

PROSPECTUS

New Issue

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SUBVERSIVE REAL ESTATE ACQUISITION REIT LP

Up to US\$65 million aggregate principal amount of Senior Secured Convertible Debentures and Up to 262,500 Limited Partnership Units Issuable upon Conversion of Subscription Receipts

No securities are being offered pursuant to this prospectus. This prospectus is being filed by Subversive Real Estate Acquisition REIT LP (the “**REIT LP**” or “**we**” or “**us**” or “**our**”) which is a limited partnership established under the *Limited Partnerships Act* (Ontario) (“**LPA**”) for the purpose of effecting, directly or indirectly, an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, equity exchange, asset acquisition, equity purchase, reorganization, or any other similar business combination involving the REIT LP that will qualify as its qualifying transaction (the “**Qualifying Transaction**”) for the purposes of the rules of the Neo Exchange Inc. (the “**Exchange**”). The REIT LP is a special purpose acquisition corporation (“**SPAC**”) for the purposes of the rules of the Exchange. The REIT LP received US\$200 million of proceeds from its initial public offering which was completed on January 8, 2020, as well as an additional US\$25 million of proceeds on the closing of the over-allotment option granted in connection with its initial public offering. The total proceeds of US\$225,000,000 were placed in an escrow account with Olympia Trust Company and will be released upon consummation of the Qualifying Transaction in accordance with the terms and conditions of the Escrow Agreement. All capitalized terms not herein defined have the meanings ascribed to them in the “Glossary of Terms”.

The REIT LP and/or affiliates thereof have entered into definitive agreements (the “**Definitive Agreements**”) to acquire approximately US\$97.4 million of real properties and originate or acquire US\$85.4 million of first lien mortgages, for an aggregate investment of approximately US\$182.8 million (after taking into account an aggregate of approximately US\$21.0 million in earn-outs and year one funding commitments), which transactions collectively constitute the REIT LP’s Qualifying Transaction. The REIT LP is also party to purchase options to, subject to certain conditions, acquire the real properties subject to approximately US\$81.8 million of the first lien mortgages. Following closing of the Qualifying Transaction (“**Closing**”), the REIT LP will indirectly own a portfolio consisting of 10 properties (comprising approximately 690,000 square feet of gross leasable area) and five first lien mortgages (secured by properties comprising approximately 810,000 square feet of gross leasable area or 860,000 square feet of gross leasable area following the expenditure of year one funding commitments) (collectively, the “**Initial Portfolio**”), located across nine states of the United States. The properties and mortgages comprising the Initial Portfolio will be held indirectly, through wholly-owned subsidiary limited liability companies or limited partnerships of the REIT LP. The REIT LP’s portfolio will generate cash flow in U.S. dollars and the distributions made on the Limited Partnership Units following the Closing will be denominated in U.S. dollars. See “The Initial Portfolio and Contingent Properties” and “The Qualifying Transaction”.

The REIT LP has also entered into binding agreements to acquire two additional properties totaling 40,000 square feet (the “**Contingent Properties**”) for an aggregate purchase price of US\$17.9 million (after taking in account an aggregate of approximately US\$1.0 million of year one funding commitments). The acquisition of the Contingent Properties is expected to close in the fourth quarter of 2020. Taking into account these acquisitions, the REIT LP’s portfolio would be comprised of 12 properties and five first lien mortgages and would have an aggregate investment of approximately US\$200.7 million (after taking in account an aggregate of approximately US\$22.0 million in earn-outs and year one funding commitments). There is no assurance that the REIT LP will acquire the Contingent Properties in the fourth quarter of 2020, if at all. See “Description of the Initial Portfolio and Contingent Properties” and “Risk Factors”.

The long-term objectives of the REIT LP are to (a) provide Unitholders with an opportunity to invest in a portfolio of Regulated Cannabis-related real property assets located in variety of attractive markets, (b) provide Unitholders with predictable, sustainable and growing tax efficient cash distributions, (c) enhance the value of the REIT LP’s assets and maximize long-term unit value through active internal asset and property management programs and procedures,

and (d) expand the asset base of the REIT LP and increase the REIT LP's AFFO per unit primarily through acquisitions and improvements of its assets, using targeted and strategic capital expenditures. The REIT LP's mission statement is to establish itself as a top capital provider to the United States cannabis industry and the largest cannabis focused REIT with the broadest product offering in the sector. In executing on its objectives, the REIT LP intends to acquire properties through sale-leaseback transactions and third-party purchases and to originate first lien mortgages (which may be accompanied by purchase options). It expects to lease properties on a triple-net lease basis. The tenants are responsible for all aspects of and costs related to the property and its operation during the lease term, including structural repairs, maintenance, taxes and insurance. See "The REIT LP – Objectives of the REIT LP". The REIT LP initially intends to make monthly cash distributions in the estimated amount of US\$0.0542 per Limited Partnership Unit, which will provide Unitholders with an Annual Cash Distribution Yield of approximately 6.5% (assuming a price per Limited Partnership Unit of US\$10.00). See "Distribution Policy" and "Non-IFRS Measures".

This prospectus is being filed in accordance with section 10.16 of the NEO Exchange Listing Manual in connection with the completion of the REIT LP's Qualifying Transaction. Unless otherwise indicated, this prospectus has been prepared assuming that the Qualifying Transaction has been completed.

The REIT LP's currently issued and outstanding Restricted Voting Units and Rights are listed and posted for trading on the Exchange under the symbol "SVX.U" and "SVX.RT.U", respectively. The closing price of each of the Restricted Voting Units and Rights on the Exchange on October 16, 2020, the last trading day before the Qualifying Transaction was announced, was US\$9.93, and US\$0.50, respectively. Holders of Restricted Voting Units can elect to redeem all or a portion of their Restricted Voting Units, provided that they deposit their Restricted Voting Units for redemption prior to the Redemption Election Deadline. Upon the Closing (a) the class of Restricted Voting Units shall be automatically renamed "Limited Partnership Units" with no action taken on the part of the holders thereof, as set forth in the First A&R LP Agreement, (b) holders of Rights will be entitled to receive, for no additional consideration, one Limited Partnership Unit for every eight Rights held, subject to adjustment under the terms of the Rights Agreement, and (c) the REIT LP shall be authorized to issue two classes of securities: Limited Partnership Units and Proportionate Voting Units. Generally, the Limited Partnership Units and the Proportionate Voting Units have the same rights, are equal in all respects and are treated by the REIT LP as if they were units of one class only. Proportionate Voting Units, or fractions thereof, may at any time, subject to the FPI Condition, at the option of the holder and subject to certain restrictions, be converted into Limited Partnership Units at a ratio of 100 Limited Partnership Units per Proportionate Voting Unit. Prior to the conversion, each Proportionate Voting Unit carries 100 votes per Proportionate Voting Unit (compared to one vote per Limited Partnership Unit) and is entitled to distributions and liquidation distributions in an amount equal to 100 times the amount distributed in respect of each Limited Partnership Unit. The Limited Partnership Units may at any time, at the option of the holder and with the consent of the REIT LP, be converted into Proportionate Voting Units at a ratio of one Proportionate Voting Unit for 100 Limited Partnership Units.

