”** means the International Financial Reporting Standards.

**“Information Circular”** has the meaning ascribed thereto under *General Information*.

**“Interested Parties”** has the meaning ascribed thereto under *Background and Recommendations – Formal Valuation and Fairness Opinion – Selection of Blair Franklin – Relationship with Interested Parties*.

**“January 17 Confirmation”** has the meaning ascribed thereto under *Background and Recommendations – Background to the Acquisition – Formation of the Special Committee*.

**“Laurel Hill”** has the meaning ascribed thereto under *Proxy and Voting Information*.

**“Management Agreement”** means the amended and restated management agreement entered into on August 12, 2014, and effective as of November 4, 2014, between the REIT and Slate.

**“Meeting”** means the special meeting of Unitholders of Units of the REIT to be held on March 8, 2018.

**“MI 61-101”** has the meaning ascribed thereto under *Business of the Meeting – Overview*.

**“Mortgagees”** or a **“Mortgagee”** has the meaning ascribed thereto under *The Acquisition – Financing of the Acquisition – The Existing Mortgages*.

**“NI 54-101”** means National Instrument 54-101 – *Communications with Beneficial Owners of Securities of a Reporting Issuer*.

**“NOBOs”** has the meaning ascribed thereto under *Proxy and Voting Information – Advice to Beneficial Unitholders*.

**“NOI”** has the meaning ascribed thereto under *Non-IFRS Measures*.

**“OBOs”** has the meaning ascribed thereto under *Proxy and Voting Information – Advice to Beneficial Unitholders*.

**“Offering Closing”** has the meaning ascribed thereto under *The Acquisition – Financing of the Acquisition – The Offering*.

**“Office GP”** means Slate Office GP Inc., a corporation incorporated under the laws of Ontario.

**“Office I LP”** means Slate Office I L.P., a limited partnership formed under the laws of Ontario.

**“Office I LP Class B LP Units”** means the Class B limited partnership units of Office I LP, which are economically equivalent to Units (subject to certain adjustments) and redeemable for cash or Units, as determined by Office GP in its sole discretion.

**“Office II LP”** means Slate Office II L.P., a limited partnership formed under the laws of Ontario.

**“Office II LP Class B LP Units”** means the Class B limited partnership units of Office II LP, which are economically equivalent to Units (subject to certain adjustments) and redeemable for cash or Units, as determined by Office GP in its sole discretion.

**“Over-Allotment Options”** has the meaning ascribed thereto under *Background and Recommendations – Background to the Acquisition – Formation of the Special Committee*.

**“Portfolio”** has the meaning ascribed thereto under *The REIT*.

**“Prior Valuations”** has the meaning ascribed thereto under MI 61-101.

**“Public Offering”** has the meaning ascribed thereto under *Background and Recommendations – Background to the Acquisition – Formation of the Special Committee*.

**“Purchaser”** has the meaning ascribed thereto under *The Acquisition – Overview*.

**“Q3 2017 MD&A”** has the meaning ascribed thereto under *Non-IFRS Measures*.

**“Record Date”** has the meaning ascribed thereto under *Proxy and Voting Information – Record Date*.

**“REIT”** has the meaning ascribed thereto under *General Information*.

**“REIT Acquisition Agreement”** has the meaning ascribed thereto under *The Acquisition – Overview*.

**“Revolving Credit Facility”** means the revolving credit facility in favour of Office I LP in the maximum amount of \$45 million.

**“Revolving Operating Facility”** means the revolving operating facility established in connection with the Fortis Transaction in favour of Office I LP in the maximum amount of approximately \$172 million.

**“SEDAR”** has the meaning ascribed thereto under *Non-IFRS Measures*.

**“Slate”** means Slate Asset Management L.P., a limited partnership formed under the laws of Ontario.

**“Special Committee”** has the meaning ascribed thereto under *Background and Recommendations – Background to the Acquisition – Formation of the Special Committee*.

**“Special Voting Units”** means special voting units of the REIT.

**“Subscription Receipts”** has the meaning ascribed thereto under *The Acquisition – Financing of the Acquisition – The Offering*.

**“Subscription Receipt Adjustment Payment”** means an amount per Subscription Receipt equal to the amount per Unit of any cash distributions made by the REIT for which record dates have occurred during the period from and including the Offering Closing to and including the date immediately preceding the date upon which Units are issued or deemed to be issued pursuant to the Subscription Receipt Agreement.

**“Subscription Receipt Agent”** has the meaning ascribed thereto under *Auditors, Transfer Agent and Registrar*.

**“Subscription Receipt Agreement”** has the meaning ascribed thereto under *The Acquisition – Financing of the Acquisition – The Offering*.

**“Subscription Receipt Offering”** has the meaning ascribed thereto under *The Acquisition – Financing of the Acquisition – The Offering*.

**“Subscription Receipt Over-Allotment Option”** has the meaning ascribed thereto under *Background and Recommendations – Background to the Acquisition – Formation of the Special Committee*.

**“Subscription Receipt Price”** means \$8.10.

**“Tax Act”** means the *Income Tax Act* (Canada) and the regulations thereunder, as amended from time to time.

**“Termination Event”** means: (a) the completion of the Acquisition does not occur on or before 5:00 p.m. (Toronto time) on July 31, 2018, (b) the REIT delivers to the Underwriters and the Subscription Receipt Agent a notice, executed by the REIT, declaring that the REIT Acquisition Agreement has been terminated or that the REIT will not be proceeding with the Acquisition, or (c) the REIT formally announces to the public by way of a press release that it does not intend to proceed with the Acquisition.