On October 7, 2020, the REIT LP announced a private placement (the "**Private Placement**") of subscription receipts of the REIT LP (the "**Outstanding Subscription Receipts**"). On Closing, the Outstanding Subscription Receipts shall convert into US\$40.0 million aggregate principal amount of 6.0% senior secured convertible debentures (the "**Debentures**") of the REIT LP at a price of (a) US\$1,000 per Debenture and 137,500 Limited Partnership Units (the "**Debenture Units**"), in respect of US\$27.5 million Debentures, and (b) US\$950 per Debenture, in respect of US\$12.5 million Debentures (each, as applicable, the "**Offering Price**"). The REIT LP has also granted the agents, being Canaccord Genuity Corp. ("**Canaccord Genuity**") and Compass Point Research & Trading, LLC ("**Compass Point**"), and together with Canaccord Genuity, the "**Agents**", a non-transferable option (the "**Agents' Option**") to purchase additional Subscription Receipts convertible into an aggregate of US\$25.0 million Debentures and, if applicable, up to an additional 125,000 Debenture Units (the "**Additional Subscription Receipts**", and together with the Outstanding Subscription Receipts, the "**Subscription Receipts**"). The Agents' Option must be exercised prior to Closing. The Outstanding Subscription Receipts were issued, and the Additional Subscription Receipts will be issued, to the extent applicable, pursuant to an agency agreement dated October 6, 2020 (the "**Agency Agreement**") between the REIT LP and the Agents. Compass Point is registered as a broker dealer in the United States, and is not registered to sell securities in any Canadian jurisdiction. Accordingly, Compass Point only distributed Outstanding Subscription Receipts, and will only distribute the Additional Subscription Receipts, to the extent applicable, in the U.S. pursuant to exemptions from registration requirements in the U.S. and other jurisdictions where such sales were permissible. The Offering Price and the other terms of the Private Placement were determined by an arm's length negotiation between the REIT LP and the Agents. The subscribers of the Subscription Receipts will fund the Offering Price, subject to satisfaction of certain funding conditions, on conversion of the Subscription Receipts. The Private

Placement is subject to customary closing conditions, including that the REIT LP has received final listing approval from the Exchange and a receipt for the final non-offering prospectus and has fulfilled certain covenants as further described in the Agency Agreement. The net proceeds of the Private Placement, assuming funding is received prior to the exercise of the Agents' Option, will be approximately US\$37.8 million. See "Plan of Distribution" and "Description of the Debentures". This prospectus qualifies the distribution of the Debentures and the Debenture Units upon the automatic conversion of the Outstanding Subscription Receipts and the distribution of the Additional Subscription Receipts on the exercise of the Agents' Option, to the extent applicable.

	Price to public	Agents' Commission ⁽¹⁾	Net Proceeds to the REIT LP ⁽²⁾
Per Debenture (including the Debenture Units).....	US\$1,000	US\$40	US\$27,500,000
Per Debenture	US\$950	US\$40	US\$11,875,000
Total ⁽³⁾	US\$40,000,000	US\$1,600,000	US\$37,775,000

Notes:

- (1) Pursuant to the Agency Agreement, in connection with the Private Placement, the Agents are entitled to a cash commission equal to 4.0% of the aggregate principal amount of the Debentures (the "**Agents' Commission**"). The REIT LP also granted the Agents the Agents' Option to purchase the Additional Subscription Receipts (as described above). A purchaser who acquires Subscription Receipts forming part of the Agents' Option acquires those securities under this prospectus, regardless of whether the Agents' Option is ultimately filled through the exercise of the Agents' Option or secondary market purchases.
- (2) Before deducting the expenses of the Private Placement estimated at US\$1,000,000 (assuming no exercise of the Agents' Option).
- (3) Assumes no exercise of the Agents' Option. If the Agents' Option is exercised in full (assuming 50% of the Debenture are purchased at a price of \$1,000 per Debenture and 50% of the Debentures are purchased at a price of \$950 per Debenture and before deducting expenses of the Private Placement), the total "Price to Public", "Agents' Commission" and "Net Proceeds to the REIT LP" would be US\$65,000,000, US\$2,600,000 and US\$61,150,000, respectively. See "Plan of Distribution".

Certain of the Subscription Receipts will be convertible into Debentures at a discount, with an effective yield of 6.3% if held to maturity.

The Subscription Receipts are not available for purchase pursuant to this prospectus and no funds, other than those from the distribution of the Debentures and the Debenture Units upon the conversion of the Subscription Receipts, as applicable, are to be received by the REIT LP.

CG Investments Inc. IV, a corporation incorporated under the laws of the province of Ontario ("CG IV"), is a wholly owned entity of Canaccord Genuity. CG IV, along with Subversive Real Estate Sponsor LLC ("Subversive Sponsor") and Inception Altanova Sponsor, LLC ("Inception Sponsor"), both limited liability companies incorporated under the laws of Delaware, owns a controlling interest in the REIT LP. As a result, under National Instrument 33-105 – *Underwriting Conflicts*, the REIT LP may be considered to be a "connected issuer" or a "related issuer" of Canaccord Genuity. See "Relationship Between the REIT LP and Canaccord Genuity".

Debenture Conversion Privilege

Each holder of a Debenture will have the right, at such holder's option (except for certain holders, as described in the Indenture), to convert all or any portion (if the portion to be converted would result in the issuance of at least one whole Limited Partnership Unit upon conversion) of such Debenture (each a "**Conversion Limited Partnership Unit**") at any time prior to the close of business of the earliest of: (i) the last business day before the Maturity Date or (ii) if called for redemption, the last business day immediately preceding the date fixed for redemption of the Debentures, at a conversion rate of 86.957 Limited Partnership Units (at an initial conversion price of US\$11.50 per Limited Partnership Unit (the "**Conversion Price**")) per US\$1,000 principal amount of Debentures, subject to adjustment as set forth in the Indenture. Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price in certain events, are set out under "Description of the Debentures — Conversion Privilege".

On October 19, 2020, the REIT LP announced that, in connection with Closing, the REIT LP shall distribute an aggregate of up to 24.1 million contingent rights (the “**Contingent Rights**”), depending on the extent to, and nature in which, the Agents’ Option is exercised, to holders of Limited Partnership Units and Exchangeable Units of record on the date following Closing (the “**Holders of Record**”). The Contingent Rights will be distributed to Holders of Record on a *pro rata* basis based on the number of Limited Partnership Units and/or Exchangeable Units held by such holders on the date following Closing. Accordingly, if there are no redemptions of Restricted Voting Units, each Holder of Record will receive one Contingent Right per Limited Partnership Unit and/or Exchangeable Unit held. To the extent there are redemptions of Restricted Voting Units, each Holder of Record will receive more than one Contingent Right per Limited Partnership Unit and/or Exchangeable Unit held, depending upon the quantum of redemptions. No fractional Contingent Rights will be issued. If a holder would be entitled to receive a fractional interest in a Contingent Rights, we will round down to the nearest whole number of Contingent Rights to be issued to such holder. The Contingent Rights will not be distributed if the Qualifying Transaction does not close. The Contingent Rights will be issued pursuant to an agreement (the “**Contingent Rights Agreement**”) to be entered into on the Closing Date between the REIT LP and the Rights Agent.

Holders of the Contingent Rights will be entitled to receive, for no consideration, one Limited Partnership Unit for every five Contingent Rights held, subject to adjustment as described herein. The Contingent Rights will be automatically exercised by the holders thereof upon the earlier of (a) the listing of the REIT LP units on a recognized major U.S. exchange, and (b) cannabis production and sale becoming federally legal in the United States. The Contingent Rights will not, subject to certain exceptions, otherwise be exercisable. As at the date of this prospectus, the REIT LP does not believe that a listing on a recognized major U.S. exchange would be possible, and there is no assurance that such a listing will be possible in the future. See “The Qualifying Transaction – Contingent Rights” and “Risk Factor”.

In connection with the issuance of the Contingent Rights, the Founders will forfeit the equivalent of approximately 4.0 million Limited Partnerships Units in the form of Proportionate Voting Units with a notional equity value of approximately US\$40 million.

The completion of the Qualifying Transaction is conditional upon, among other things, approval by the Exchange. The Exchange has conditionally approved the continued listing of the Limited Partnership Units, including the Limited Partnership Units issuable in connection with the Qualifying Transaction (including, for greater certainty, upon the redemption of the Exchangeable Units), the Debenture Units and the units underlying the Debentures, and the Rights. The Exchange has also conditionally approved the listing of the Debentures under the symbol SVX.DB.U. The REIT LP has applied to list the Contingent Rights on the Exchange under the symbol SVX.RT.C. Continued listing of the Limited Partnership Units and the Rights and the listing of the Debentures and Contingent Rights is subject to the REIT LP fulfilling all of the requirements of the Exchange.

Unitholders should be aware that there are various known and unknown risk factors in connection with the Qualifying Transaction. Unitholders should carefully consider the risks identified in this prospectus under the heading “Caution Regarding Forward-Looking Statements” and “Risk Factors” before deciding whether or not to approve the Qualifying Transaction.

Unitholders should be aware that the acquisition, holding and disposition of the securities described in this prospectus may have tax consequences in Canada, the United States and elsewhere depending on each particular Unitholder’s specific circumstances. Unitholders should consult their own tax advisors with respect to such tax considerations. See “Certain Canadian Federal Income Tax Considerations” and “Certain United States Federal Income Tax Considerations”.

A return on a purchaser’s investment in Limited Partnership Units is not comparable to the return on an investment in a fixed income security. The recovery of a purchaser’s initial investment is at risk, and the anticipated return on a purchaser’s investment is based on many performance assumptions. Although the REIT LP intends to make monthly distributions from AFFO to Unitholders, these distributions may be reduced or suspended. The actual amount distributed will depend on numerous factors including the financial performance of the REIT LP’s properties and other assets, debt covenants and other contractual obligations, working capital requirements, future capital requirements, all of which are subject to a number of risks. The market value of the Limited Partnership Units may decline if the REIT LP is unable to meet its AFFO targets in the future, and that decline may be material. See “Non-IFRS Measures”. An investment in the Units involves a number of risks and it is important for a purchaser of Units to consider the particular

risk factors described in the “Risk Factors” section of this prospectus, which may affect the REIT LP and its business, the real estate industry, and therefore the availability of funds necessary to make distributions to Unitholders.

Because the REIT LP will be treated as a real estate investment trust for U.S. federal income tax purposes, distributions paid by the REIT LP to Canadian investors that are made out of the REIT LP’s current or accumulated earnings and profits (as determined under U.S. federal income tax principles), generally will be subject to U.S. withholding tax at a rate of 30%, which may be reduced to 15% for investors that qualify for benefits under the United States-Canada Income Tax Convention (1980, as amended) (the “**Treaty**”) provided that the required form evidencing eligibility for such benefits is filed with the REIT LP or the appropriate withholding agent. To the extent a Canadian investor is subject to U.S. withholding tax in respect of distributions paid by the REIT LP on the Limited Partnership Units out of the REIT LP’s current or accumulated earnings and profits, the amount of such tax generally will be eligible for foreign tax credit or deduction treatment, subject to the detailed rules and limitations under the Tax Act. So long as the Limited Partnership Units continue to be regularly traded on an established securities market, distributions with respect to Limited Partnership Units in excess of the REIT LP’s current and accumulated earnings and profits that are distributed to Canadian investors that have not owned (or been deemed to own) more than 10% of the outstanding Limited Partnership Units generally will not be subject to U.S. withholding tax, although there can be no assurances that withholding on such amounts will not be required. The composition of distributions for U.S. federal income tax purposes may change over time, which may affect the after-tax return to Unitholders. Qualified residents of Canada that are tax-exempt entities established to provide pension, retirement or other employee benefits (including trusts governed by an RRSP, RRIF or DPSP, but excluding trusts governed by a TFSA, RESP or RDSP (each as defined below)) may be eligible for an exemption from U.S. withholding tax. The foregoing is qualified by the more detailed summary in this prospectus. See “Certain Canadian Federal Income Tax Considerations” and “Certain United States Federal Income Tax Considerations”. See also “Distribution Policy” and “Risk Factors”.

The after-tax return from an investment in Limited Partnership Units to Unitholders subject to Canadian federal income tax will depend, in part, on the amount of income allocated by the REIT LP to Unitholders in respect of each Limited Partnership Unit (which amount may be more or less than the amount of cash distributions received). The amount of income allocated in respect of each Limited Partnership Unit for Canadian federal income tax purposes may change over time, thus affecting the after-tax return to Unitholders. See “Distribution Policy” and “Risk Factors”.

Certain legal matters in connection with the Private Placement and this prospectus have been or will be reviewed on behalf of the REIT LP by Goodmans LLP and Paul Hastings LLP (with respect to U.S. tax matters).

The REIT LP’s head office is located at 135 Grand Street, 2nd Floor, New York, New York 10013 and its registered office is located at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7, Canada. The General Partner’s head office is located at 9461 Charleville Boulevard, Suite 605, Beverly Hills, California 90212 and its registered office is located at 700 West Georgia Street, Suite 2500, Vancouver, British Columbia V7Y 1B3, Canada.

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

The tenants of the properties and the mortgagors of the mortgages comprising the Initial Portfolio and the Contingent Properties operate in multiple areas of the United States Regulated Cannabis industry. As such, the REIT LP will derive most of its revenues from its ancillary involvement with the Regulated Cannabis industry or industries closely associated with the Regulated Cannabis industry, in the states of Arizona, California, Florida, Maryland, Michigan, Nevada, Ohio, Pennsylvania and Washington, which industry is illegal under U.S. Federal Law.

The United States federal government regulates drugs through the Controlled Substances Act (21 U.S.C. § 811) (the “CSA”) which schedules controlled substances, including cannabis, based on their approved medical use and potential for abuse. Marijuana is classified as a Schedule I controlled substance. The U.S. Department of Justice (the “DOJ”) defines Schedule I drugs, substances or chemicals as “drugs with no currently accepted medical use and a high potential for abuse.” The United States Food and Drug Administration (the “FDA”) has not approved marijuana as a safe and effective treatment for any condition.

The FDA has approved cannabidiol (“CBD”), a component of cannabis, for a narrow segment of medical conditions.