**“Transfer Agent”** has the meaning ascribed thereto under *Auditors, Transfer Agent and Registrar*.

**“Underwriters”** has the meaning ascribed thereto under *Background and Recommendations – Background to the Acquisition – Formation of the Special Committee*.

**“Underwriters’ Fee”** means the fee that the Underwriters will receive which is equal to \$0.324 per Subscription Receipt and \$37.50 per \$1,000 principal amount of Debentures.

**“Unitholders”** has the meaning ascribed thereto under *General Information*.

**“Units”** has the meaning ascribed thereto under *General Information*.

**APPENDIX A  
ACQUISITION RESOLUTION**

**FOR CONSIDERATION AT THE SPECIAL MEETING OF UNITHOLDERS OF  
SLATE OFFICE REIT**

**BE IT RESOLVED THAT:**

1. The acquisition (the “**Acquisition**”) by Slate Office REIT (the “**REIT**”) of seven properties (the “**Acquisition Properties**”) from Cominar Real Estate Investment Trust and certain of its subsidiaries, pursuant to an agreement entered into between the REIT and Slate Acquisitions Inc., on behalf of Slate Canadian Real Estate Opportunity Fund I L.P. (the “**Purchaser**”) on January 19, 2018, as amended by the amending agreement entered into between the REIT and the Purchaser on January 26, 2018 is hereby approved and authorized.
2. All other matters related to the Acquisition as described in the Information Circular are hereby authorized and approved.
3. Notwithstanding that this resolution has been duly passed by the unitholders of the REIT, the trustees of the REIT are hereby authorized and empowered, without further notice to, or approval of, the unitholders of the REIT, not to proceed with the Acquisition.
4. Any trustee or officer of the REIT is hereby authorized, for and on behalf of the REIT, to execute and, if appropriate, deliver any and all other agreements, applications, forms, waivers, notices, certificates, confirmations and other documents and instruments and to do, or cause to be done, any and all such other acts and things as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to these resolutions, the completion of the Acquisition and related transactions, including, without limitation, (i) all actions required to be taken by or on behalf of the REIT, and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities, and (ii) the signing of the certificates, consents and other documents or declarations required to effect the Acquisition or otherwise to be entered into by the REIT, such determination to be conclusively evidenced by the execution and delivery of any such document, agreement or instrument, and the taking or doing of any such action.

**APPENDIX B**  
**CONSENT OF BLAIR FRANKLIN CAPITAL PARTNERS INC.**

To: The Board of Trustees and the Special Committee of the REIT

We refer to the Formal Valuation and the Fairness Opinion, each dated January 17, 2018, which we prepared for the Special Committee in connection with the acquisition of seven real estate assets.

We consent to the filing of the Formal Valuation and the Fairness Opinion with applicable securities regulatory authorities; the inclusion of a summary of the Formal Valuation and the Fairness Opinion in the Information Circular; the inclusion of the Formal Valuation and the Fairness Opinion as an Appendix in the Information Circular; and to being named in the Information Circular.

(signed) Blair Franklin Capital Partners Inc.

Toronto, Ontario

January 31, 2018

**APPENDIX C**  
**FORMAL VALUATION AND FAIRNESS OPINION**

(SEE ATTACHED)



January 17, 2018

Slate Office REIT  
121 King Street West, Suite 200  
Toronto, Ontario  
M5H 3T9

Attention: Pam Spackman, Chair of the Special Committee

Dear Madam,

Blair Franklin Capital Partners Inc. ("Blair Franklin") understands that as announced on December 17, 2017, Slate Acquisitions Inc. ("SAI"), on behalf of the Slate Canadian Real Estate Opportunity Fund I ("SCOF", an entity managed by Slate Asset Management L.P. ("SLAM")), entered into an agreement to acquire a portfolio of real estate assets from Cominar REIT ("Cominar") for approximately \$1.14 billion (the "Cominar Transaction"). We further understand that Slate Office REIT (the "REIT") has agreed to purchase a seven asset office portfolio (the "Portfolio") included in the Cominar Transaction for \$191.4 million, including assumed debt (the "Consideration"), pursuant to an agreement of purchase and sale between SAI, on behalf of SCOF, and the REIT to be made as of January 19, 2018 (the "SOT Transaction"). We understand that REIT is planning to finance the SOT Transaction with bank debt, convertible debentures, and a public equity issuance to be completed by way of subscription receipts.

Blair Franklin understands that SLAM holds an approximate 11.2% interest in the REIT through its ownership of 5,285,160 Class B LP units and 1,687,251 Units and is the external manager of the REIT. Following the completion of the securities offering in connection with the funding of the SOT Transaction, SLAM is expected to hold an approximate 9.5% interest in the REIT. SLAM also owns approximately 5.0% of SCOF and is the external manager of SCOF.

We further understand that SLAM, SAI, SCOF and the REIT are "related parties" and that the value of the SOT Transaction represents more than 25% of the REIT's current market capitalization, and is therefore subject to the requirements of Multilateral Instrument 61-101-*Protection of Minority Security Holders in Special Transactions* (the "Related Party Rules"), including the requirement to obtain a written formal valuation of the Portfolio prepared in accordance with the requirements of the Related Party Rules as well as the approval of not less than a majority of the votes cast by the REIT's unitholders not related to SLAM, SAI or SCOF (the "Independent Unitholders") at a special meeting of the REIT's unitholders ("Unitholders").

**Blair Franklin Capital Partners Inc.**

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The Special Committee of the Board of Trustees of the REIT (the “Committee”) has retained Blair Franklin to prepare and deliver to the Committee a written formal valuation of the Portfolio prepared in accordance with the requirements of the Related Party Rules (the “Valuation”) and a written opinion (the “Opinion” and collectively with the Valuation, the “Opinions”) as to the fairness to the REIT, from a financial point of view, of the Consideration to be paid by the REIT for the Portfolio pursuant to the SOT Transaction.

The Opinions have been prepared in accordance with the Disclosure Standards of the Investment Industry Regulatory Organization Canada (“IIROC”) but IIROC has not been involved in the preparation of the Opinions.

### **Engagement**

The Committee initially contacted Blair Franklin regarding the potential assignment on January 12, 2018. Blair Franklin was formally engaged by the Committee pursuant to an agreement between the REIT and Blair Franklin (the “Engagement Letter”) dated January 12, 2018. The Engagement Letter provides for the payment of a fixed fee equal to \$165,000 for delivery of the Opinions, which is not contingent upon conclusions in the Opinions or upon the completion of the SOT Transaction. In addition, Blair Franklin is entitled to be reimbursed for its reasonable out-of-pocket expenses and has been indemnified by the REIT in respect of certain matters relating to its engagement. Blair Franklin consents to the inclusion of this letter in its entirety and summaries thereof (provided such summaries are in a form acceptable to Blair Franklin) in the management information circular (the “Circular”) to be prepared in connection with the special meeting of Unitholders to be held to approve the SOT Transaction (the “Meeting”) and related material change reports and press releases and to the filing thereof, as necessary, by the REIT with the securities commissions or similar regulatory authorities in each province and territory of Canada.

### **Relationship with Interested Parties**

Neither Blair Franklin nor any of its affiliated entities (as such term is defined for the purposes of the Rules): (i) is an associated or affiliated entity or issuer insider (as such terms are defined for the purposes of the Related Party Rules) of the REIT, SAI, SLAM, SCOF, Cominar or any of their respective associates or affiliates (collectively, the “Interested Parties”); (ii) is an advisor to any of the Interested Parties in connection to the SOT Transaction (other than its engagement for the Committee); (iii) is a manager, co-manager or member of a soliciting dealer group formed in respect of the SOT Transaction; (iv) is the external auditor of any Interested Party; or (v) has a material financial interest in the completion of the SOT Transaction. During the 24 months before Blair Franklin was first contacted for the purpose the Opinions, neither Blair Franklin nor any of its affiliated entities (i) had a material involvement in an evaluation, appraisal or review of the financial condition of any Interested Party, or an associated or affiliated entity of any Interested Party, (ii) acted as a lead or co-lead underwriter of a distribution of securities by any Interested Party, or (iii) had a material financial interest in a transaction involving any Interested Party. There are no understandings, agreements or commitments between Blair Franklin and any Interested Party with respect to any future business dealings. Blair Franklin may, in the future, in the ordinary course of its business, perform financial advisory or investment banking services for the Interested Parties.

Blair Franklin is of the view that it is independent of all Interested Parties in the SOT Transaction (as such terms are defined for the purposes of the Related Party Rules).

### **Credentials of Blair Franklin**

Blair Franklin is an independent investment bank providing a full range of merger and acquisition, divestiture, valuation and financial restructuring services. The Opinions expressed herein represent the opinions of Blair Franklin and the form and content hereof has been approved for release by a committee of its principals, each of whom is experienced in mergers, acquisitions, divestitures, and valuation matters.

### **Scope of Review**

In connection with the Opinions, Blair Franklin reviewed, considered, and relied upon (without attempting to verify independently the completeness or accuracy thereof) or carried out, among other things, the following:

1. Public filings of the REIT including prospectuses, annual reports, quarterly reports, annual information forms and other material documents;
2. Documents provided by the REIT to the Committee with respect to the SOT Transaction;
3. Access to the electronic data room provided by the REIT;
4. Independent, third-party Property Condition Assessments completed in November 2017, Demographic Reports, Environmental Assessments and other property-related reports available to the REIT;
5. Property specific cash flow forecasts prepared by the REIT;
6. Lease documents for each of the properties considered in the SOT Transaction;
7. Historical financial statements and rent rolls for the properties which form the Portfolio;
8. Site Plans for each of the properties in the Portfolio;
9. Site visits of certain key properties in the Portfolio;
10. Academic studies;
11. Equity research and general industry reports;
12. Real estate market research reports prepared by third party, independent brokers;
13. Provincial economic forecast data for each of the geographies in which the properties in the Portfolio are located;
14. Discussions with the management of the REIT (“Management”) and Management’s counsel, as well as with the Committee and with counsel to the Committee; and
15. Summary of the key financing terms for instruments (subscription receipts and convertible debentures) which management of the REIT is seeking to assist in funding the purchase price.