State laws that permit and regulate the production, distribution and use of Medical-Use Cannabis or Adult-Use Cannabis are in direct conflict with the CSA, which makes marijuana and THC distribution and possession federally illegal. Although certain states and territories of the U.S. authorize Medical-Use Cannabis or Adult-Use Cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, cultivation, and transfer of marijuana, THC and any related drug paraphernalia is illegal and any such acts are criminal acts under any and all circumstances under the CSA. Although the REIT LP’s activities are believed to be compliant with applicable United States state and local law, strict compliance with state and local laws with respect to cannabis does not absolve the REIT LP of liability under United States federal law, nor does it provide a defense to any federal proceeding which may be brought against the REIT LP.

As of the date of this prospectus, 33 U.S. states, and the District of Columbia and the territories of Guam, Puerto Rico, the U.S. Virgin Islands, and the Northern Mariana Islands have legalized the cultivation and sale of Medical-Use Cannabis. In 11 U.S. states, the sale and possession of both Medical-Use Cannabis and Adult-Use Cannabis is legal, and the District of Columbia has legalized Adult-Use Cannabis but has barred it from commercial sale. 13 states have also enacted low-THC / high-CBD only laws for medical cannabis patients.

Under President Barack Obama, the U.S. administration attempted to address the inconsistencies between federal and state regulation of cannabis in a memorandum which then-Deputy Attorney General James Cole sent to all United States Attorneys in August 2013 (the “Cole Memorandum”) outlining certain priorities for the DOJ relating to the prosecution of cannabis offenses. The Cole Memorandum noted that in jurisdictions that have enacted laws legalizing or decriminalizing Regulated Cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, processing, distribution, sale and possession of Regulated Cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. The DOJ did not provide (and has not provided since) specific guidelines for what regulatory and enforcement systems would be deemed sufficient under the Cole Memorandum. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis, a non-exhaustive list of which was enumerated therein.

On January 4, 2018, U.S. Attorney General Jeff Sessions formally issued a new memorandum (the “Sessions Memorandum”), which rescinded the Cole Memorandum. The Sessions Memorandum stated, in part, that current law reflects “Congress’ determination that cannabis is a dangerous drug and cannabis activity is a serious crime”, and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress by following well-established principles when pursuing prosecutions related to cannabis activities. There can be no assurance that the federal government will not enforce federal laws relating to cannabis in the future. As a result of the Sessions Memorandum, federal prosecutors are now free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of State-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active U.S. federal prosecutors will be in relation to such activities.

The REIT LP believes it is still unclear what prosecutorial effects will be created by the rescission of the Cole Memorandum. The sheer size of the Regulated Cannabis industry, in addition to participation by state and local governments and investors, suggests that a large-scale enforcement operation would more than likely create unwanted political backlash for the DOJ and the Trump administration in certain states that heavily favor decriminalization and/or legalization. Regardless, cannabis and THC remain a Schedule I controlled substance at the federal level, and neither the Cole Memorandum nor its rescission has altered that fact. The federal government of the United States has always reserved the right to enforce federal law in regard to the sale and disbursement of Medical-Use Cannabis or Adult-Use Cannabis, even if state law sanctioned such sale and disbursement. The REIT LP believes, from a purely legal perspective, that the criminal risk today remains similar to the risk on January 3, 2018. It remains unclear whether the risk of enforcement has been altered. Additionally, under United States federal law, it may potentially be a violation of federal money

laundering statutes for financial institutions to take any proceeds from the sale of Regulated Cannabis or any other Schedule I controlled substance. Canadian banks are likewise hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions, particularly those that are federally chartered in the United States, could be prosecuted and possibly convicted of money laundering for providing services to Regulated Cannabis businesses. While Congress is considering legislation that may address these issues, there can be no assurance that such legislation passes.

Despite these laws, the U.S. Department of the Treasury's Financial Crimes Enforcement Network ("FinCEN") issued a memorandum on February 14, 2014 (the "FinCEN Memorandum") outlining the pathways for financial institutions to bank state-sanctioned Regulated Cannabis businesses in compliance with federal enforcement priorities. The FinCEN Memorandum echoed the enforcement priorities of the Cole Memorandum and stated that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. Under these guidelines, financial institutions must submit a Suspicious Activity Report ("SAR") in connection with all cannabis-related banking activities by any client of such financial institution, in accordance with federal money laundering laws. These cannabis-related SARs are divided into three categories - cannabis limited, cannabis priority, and cannabis terminated - based on the financial institution's belief that the business in question follows state law, is operating outside of compliance with state law, or where the banking relationship has been terminated, respectively. On the same day that the FinCEN Memorandum was published, the DOJ issued a memorandum (the "2014 Cole Memorandum") directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of cannabis-related conduct. The 2014 Cole Memorandum has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes against state-compliant actors was not a DOJ priority.

However, former Attorney General Sessions' revocation of the Cole Memorandum and the 2014 Cole Memorandum has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memorandum and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum is a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance. However, FinCEN issued further guidance on December 3, 2019, in which it acknowledged that the Agricultural Improvement Act of 2018 (the "Farm Bill") removed hemp as a Schedule I controlled substance and authorized the United States Department of Agriculture ("USDA") to issue regulations governing, among other things, domestic hemp production. The guidance states that because hemp is no longer a controlled substance under federal law, banks are not required to file SARs on these businesses solely because they are engaged in the growth or cultivation of hemp in accordance with applicable laws and regulations. The guidance further notes that for hemp-related customers, banks are expected to follow standard SAR procedures, and file a SAR if indicia of suspicious activity warrants. FinCEN noted that the 2014 SAR reporting structure for marijuana remains in place even with the passage of the Farm Bill and this additional guidance related to hemp.

Although the Cole Memorandum has been rescinded, one legislative safeguard for the medical Medical-Use Cannabis industry has historically remained in place: Congress adopted a so-called "rider" provision to the fiscal years 2015, 2016, 2017, and 2018, 2019 and 2020 Consolidated Appropriations Acts (currently referred to as the "Rohrabacher/Blumenauer Amendment") to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated Medical-Use Cannabis actors operating in compliance with state and local law. The Rohrabacher/Blumenauer Amendment was included in the consolidated appropriations bill signed into legislation by President Trump in December 2019 and expired on September 30, 2020. In signing the Rohrabacher/Blumenauer Amendment, President Trump issued a signing statement noting that the Rohrabacher/Blumenauer Amendment "provides that the Department of Justice may not use any funds to prevent implementation of medical marijuana laws by various States and territories," and further stating "I will treat this provision consistent with the President's constitutional responsibility to faithfully execute the laws of the United

States.” While the signing statement can fairly be read to mean that the executive branch intends to enforce the CSA and other federal laws prohibiting the sale and possession of medical marijuana, the president did issue a similar signing statement in 2017 and no major federal enforcement actions followed. The Rohrabacher/Blumenauer Amendment may or may not be included in a subsequent omnibus appropriations package or a continuing budget resolution. Should the Rohrabacher-Farr Amendment not be renewed upon expiration in subsequent spending bills, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with State law. Such potential proceedings could involve significant restrictions being imposed upon the REIT LP or third parties.

Despite the legal, regulatory, and political obstacles the Regulated Cannabis industry currently faces, the industry has continued to grow. Under certain circumstances, the federal government may repeal the federal prohibition on cannabis and thereby leave the states to decide for themselves whether to permit Regulated Cannabis cultivation, production and sale, just as states are free today to decide policies governing the distribution of alcohol or tobacco. Until that happens, the REIT LP faces the risk of federal enforcement and other risks associated with the REIT LP’s business.