Blair Franklin has not, to the best of its knowledge, been denied access by the REIT or any of its respective associates or affiliates to any information requested by Blair Franklin. The REIT indicated that Blair Franklin had access to all information available to SCOF and SLAM related

to the Portfolio during the course of their due diligence investigations in respect of the Cominar Transaction.

### **Prior Valuations**

The REIT has represented to Blair Franklin that there have not been any prior valuations (as defined in the Related Party Rules) or formal appraisals of the Portfolio or the properties that comprise the Portfolio in the preceding 24-month period.

### **Assumptions and Limitations**

With the Committee's approval and as provided for in the Engagement Letter, Blair Franklin has relied upon, without independent verification, all financial and other information that was obtained by Blair Franklin from public sources or that was provided to Blair Franklin by the REIT or any of its respective associates, affiliates, advisors or otherwise. Blair Franklin has assumed that this information is complete and accurate and does not omit any material fact or any fact necessary to be stated to make this information not misleading. The Opinions are conditional upon such completeness and accuracy. In accordance with the terms of Blair Franklin's engagement, but subject to the exercise of its professional judgment, Blair Franklin has not conducted any independent investigation to verify the completeness or accuracy of this information. With respect to the financial forecasts, projections, estimates or other forward-looking information provided to Blair Franklin and used in its analysis, Blair Franklin has assumed, subject to the exercise of its professional judgment, that they have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of Management as to the matters covered thereby.

Senior officer(s) of the REIT have separately represented to Blair Franklin, in certificates provided to Blair Franklin (the "Officer's Certificates"), amongst other things, that: (i) with the exception of forecasts, projections or estimates, the information, data and other material (financial or otherwise) provided orally or in writing by the REIT or its agents to Blair Franklin (the "Information") was complete, true and correct in all material respects as at the date the Information was prepared or provided to Blair Franklin; and (ii) except as disclosed in writing to Blair Franklin, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities or prospects of the Portfolio. Senior officers of the REIT also represented to Blair Franklin, in their respective Officer's Certificates, that any portions of the Information which constitutes forecasts, projections or estimates prepared by the REIT were prepared using assumptions that were, in the reasonable opinion of the REIT, reasonable in the circumstances.

The Opinions are based upon the securities markets, economic, general business and financial conditions prevailing today and the conditions and prospects, financial and otherwise, of the Portfolio, as they were reflected in the Information reviewed by Blair Franklin. In its analysis and in preparing the Opinions, Blair Franklin has made numerous assumptions with respect to industry performance, general business and economic conditions, and other matters, many of which are beyond the control of Blair Franklin, the REIT, or any of their respective associates or affiliates.

The Opinions have been provided for the use of the Committee, for review by the Board of Trustees of the REIT and for inclusion in the Circular or other disclosure documents to be sent to Unitholders in connection with the Meeting to consider the SOT Transaction (together with summaries thereof in a form acceptable to Blair Franklin and the Board) and may not be used by any other person or relied upon by any other person without the express written consent of Blair Franklin.

The Opinions are given as of the date hereof and Blair Franklin disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinions which may come or be brought to Blair Franklin's attention after the date hereof. Without limiting the foregoing, in the event that there is any material change after the date hereof in any fact or matter upon which the Opinions are based which would make such opinions misleading in any material respect, Blair Franklin reserves the right to change, modify or withdraw the Opinions in the event that Blair Franklin reasonably concludes that it is necessary as a result thereof.

Blair Franklin believes that its analyses must be considered as a whole and that selecting portions of its analyses and specific factors, without considering all factors and analyses together, could create a misleading view of the considerations underlying the Opinions. The preparation of a valuation is a complex process and is not necessarily susceptible to partial analyses or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. The Opinions should not be considered as a recommendation to any Unitholder of the REIT as to whether or not to vote in favour of the SOT Transaction at the Meeting.

All dollar amounts herein are expressed in Canadian dollars, unless stated otherwise. All references to years are calendar years, unless otherwise stated. For the purpose of its analysis, Blair Franklin has assumed a fiscal year end of March 31<sup>st</sup> (e.g. FY2018 is for the year ending March 31, 2018) to align with the anticipated closing date of the SOT Transaction.

## Overview of the Portfolio

The Portfolio is comprised of seven office properties which are geographically distributed across Ontario and Eastern Canada. The Portfolio is subject to existing mortgages totaling approximately \$82 million. The Portfolio formed part of a larger portfolio of real estate assets to be acquired by SLAM as part of the Cominar Transaction. The Portfolio totals 995,091 square feet ("sq. ft.") with a weighted average lease term of 4.9 years and a 93% occupancy rate.