U.S. Attorney Statements in Arizona

To the knowledge of management of the REIT LP, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Arizona.

U.S. Attorney Statements in California

To the knowledge of management of the REIT LP, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in California.

U.S. Attorney Statements in Florida

To the knowledge of management of the REIT LP, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Florida.

U.S. Attorney Statements in Maryland

To the knowledge of management of the REIT LP, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Maryland.

U.S. Attorney Statements in Michigan

To the knowledge of management of the REIT LP, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Michigan.

U.S. Attorney Statements in Nevada

To the knowledge of management of the REIT LP, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Nevada.

U.S. Attorney Statements in Ohio

To the knowledge of management of the REIT LP, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Ohio.

U.S. Attorney Statements in Pennsylvania

To the knowledge of management of the REIT LP, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Pennsylvania.

U.S. Attorney Statements in Washington

To the knowledge of management of the REIT LP, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Washington.

The REIT LP's objective is to capitalize on the opportunities presented as a result of the changing regulatory environment governing the cannabis industry in the United States. Accordingly, there are a number of significant risks associated with the business of the REIT LP. Unless and until the United States Congress amends the CSA with respect to Medical-Use Cannabis or Adult-Use Cannabis, there is a risk that third party service providers could suspend or withdraw services as a result of the REIT LP operating in an industry that is illegal under U.S. federal law.

To the best of the REIT LP's knowledge, the businesses of its Counterparties and tenants are in compliance with the licensing requirements and regulatory frameworks enacted by each of the U.S. states in which such parties do business. For further certainty, the Issuer is not subject to any cannabis-specific licensing requirements and cannabis-specific regulatory frameworks in any of the U.S. states where the Issuer conducts business.

The REIT LP has received and continues to receive legal input, in verbal and written form (including opinions when required), regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law in certain respects.

Following Closing, the business of the REIT LP will only be in the United States. See "Description of the Initial Portfolio and Contingent Properties".

See "Regulatory Environment", "Issuers with United States Regulated Cannabis-Related Assets" and "Risk Factors".

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APPENDIX C 3303 S. 35TH STREET,
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APPENDIX D CHARTER OF THE AUDIT
COMMITTEE OF SUBVERSIVE REAL
ESTATE ACQUISITION REIT (GP) INC. .D-1

GLOSSARY OF TERMS

“2014 Cole Memorandum” has the meaning set out on the cover page to this Prospectus;

“Acquired Issuer” has the meaning set out under the heading “Investment Guidelines and Operating Policies”;

“ADA” has the meaning set out under the heading “Assessment and Valuation of the Initial Portfolio and Contingent Properties”;

“Adult-Use Cannabis” means the consumption of the herbal substance derived from plants of the genus Cannabis by someone 21 or older that is not part of the treatment for a specific symptom or disease;

“Agency Agreement” has the meaning set out on the cover page of this Prospectus;

“Agents” has the meaning set out on the cover page of this Prospectus;

“Agents’ Commission” has the meaning set out on the cover page of this Prospectus;

“Agents’ Option” has the meaning set out on the cover page of this Prospectus;

“Alachua Industrial Lease” has the meaning set out under the heading “The Qualifying Transaction”;

“Alachua Industrial Purchaser” has the meaning set out under the heading “The Qualifying Transaction”;

“Alachua Industrial Seller” has the meaning set out under the heading “The Qualifying Transaction”;

“Alachua Industrial Tenant” has the meaning set out under the heading “The Qualifying Transaction”;

“allowable capital loss” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations”;

“Anderson” has the meaning set out under the heading “Overview of the Directors and Officers”;

“Application” has the meaning set out under the heading “Exemptions”;

“Appraisals” has the meaning set out under the heading “Assessment and Valuation of the Initial Portfolio and Contingent Properties”;

“Appraiser” has the meaning set out under the heading “Assessment and Valuation of the Initial Portfolio and Contingent Properties”;

“Asset Disposition” means any sale, lease (other than an operating lease entered into in the ordinary course of business), transfer, other disposition, or a series of related sales, leases, transfers, or dispositions that are part of a common plan, of equity securities of a Guarantor, property or other assets forming part of the Collateral by the REIT LP or any Guarantor under the Indenture;

“Athena” has the meaning set out under the heading “Overview of the Directors and Officers”;

“Audit Committee” has the meaning set out under the heading “Overview of the Directors and Officers”;

“Awards” has the meaning set out under the heading “Director and Officer Compensation”;

“Board” means the board of directors of the General Partner;

“Canaccord Genuity” has the meaning set out on the cover page of this Prospectus;

“**Cannabis**” means all parts of the plant *Cannabis sativa* L. containing more than 0.3 percent THC, including all compounds, manufactures, salts, derivatives, mixtures, or preparations;

“**Cannabis Act**” means the *Cannabis Act*, S.C. 2018, c. 16, as it may be amended from time to time;

“**Cannabis Regulations**” means the *Cannabis Regulations* (Canada), as it may be amended from time to time;

“**Capital Trust**” has the meaning set out under the heading “Overview of the Directors and Officers”;

“**Cap-Meridian Ventures**” has the meaning set out under the heading “Overview of the Directors and Officers”;

“**CARES Act**” has the meaning set out under the heading “Certain United States Federal Income Tax Considerations”;

“**CBCA**” means the *Canada Business Corporations Act*;

“**CBD**” has the meaning set out on the cover page to this Prospectus;

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

“**CDS Participant**” has the meaning set out under the heading “The Qualifying Transaction”;

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

“**CG IV**” has the meaning set out on the cover page of this Prospectus;

“**Cash Change of Control**” means a Change of Control in which 10% or more of the consideration for the voting securities of the REIT LP in the transaction or transactions constituting a Change of Control consists of: (i) cash, other than cash payments for fractional voting securities; (ii) equity securities that are not traded or intended to be traded immediately following such transactions on a recognized stock exchange; or (iii) other property that is not traded or intended to be traded immediately following such transactions on a recognized stock exchange;

“**Cash Change of Control Conversion Price**” has the meaning set out under the heading “Description of the Debentures”;

“**Cash Change of Control Effective Date**” has the meaning set out under the heading “Description of the Debentures”;

“**Change of Control**” has the meaning set out under the heading “Description of the Debentures”;

“**Charter of the Audit Committee**” has the meaning set out under the heading “Overview of the Directors and Officers”;

“**Class A Restricted Voting Units**” means 22,500,000 Class A restricted voting units of the REIT LP, each comprised of one Restricted Voting Unit and one Right, and each a “**Class A Restricted Voting Unit**”;

“**Class B Units**” means the 524,500 Class B units of the REIT LP sold to our Sponsors in connection with the IPO of Class A Restricted Voting Units, each comprised of 1/100 of a Proportionate Voting Unit and one Right, and each a “**Class B Unit**”;

“**Closing**” has the meaning set out on the cover page to this Prospectus;

“**Closing Date**” means the date of the Closing, which is expected to occur in the first half of November or such other date as the REIT LP and the Counterparties may agree;

“**Code**” has the meaning set out under the heading “Risk Factors”;

“**Collateral**” has the meaning set out under the heading “Description of the Debentures”;

“Collateral Agent” has the meaning set out under the heading “Description of the Debentures”;

“Collateral Coverage Ratio” means, at any relevant date of calculation, the ratio of (a)(i) the aggregate value of the Consolidated Total Assets forming the Collateral as at the most recently completed fiscal quarter prior to such date for which financial statements are available, plus (ii) the lower of (A) the purchase price and (B) the appraised value (as determined by an independent third party appraiser) of any additional property or assets added to the Collateral since the most recently completed fiscal quarter for which financial statements are available to (b) the aggregate principal amount of Debentures outstanding as at such date;

“Collateral Coverage Required Amount” means, at the relevant date of calculation, an amount equal to the difference between (a) the aggregate principal amount of Debentures outstanding as at such date multiplied by 3.25 and (b) the value of Consolidated Total Assets forming the Collateral as at such date;

“Cole Memorandum” has the meaning set out on the cover page to this Prospectus;

“Colony Capital” has the meaning set out under the heading “Overview of the Directors and Officers”;

“Columbus Industrial Lease” has the meaning set out under the heading “The Qualifying Transaction”;

“Columbus Industrial Purchaser” has the meaning set out under the heading “The Qualifying Transaction”;

“Columbus Industrial Seller” has the meaning set out under the heading “The Qualifying Transaction”;

“Columbus Industrial Tenant” has the meaning set out under the heading “The Qualifying Transaction”;

“Compass Point” has the meaning set out on the cover page to this Prospectus;

“Consolidated Total Assets” means, at any date of determination, the total assets of the REIT LP and its Subsidiaries determined on a consolidated basis in accordance with IFRS as set forth on the most recently available consolidated balance sheet of the REIT LP and its Subsidiaries, on a consolidated basis;

“Contingent Properties” has the meaning set out on the cover page to this Prospectus;

“Contingent Rights” has the meaning set out on the cover page to this Prospectus;

“Contingent Rights Agreement” has the meaning set out on the cover page to this Prospectus;

“Conversion Limited Partnership Unit” has the meaning set out on the cover page to this Prospectus;

“Conversion Price” has the meaning set out on the cover page to this Prospectus;

“Counterparties” means the sellers of the properties and the borrowers under the mortgages comprising the Initial Portfolio and Contingent Properties;

“CRA” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations”;

“CRECs” has the meaning set out under the heading “Assessment and Valuation of the Initial Portfolio and Contingent Properties”;

“CSA” has the meaning set out on the cover page to this Prospectus;

“CUP” has the meaning set out under the heading “Description of the Initial Portfolio and Contingent Properties”;

“CybAero” has the meaning set out under the heading “Overview of the Directors and Officers”;

“DCM” has the meaning set out under the heading “Overview of the Directors and Officers”;

“Debenture Offer Price” has the meaning set out under the heading “Description of the Debentures”;

“Desert Hot Springs 19th Industrial Borrower” has the meaning set out under the heading “The Qualifying Transaction”;

“Desert Hot Springs 19th Industrial Borrower Parties” has the meaning set out under the heading “The Qualifying Transaction”;

“Desert Hot Springs 19th Industrial Guarantor” has the meaning set out under the heading “The Qualifying Transaction”;

“Desert Hot Springs 19th Industrial Lender” has the meaning set out under the heading “The Qualifying Transaction”;

“Distributable Cash” means, for any period, the aggregate of all amounts determined by the General Partner to be distributed by the REIT LP to the Unitholders and the General Partner in accordance with the Second A&R LP Agreement;

“DOJ” has the meaning set out on the cover page to this Prospectus;

“DPSP” means a deferred profit sharing plan as defined for purposes of the Tax Act;

“DTLA Industrial/Retail Lease” has the meaning set out under the heading “The Qualifying Transaction”;

“DTLA Industrial/Retail Purchaser” has the meaning set out under the heading “The Qualifying Transaction”;

“DTLA Industrial/Retail Tenant” has the meaning set out under the heading “The Qualifying Transaction”;

“DTLA Industrial/Retail-North Hollywood Retail Sellers” has the meaning set out under the heading “The Qualifying Transaction”;

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

“EBITDAR” means earnings before interest, taxes, depreciation, amortization and restructuring or rent costs;

“ECAO” has the meaning set out under the heading “Regulatory Environment”;

“ECI” has the meaning set out under the heading “Risk Factors”.

“Escrow Agent” means Olympia Trust Company;

“Escrow Agreement” means the escrow agreement dated as of January 8, 2020 between the REIT LP, the Escrow Agent, and the Underwriters;

“Escrow Release Conditions” has the meaning set out on the cover page of this Prospectus;

“Exchange” has the meaning set out on the cover page of this Prospectus or any successor, assign or replacement exchange on which any of the REIT LP’s securities are listed from time to time;

“Exchange Agreement and Undertaking” means the transfer restrictions agreement and undertaking dated January 8, 2020, entered into by our Founders in favour of the Exchange;

“Exchangeable Units” has the meaning set out under the heading “The Qualifying Transaction”;

“Exempt Plan” means a trust governed by a RRSP, RESP, RRIF, DPSP, RDSP or a TFSA;

“Event of Default” has the meaning set out under the heading “Description of the Debentures”;

“Fall-Away Event” means the first date on which the principal amount of Debentures outstanding under the Indenture is less than 10% of the aggregate principal amount of the Debentures originally issued on the Issue Date under the Indenture;

“FAPI” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations”;

“FAT” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations”;

“FATCA” has the meaning set out under the heading “Certain United States Federal Income Tax Considerations”;

“Farm Bill” has the meaning set out on the cover page to this Prospectus;

“FDA” has the meaning set out on the cover page to this Prospectus;

“FDIC” has the meaning set out under the heading “Description of the Initial Portfolio and Contingent Properties “;

“FinCEN” has the meaning set out on the cover page to this Prospectus;

“FinCEN Memorandum” has the meaning set out on the cover page to this Prospectus;

“FIRPTA” has the meaning set out under the heading “Summary of the Second A&R LP Agreement”;

“First A&R LP Agreement” means the amended and restated limited partnership agreement of the REIT LP dated January 8, 2020;

“Fiscal Year” means the fiscal year of the REIT LP;

“forward-looking statements” has the meaning set out under the heading “Caution Regarding Forward-Looking Statements”;

“Founders” means our Sponsors and the General Partner’s directors, Michael Auerbach, Leland Hensch, Richard Acosta, Omar Mangalji, Scott Baker, Octavio Boccalandro, Craig Hatkoff, Anne Sullivan, Eric Clarke, Michael Miller, Dylan Marcoot and Dylan Hart as the holders of the Founders’ Proportionate Voting Units;

“Founders’ Proportionate Voting Units” means the 57,561 proportionate voting limited partnership units of the REIT LP issued to our Founders prior to the Closing, and for greater certainty does not include the Proportionate Voting Units forming part of the Class B Units purchased by our Sponsors;

“FPI Condition” has the meaning set out under the heading “Capital Structure”;

“General Partner” means Subversive Real Estate Acquisition REIT (GP) Inc., a company incorporated under the laws of the Province of British Columbia;

“Goldman Sachs” has the meaning set out under the heading “Overview of the Directors and Officers”;

“Greenfield Industrial Borrower” has the meaning set out under the heading “The Qualifying Transaction”;

“Greenfield Industrial Borrower Parties” has the meaning set out under the heading “The Qualifying Transaction”;

“Greenfield Industrial Guarantor” has the meaning set out under the heading “The Qualifying Transaction”;