**Figure 1 – List of Properties in Portfolio**

| Property                        | Location        | Built /<br>Renovated | GLA<br>(Sq. Ft.) | Current<br>Occupancy | WA Lease<br>Term | Largest<br>Tenant         | Existing<br>Mortgage <sup>(1)</sup><br>(\$ millions) | 2017E<br>NOI<br>(\$ millions) |
|---------------------------------|-----------------|----------------------|------------------|----------------------|------------------|---------------------------|------------------------------------------------------|-------------------------------|
| 81 Albert Street                | Moncton, NB     | 2002                 | 64,954           | 100%                 | 4.5 Years        | Her Majesty the Queen     | 3.3                                                  | 0.8                           |
| 84-86 Chain Lake Drive          | Halifax, NS     | 2008 / 2011          | 77,666           | 97%                  | 2.8 Years        | Fleetway Inc. / Starbucks | -                                                    | 1.2                           |
| 570 Queen Street                | Fredericton, NB | 1989                 | 69,708           | 87%                  | 3.5 Years        | Her Majesty the Queen     | -                                                    | 1.0                           |
| 225 Duncan Mill Road            | Toronto, ON     | 1978                 | 155,872          | 89%                  | 1.1 Years        | Headlease <sup>(2)</sup>  | 20.6                                                 | 2.3                           |
| 105 Moatfield Drive             | Toronto, ON     | 1982                 | 248,981          | 100%                 | 6.7 Years        | Thales Canada Inc.        | 34.8                                                 | 4.0                           |
| 95 Moatfield Drive              | Toronto, ON     | 1982                 | 156,426          | 100%                 | 8.2 Years        | Kraft Canada Inc.         | 23.2                                                 | 2.4                           |
| 5500 North Service Road         | Burlington, ON  | 2001                 | 221,484          | 80%                  | 4.3 Years        | Bluesun Inc.              | -                                                    | 2.6                           |
| <b>Total / Weighted Average</b> |                 |                      | <b>995,091</b>   | <b>93%</b>           | <b>4.9 Years</b> |                           | <b>81.9</b>                                          | <b>14.3</b>                   |

(1) GTA properties are cross collateralized

(2) Concurrent with closing of the SOT Transaction, it is expected that a headlease will be entered into through June 2019 with Cominar

**Definition of Fair Market Value**

For purposes of the Valuation, fair market value means the monetary consideration that, in an open and unrestricted market, a prudent and informed buyer would pay to a prudent and informed seller, where each is acting at arm's length with the other and under no compulsion to act.

**Approach to Value**

The Valuation is based upon the methodologies and assumptions Blair Franklin considered appropriate in the circumstances for the purposes of arriving at an opinion as to the range of fair market values of the Portfolio. The fair market value of the Portfolio was analyzed on a highest and best use basis which, in this case, is equivalent to a going concern of the existing use of the Portfolio.

**Valuation Methodologies**

For the purposes of arriving at the en-bloc value of the Portfolio, Blair Franklin principally relied on (1) a discounted cash flow approach (the "DCF Approach"), and (2) a capitalization rate approach (the "Cap Rate Approach") to arrive at a value range for the Portfolio. Blair Franklin understands that there were no formal appraisals completed in the past 24 months for any of the properties which comprise Portfolio, and as such, no formal appraisals have been provided to Blair Franklin to be included in its analysis.

The DCF Approach was completed on the cash flows from the Portfolio, building from the individual property level. Cash flows for the Portfolio were forecasted based on individual property budgets provided by Management with adjustments made by Blair Franklin where appropriate, historical financial statements and rent rolls of the properties, as well as the Property Condition Assessments of each of the properties in the Portfolio commissioned by Cominar in November 2017 from independent third-parties. Blair Franklin, based on its review of precedent transactions, comparable public companies, and commercial real estate brokerage research reports as described in the Cap Rate Approach, then applied a range of discount rates and terminal capitalization rates to the cash flows of the Portfolio.

As part of the Cap Rate Approach, Blair Franklin reviewed precedent transactions involving Canadian office real estate properties, the trading multiples of comparable public companies to the REIT and commercial real estate brokerage research reports on each relevant geographic market. For each comparable company and precedent transaction, Blair Franklin analyzed various metrics including the capitalization rates of net operating income ("NOI") and price per sq. ft. implied by the respective enterprise values and purchase prices. Blair Franklin then applied the resulting capitalization rates to the estimated steady-state NOI of each of the properties in the Portfolio (the "Stabilized NOI"), adjusting for the present value of capital expenditures required to achieve such Stabilized NOI.

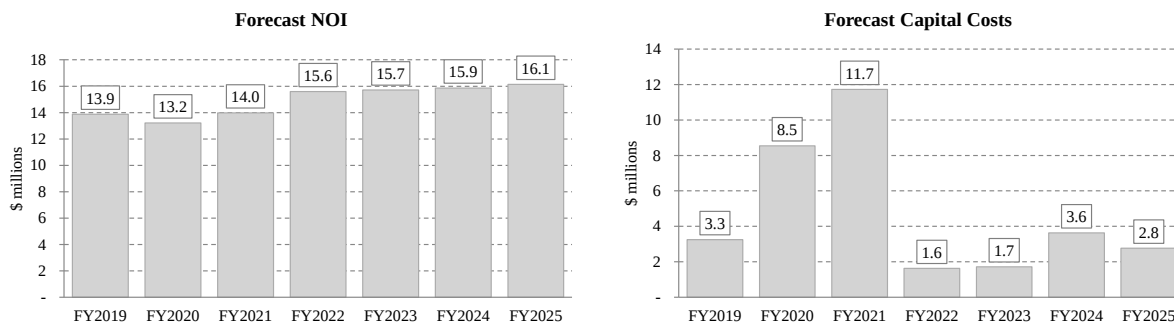
Blair Franklin also considered other observations, including the tax assessed values of the properties in the Portfolio, as well as precedent transactions on a per sq. ft. basis. However, these methodologies did not form a meaningful component of our valuation analysis.