“Greenfield Industrial Lender” has the meaning set out under the heading “The Qualifying Transaction”;

“Guarantors” has the meaning set out under the heading “Description of the Debentures”;

“Holder” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations”;

“Holder of Record” has the meaning set out on the cover page of this Prospectus;

“HRECs” has the meaning set out under the heading “Assessment and Valuation of the Initial Portfolio and Contingent Properties”;

“IFRS” has the meaning set out under the heading “Exemptions”;

“Inception Companies” means The Inception Companies, LLC;

“Inception Merger Agreement” has the meaning set out under the heading “The Qualifying Transaction”;

“Inception REIT” means Inception REIT, Inc.;

“Inception Sponsor” has the meaning set out on the cover page of this Prospectus;

“Indenture” has the meaning set out under the heading “Description of the Debentures”;

“Initial Portfolio” has the meaning set out on the cover page of this Prospectus;

“Interest Payment Date” has the meaning set out under the heading “Description of the Debentures”;

“Insider Trading Policy” has the meaning set out under the heading “Corporate Governance and Board Committees”;

“IPO” means the REIT LP’s initial public offering of Class A Restricted Voting Units offered to the public under the REIT LP’s final long form prospectus dated December 31, 2019;

“IRS” has the meaning set out under the heading “Certain United States Federal Income Tax Considerations”;

“Issue Date” has the meaning set out under the heading “Description of the Debentures”;

“Issue Date Cash Balance” has the meaning set out under the heading “Description of the Debentures”;

“Jacksonville Retail Lease” has the meaning set out under the heading “The Qualifying Transaction”;

“Jacksonville Retail Purchaser” has the meaning set out under the heading “The Qualifying Transaction”;

“Jacksonville Retail Seller” has the meaning set out under the heading “The Qualifying Transaction”;

“Lansing Industrial Borrower” has the meaning set out under the heading “The Qualifying Transaction”;

“Limited Partnership Units” means the Restricted Voting Units following the automatic renaming of such class of securities to “Limited Partnership Units” on or following completion of the Qualifying Transaction;

“Limited Partnership Unit Percentage Interest” means, at any particular time, the percentage determined as 100% less the Proportionate Voting Unit Percentage Interest;

“LPA” has the meaning set out on the cover page of this Prospectus;

“LVR” has the meaning set out under the heading “Overview of the Directors and Officers”;

“Marcato” has the meaning set out under the heading “Overview of the Directors and Officers”;

“Maryland Retail Lease” has the meaning set out under the heading “The Qualifying Transaction”;

“Maryland Retail Purchaser” has the meaning set out under the heading “The Qualifying Transaction”;

“Maryland Retail Sellers” has the meaning set out under the heading “The Qualifying Transaction”;

“Maturity Date” has the meaning set out under the heading “Description of the Debentures”;

“MD&A” has the meaning set out under the heading “Financial Statements and Management’s Discussion and Analysis of the REIT LP”;

“Medical-Use Cannabis” means the herbal substance derived from plants of the genus Cannabis that is used as part of the treatment for a specific symptom or disease;

“Merger” has the meaning set out under the heading “The Qualifying Transaction”;

“MergerSub” has the meaning set out under the heading “The Qualifying Transaction”;

“Mesa Industrial/Retail Lease” has the meaning set out under the heading “The Qualifying Transaction”;

“Mesa Industrial/Retail Purchaser” has the meaning set out under the heading “The Qualifying Transaction”;

“Mesa Industrial/Retail Seller” has the meaning set out under the heading “The Qualifying Transaction”;

“Mesirow” has the meaning set out under the heading “Overview of the Directors and Officers”;

“MI 61-101” means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;

“MI 61-101 Requirements” has the meaning set out under the heading “The Qualifying Transaction”;

“MOU” has the meaning set out under the heading “Description of the Initial Portfolio and Contingent Properties”;

“NEO Exchange Listing Manual” means the Exchange’s listing manual;

“NEO Publicly Traded Exception” has the meaning set out under the heading “Certain United States Federal Income Tax Considerations”;

“Net Available Cash” has the meaning set out under the heading “Description of the Debentures”;

“New England Development” means New England Development LLC;

“NI 41-101” has the meaning set out under the heading “Exemptions”;

“NI 41-101F1” has the meaning set out under the heading “Exemptions”;

“NI 51-102” has the meaning set out under the heading “Exemptions”;

“NI 52-110” has the meaning set out under the heading “Directors and Officers”;

“NI 58-101” has the meaning set out under the heading “Corporate Governance and Board Committees”;

“North Las Vegas Industrial Borrower” has the meaning set out under the heading “The Qualifying Transaction”;

“North Las Vegas Industrial Borrower Parties” has the meaning set out under the heading “The Qualifying Transaction”;

“North Las Vegas Industrial Guarantor” has the meaning set out under the heading “The Qualifying Transaction”;

“North Las Vegas Industrial Lender” has the meaning set out under the heading “The Qualifying Transaction”;

“**North Las Vegas Industrial PO Lease**” has the meaning set out under the heading “The Qualifying Transaction”;

“**North Hollywood Retail Lease**” has the meaning set out under the heading “The Qualifying Transaction”;

“**North Hollywood Retail Purchaser**” has the meaning set out under the heading “The Qualifying Transaction”;

“**North Hollywood Retail Seller**” has the meaning set out under the heading “The Qualifying Transaction”;

“**North Hollywood Retail Tenant**” has the meaning set out under the heading “The Qualifying Transaction”;

“**NOI**” has the meaning set out under the heading “Non-IFRS Measures”;

“**NOLs**” has the meaning set out under the heading “Certain United States Federal Income Tax Considerations”;

“**Nominating Unitholder**” has the meaning set out under the heading “Summary of the Second A&R LP Agreement”;

“**Non-Resident Holder**” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations”;

“**Non-Resident Unitholder**” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations”;

“**Non-Significant Acquisitions**” has the meaning set out under the heading “Exemptions”;

“**Odd Lot**” has the meaning set out under the heading “Capital Structure”;

“**Operating Agreement**” means the amended and restated operating agreement of Subversive OP as of the date of Closing;

“**Operating Guarantors**” means US Holdco, Subversive OP, and each direct or indirect Subsidiary of the REIT LP that beneficially owns Collateral from time to time;

“**OSC**” has the meaning set out under the heading “Exemptions”;

“**OSC Rule 56-501**” has the meaning set out under the heading “Exemptions”;

“**OTCOX**” has the meaning set out under the heading “Certain United States Federal Income Tax Considerations”;

“**Over-the-Counter Publicly Traded Exception**” has the meaning set out under the heading “Certain United States Federal Income Tax Considerations”;

“**Owning or Controlling**” has the meaning set out under the heading “Summary of the Second A&R LP Agreement”;

“**Participants**” has the meaning set out under the heading “Director and Officer Compensation”;

“**PCA Reports**” has the meaning set out under the heading “Assessment and Valuation of the Initial Portfolio and Contingent Properties”;

“**Pennsylvania Retail Lease**” has the meaning set out under the heading “The Qualifying Transaction”;

“**Pennsylvania Retail Purchasers**” has the meaning set out under the heading “The Qualifying Transaction”;

“**Pennsylvania Retail Sellers**” has the meaning set out under the heading “The Qualifying Transaction”;