## DCF Approach

Blair Franklin primarily relied upon the DCF Approach to value the Portfolio. The DCF Approach involved discounting to present value (i) the six-year forecast unlevered free cash flows (“UFCFs”) generated by the Portfolio; and (ii) a terminal value as of March 31, 2025.

The following charts summarize the expected NOI and capital costs (including capital expenditures, lease inducements, and brokerage fees) for the Portfolio over the forecast period. The cash flow forecast includes a budget of approximately \$10 million for the refurbishment of the parking structure at the Moatfield properties, expected to be incurred in FY2020 and FY2021.

**Figure 2 – Portfolio NOI and Capital Cost Forecast**



The DCF Approach requires that certain assumptions be made regarding, among other things, future UFCFs, discount rates and terminal values. As a part of its DCF Approach, Blair Franklin reviewed Management’s forecast cash flows in detail including assumptions by property on rents, occupancy, operating expenses and capex as well as allowances for lease inducements and brokerage commission fees for replacing tenants when current leases expire. Blair Franklin reviewed Management’s forecasts for each property in conjunction with independent third-party Property Condition Assessments, as well as independent real estate brokerage research. Discussions were also held with Management to clarify assumptions underlying their respective analyses and understand the condition and lease status of each property.

Blair Franklin also considered the management fees payable by the REIT to SLAM. The Portfolio will be managed under terms of the existing management agreements between SLAM and the REIT. The base asset management fee within the REIT is equal to 30 basis points of the gross book value of the assets per annum. In addition, there is a property management fee of 3.0% of gross revenues which is payable by the REIT to SLAM. Most purchasers, whether managed internally or, in the case of the REIT, externally, would incur some incremental asset management cost. Blair Franklin believes that base management and property management fees are a reasonable proxy for this cost.

Upon discussions with Management and review of the financial forecast prepared, Blair Franklin arrived at its own view on UFCF for each property. Blair Franklin developed a cash flow model for the years ending March 31, 2019 to March 31, 2025 with annual consolidated NOI and UFCF growing to \$16.1 million and \$11.0 million, respectively, by the end of the forecast period. A terminal value was estimated by applying a capitalization rate to terminal year NOI and then

discounting the resulting value to present using the same discount rate used to discount the corresponding projected free cash flows.

Appropriate discount rates and terminal cap rates were applied based on market data, discussions with Management, review of precedent transactions, comparable companies and Blair Franklin's understanding of real estate pricing parameters and the portfolio's risk profile. Blair Franklin selected a discount rate range of 7.0% to 7.5% and a terminal capitalization rate range of 6.5% to 7.0%.

**Figure 3 – DCF Value of the Portfolio**

| <b>\$ millions</b>                        | <b>Low</b> |   | <b>High</b> |
|-------------------------------------------|------------|---|-------------|
| WACC                                      | 7.5%       | - | 7.0%        |
| Terminal Cap Rate                         | 7.0%       | - | 6.5%        |
| <b>Unlevered Value Range of Portfolio</b> |            |   |             |
| PV of UFCFs                               | 41         | - | 42          |
| PV of Terminal Value                      | 144        | - | 160         |
| <b>DCF Value of Portfolio</b>             | <b>185</b> | - | <b>201</b>  |

Applying Blair Franklin's selected range of capitalization rates and discount rates to the UFCFs yields a value for the Portfolio of \$185 million to \$205 million under the DCF Approach. The following table outlines a sensitivity analysis of the Portfolio based on a +/- 25 basis point change to the selected discount rate and capitalization rate in the DCF Approach.

**Figure 4 – Sensitivity Analysis of Portfolio Value under the DCF Approach**

|                                     |       | <b>Discount Rate</b> |       |       |       |       |
|-------------------------------------|-------|----------------------|-------|-------|-------|-------|
| (\$ millions)                       |       | 7.75%                | 7.50% | 7.25% | 7.00% | 6.75% |
| <b>Terminal Capitalization Rate</b> | 7.25% | 178                  | 180   | 182   | 185   | 187   |
|                                     | 7.00% | 183                  | 185   | 187   | 190   | 192   |
|                                     | 6.75% | 188                  | 190   | 193   | 195   | 198   |
|                                     | 6.50% | 194                  | 196   | 199   | 201   | 204   |
|                                     | 6.25% | 200                  | 202   | 205   | 208   | 210   |

### Capitalization Rate Approach

The following table illustrates the capitalization rates of NOI at which recent transactions involving Canadian office properties, REITs or other institutional real estate investors have been completed or announced in geographic areas relevant to the Portfolio. Blair Franklin focused on recent transactions involving office properties located in the Greater Toronto Area ("GTA") and Atlantic Canada. Blair Franklin also reviewed independent commercial real estate brokerage research (e.g. CBRE, Cushman Wakefield, etc.) as well as the implied capitalization rates of

comparable publicly traded office REITs. The following figure provides a summary of the observations from this analysis.

**Figure 5 – Capitalization Rate Comparable Benchmarks**

|                                                                      | Capitalization Rate |   |      |
|----------------------------------------------------------------------|---------------------|---|------|
|                                                                      | Low                 |   | High |
| Suburban GTA Sale Transactions                                       | 5.4%                | - | 6.9% |
| Atlantic Canada Sale Transactions                                    | 6.5%                | - | 8.0% |
| Pure Play Office REIT Comparable Public Companies                    | 5.0%                | - | 6.8% |
| Diversified Office REIT Comparable Public Companies                  | 6.5%                | - | 7.4% |
| Suburban GTA Office B - Commercial Real Estate Brokerage Research    | 6.5%                | - | 7.5% |
| Atlantic Canada Office A - Commercial Real Estate Brokerage Research | 6.0%                | - | 7.5% |

Based on the analysis summarized above, Blair Franklin believes that an appropriate cap rate range for the Portfolio is 6.50% - 7.00% for the properties located in the GTA, and 6.75% - 7.25% for the properties located in Atlantic Canada. Applying the respective cap rate ranges to Stabilized NOI of the relevant properties and adjusting for capex as well as the asset management fee results in a value for the Portfolio of \$183 million to \$205 million under the Cap Rate Approach.

**Figure 6 – Cap Rate Approach Summary**

| (\$ millions)                      | GTA Properties |              | Atlantic Properties |             | Implied Total |              |
|------------------------------------|----------------|--------------|---------------------|-------------|---------------|--------------|
|                                    | Low            | High         | Low                 | High        | Low           | High         |
| Stabilized NOI                     | 12             | - 12         | 3                   | - 3         | 14            | - 15         |
| Selected Cap Rate Range            | 7.00%          | - 6.50%      | 7.25%               | - 6.75%     | 7.05%         | - 6.55%      |
| <b>Stabilized Value Range</b>      | <b>166</b>     | <b>- 185</b> | <b>39</b>           | <b>- 44</b> | <b>205</b>    | <b>- 229</b> |
| Present Value of Capex Adjustments | (20)           | - (20)       | (3)                 | - (3)       | (23)          | - (23)       |
| <b>Summary Value Range</b>         | <b>147</b>     | <b>- 165</b> | <b>36</b>           | <b>- 41</b> | <b>183</b>    | <b>- 205</b> |

The following tables outline the sensitivity analysis of the Portfolio based on a +/- 25 basis point change to the selected regional cap rates and a +/- 150 basis point change to regional Stabilized NOI under the Cap Rate Approach.

**Figure 7 – Sensitivity Analysis of Portfolio Value under the Cap Rate Approach**

|                              |        | GTA Cap Rate |       |       |       |       |
|------------------------------|--------|--------------|-------|-------|-------|-------|
| (\$ millions)                |        | 7.25%        | 7.00% | 6.75% | 6.50% | 6.25% |
| Change in Stabilized GTA NOI | (3.0%) | 139          | 145   | 151   | 157   | 164   |
|                              | (1.5%) | 141          | 147   | 153   | 160   | 167   |
|                              | -      | 143          | 149   | 155   | 162   | 169   |
|                              | 1.5%   | 145          | 151   | 158   | 165   | 172   |
|                              | 3.0%   | 148          | 154   | 160   | 167   | 174   |

|                                          |        | Atlantic Canada Cap Rate |       |       |       |       |
|------------------------------------------|--------|--------------------------|-------|-------|-------|-------|
| (\$ millions)                            |        | 7.50%                    | 7.25% | 7.00% | 6.75% | 6.50% |
| Change in Stabilized Atlantic Canada NOI | (3.0%) | 35                       | 36    | 37    | 39    | 40    |
|                                          | (1.5%) | 35                       | 36    | 38    | 39    | 41    |
|                                          | -      | 36                       | 37    | 38    | 40    | 42    |
|                                          | 1.5%   | 36                       | 38    | 39    | 41    | 42    |
|                                          | 3.0%   | 37                       | 38    | 40    | 41    | 43    |

## Other Considerations

Blair Franklin also considered a number of other factors and data reference points to supplement the primary valuation methodologies, outlined on the previous pages.

### *Assumed and New Debt Financing*

As a part of the SOT Transaction, the REIT is assuming various mortgage facilities with a principal amount outstanding of approximately \$82 million. The mortgages have a weighted average interest rate of 3.65%. One property has mortgages totalling \$3.3 million with an above market interest rate of 7.30%, which would have a negative mark-to-market impact of approximately \$0.3 million. We also note that the REIT plans to take on an additional \$46 million in property specific debt to assist in the funding of the SOT Transaction at a target coupon of 3.50%. Blair Franklin has reviewed recent office REIT financings in Canada and concluded that coupons for both the existing mortgages and expected future financing are in line with market terms. Blair Franklin has not made a mark-to-market adjustment in its NAV analysis because the REIT is (i) not assuming below market debt that provides value; and (ii) can refinance the debt without penalty at more favourable rates following the closing of the SOT Transaction (no negative implications of assuming the debt).

### *Comparable Transactions on a Per Square Foot Basis*

Based on our review of comparable property sales, we note that (i) comparable GTA properties have recently been acquired for between \$204 - \$309 per sq. ft., with an average of \$256 per sq. ft.; and (ii) comparable Atlantic Canada properties have recently been acquired for between \$123 - \$241 per square foot, with an average of \$186 per sq. ft.

### *Portfolio vs. Single Asset Considerations*

We note that acquisitions for a portfolio of assets tend to garner lower capitalization rates when compared with single asset transactions due to cross-property synergies and enhanced diversification and have taken this into account in our analysis.

### *Tax Assessed Values of the Properties*

We note that the 2017 tax assessed values for the properties in the Portfolio totals approximately \$172 million.

### *Environmental Liabilities*

Blair Franklin has reviewed Phase I Environmental Assessments for each of the properties in the Portfolio. Each report concluded that there are no significant areas of concern and that no Phase II Assessments were required at this time.

### *Potential for Litigation*

Blair Franklin held discussions with Management as well as Management's legal counsel in which it was confirmed that there are no material outstanding litigation matters related to any of the properties in the Portfolio.

*Tax Matters*

While Blair Franklin has not considered any of the tax impacts of the SOT Transaction on Unitholders or the REIT, we note that the SOT Transaction will lead to a higher portion of distributions being paid as a return of capital

*Cominar Transaction Purchase Price Allocation*

We understand that, as part of the Cominar Transaction, the asset purchase agreement value of the Portfolio was \$182 million. We understand the individual property allocations in the Cominar Transaction were arrived at through discussions between SLAM and Cominar and do not reflect the specific underwriting value of each property completed by SLAM.

*Accretive Transaction*

We completed an accretion analysis regarding the SOT Transaction and determined that the SOT Transaction is accretive to current Unitholders with estimated AFFO accretion of 0.1% to 0.3% per unit.

**Value Summary**

Based upon and subject to the analyses and assumptions set out herein, the following table provides a summary of the valuation of the Portfolio. Blair Franklin believes an appropriate fair market value range for the Portfolio to be between \$185 million to \$205 million.

**Figure 8 – Blair Franklin Value Range Summary**

| <i>(\$ millions)</i>        | <b>Low</b> | <b>-</b> | <b>High</b> |
|-----------------------------|------------|----------|-------------|
| DCF Approach                | 185        | -        | 201         |
| Cap Rate Approach           | 183        | -        | 205         |
| <b>Selected Value Range</b> | <b>185</b> | <b>-</b> | <b>205</b>  |

**Distinctive Material Benefits of the Transaction to the Interested Parties**

Blair Franklin reviewed and considered whether any distinctive material value would accrue to the Interested Parties through the SOT Transaction. Blair Franklin observed the following differences in the benefits to SLAM by completing the SOT Transaction versus acquiring the Portfolio in SCOF.

*Management Fee Structure*

- Consistent with the existing agreement with the REIT, SLAM will receive a 0.3% base management fee from the REIT based on the gross book value of the assets acquired. This fee equates to \$0.6 million per year
- Consistent with the existing agreement with the REIT, SLAM will receive a 3.0% property management fee from the REIT based on the gross revenues of the assets acquired. This fee equates to \$0.9 million per year

- Under SCOF's fee structure, SLAM would have received a management fee of 1.25% of invested equity (approximately \$1.0 million annually for the Portfolio) and a 20% carried interest if the Portfolio was retained by SCOF. Blair Franklin considered that the higher the price paid by the REIT for the Portfolio, the higher SCOF's ultimate return would be on the Cominar Transaction, resulting in a greater carried interest accruing to SLAM

#### *Other Fees*

- Consistent with the existing agreement with the REIT, SLAM will receive an acquisition fee relating to the SOT Transaction. This fee amounts to between \$1.0 million and \$1.5 million, dependent on the fiscal year in which the SOT Transaction is completed
- Consistent with the existing agreement with the REIT, SLAM will receive various other financing and leasing fees from the REIT over time
- We note that, given the different fee structure at SCOF, SLAM would receive the acquisition fee and other fees referenced above, however, we are not able to determine which fee structure will ultimately result in greater fees paid to SLAM related to the Portfolio

#### *Income Supplement*

- We note that the REIT will receive a \$1.2 million income supplement from SCOF in each of the first two years following the REIT's acquisition of the Portfolio

#### *Ownership*

- SLAM holds an approximate 11.2% interest in the REIT through its ownership of 5,285,160 Class B LP units and 1,687,251 Units and is the external manager of the REIT. Following the completion of the securities offering in connection with the funding of the SOT Transaction, SLAM is expected to hold an approximate 9.5% interest in the REIT
- SLAM owns approximately 5.0% of SCOF

### **Valuation Conclusion**

Based upon and subject to the analyses and assumptions set out herein, Blair Franklin is of the opinion that, as at the date hereof, the fair market value range of the Portfolio is \$185 million to \$205 million.

### **Fairness Opinion**

In assessing the fairness to the REIT from a financial point of view of the Consideration to be offered pursuant to the SOT Transaction, Blair Franklin considered and relied upon a number of factors, including, but not limited to, the factors previously described in this letter and the fact that under the terms of the SOT Transaction, the Consideration is within the Blair Franklin fair market valuation range of the Portfolio.

**Fairness Conclusion**

Based upon and subject to the foregoing, Blair Franklin is of the opinion that, as at the date hereof, the Consideration to be paid by the REIT pursuant to the SOT Transaction is fair, from a financial point of view, to the REIT.

Yours very truly,

*Blair Franklin Capital Partners Inc.*

**Blair Franklin Capital Partners Inc.**





**QUESTIONS OR REQUESTS FOR ASSISTANCE MAY BE DIRECTED TO  
SLATE OFFICE REIT'S PROXY SOLICITOR:**



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(416-304-0211 collect)

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