“**Permitted Timeline**” means the allowable time period within which the REIT LP must consummate a qualifying transaction, being 12 months from the Closing Date of the IPO (or 15 months from the Closing Date of the IPO if we

have executed a definitive agreement for a qualifying transaction within 12 months from the Closing of the IPO but have not completed such qualifying transaction within such 12-month period), as it may be extended as described in this Prospectus;

“Phase I ESA Report” has the meaning set out under the heading “Assessment and Valuation of the Initial Portfolio and Contingent Properties”;

“Private Placement” has the meaning set out on the cover page of this Prospectus;

“Proportionate Share”, means in respect of each holder of Limited Partnership Units and Proportionate Voting Units, as the case may be, means that fraction which, as of the date of such determination:

- (a) has as its numerator the number of or Limited Partnership Units or Proportionate Voting Units, as the case may be, held by such Unitholder; and
- (b) has as its denominator the aggregate number of Limited Partnership Units or Proportionate Voting Units, as the case may be, outstanding;

“Proportionate Voting Units” means the Proportionate Voting Units forming part of the Class B Units, and where applicable, the Founders’ Proportionate Voting Units, and each a **“Proportionate Voting Unit”**;

“Proportionate Voting Unit Percentage Interest” means, at any particular time, but subject to the Relinquishment Provision, the percentage determined by multiplying 100 by the following formula:

$$A \div (A + B)$$

where:

- (a) A is the total number of Proportionate Voting Units outstanding at the particular time multiplied by the Specified Ratio; and
- (b) B is the total number of Limited Partnership Units outstanding at the particular time, and, for greater certainty, where A is nil the Proportionate Voting Unit Percentage Interest is zero;

“Proposed Amendments” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations”;

“PVU Offer” has the meaning set out under the heading “Capital Structure”;

“Qualified Institutional Buyer” means has the meaning ascribed to it in the Securities and Exchange Commission’s Rule 501 of Regulation D;

“Qualifying Transactions” has the meaning set out on the cover page of this Prospectus;

“Qualifying Transaction Redemption Price” means an amount per Restricted Voting Unit, payable in cash, equal to the pro-rata portion of: (a) the escrowed funds available in the escrow account at the time immediately prior to the Redemption Election Deadline, including interest and other amounts earned thereon; less (b) an amount equal to the total of (i) any applicable taxes payable by the REIT LP on such interest and other amounts earned in the escrow account, and (ii) actual and expected expenses directly related to the redemption, each as reasonably determined by the General Partner, subject to the limitations described in this Prospectus, which is expected to be approximately US\$10.04;

“RDSP” means a registered disability savings plan as defined for purposes of the Tax Act;

“REALPAC” has the meaning set out under the heading “Non-IFRS Measures”;

“RECs” has the meaning set out under the heading “Assessment and Valuation of the Initial Portfolio and Contingent Properties”;

“Redemption Election Deadline” means the deposit deadline applicable to the redemption of the Restricted Voting Units, being November 2, 2020;

“Redemption Limitation” has the meaning set out under the heading “The Qualifying Transaction”;

“Redemption Notice” has the meaning set out under the heading “The Qualifying Transaction”;

“Registered Plan” has the meaning set out under the heading “Eligibility for Investment”;

“Registrar” has the meaning set out in the Indenture;

“Regulated Cannabis” means state-legalized or decriminalized Medical-Use Cannabis or Adult-Use Cannabis;

“REIT LP” has the meaning set out on the cover page of this Prospectus;

“REIT LP Financial Statements” means, collectively, the REIT LP’s audited financial statements for the year ended December 31, 2019 (for the period from formation on November 12, 2019 to December 31, 2019) and unaudited interim financial statements for the six months ended June 30, 2020;

“Related Party Transaction” has the meaning set out under the heading “The Qualifying Transaction”;

“Relinquishment Agreement” means the relinquishment agreement dated October 6, 2020, entered into by our Sponsors and the REIT LP;

“Resident Holder” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations”;

“Resident Unitholder” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations”;

“Restricted Voting Units” means the restricted voting limited partnership units of REIT LP forming part of the Class A Restricted Voting Units, which may be considered “restricted securities” within the meaning of such term under applicable Canadian securities laws, and each a **“Restricted Voting Unit”**;

“RESP” means a registered education savings plan as defined for purposes of the Tax Act;

“Rights” means the 23,024,500 rights underlying the Class A Restricted Voting Units and the Class B Units to receive, for no additional consideration, one-eighth (1/8) of one Restricted Voting Unit following the Closing (which at such time will represent one-eighth (1/8) of a Limited Partnership Unit, subject to adjustment under the terms of the Qualifying Transaction);

“Rights Agent” means Olympia Trust Company;

“Rights Agreement” means the rights agency agreement dated January 8, 2020 between the REIT LP and the Rights Agent;

“Rohrabacher/Blumenauer Amendment” has the meaning set out on the cover page to this Prospectus;

“RRIF” means a registered retirement income fund as defined for purposes of the Tax Act;

“RRSP” means a registered retirement saving plan as defined for purposes of the Tax Act;

“RUs” has the meaning set out under the heading “Director and Officer Compensation”;

“San Francisco Retail Contributor” has the meaning set out under the heading “The Qualifying Transaction”;

“San Francisco Retail Earn-Out” has the meaning set out under the heading “The Qualifying Transaction”;

“San Francisco Retail Lease” has the meaning set out under the heading “The Qualifying Transaction”;

“San Francisco Retail Purchaser” has the meaning set out under the heading “The Qualifying Transaction”;

“SAR” has the meaning set out on the cover page to this Prospectus;

“SBE” has the meaning set out under the heading “Overview of the Directors and Officers”;

“Second A&R LP Agreement” means the second amended and restated limited partnership agreement of the REIT LP to be entered into on Closing;

“Securities” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations”, and **“Security”** means any one of them;

“Securities Act” means the *Securities Act* (Ontario);

“SEDAR” means the System for Electronic Document Analysis and Retrieval;

“Sessions Memorandum” has the meaning set on the cover page to this Prospectus;

“SIFT Measures” have the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations – The SIFT Measures”;

“signatories” has the meaning set out under the heading “Contractual and Statutory Rights – Purchasers of Restricted Voting Units”;

“SPAC” has the meaning ascribed to it in the NEO Exchange Listing Manual;

“Special Committee” has the meaning set out under “The Qualifying Transaction”;

“Special Resolution” means a resolution proposed to be passed as a special resolution at a meeting of Unitholders (including an adjourned meeting) duly convened for that purpose, and passed by the affirmative votes of the holders of more than 66²/₃% of the votes cast by Unitholders represented at the meeting and voted on a poll upon such resolution;

“Specified Ratio” means 100;

“Sponsors” means collectively, CG IV, Inception Altanova Sponsor, LLC and Subversive Sponsor;

“Stabilization” has the meaning set out under the heading “The Qualifying Transaction”;

“Staff Notice 51-352” has the meaning set out under the heading “Issuers with United States Regulated Cannabis-Related Assets”;

“Subscription Receipts” has the meaning set out on the cover page of this Prospectus;

“Subscription Receipt Agreement” has the meaning set out on the cover page of this Prospectus;

“Subversive Capital” means Subversive Capital LLC;

“Subversive OP” means Subversive Operating LLC;

“Subversive Sponsor” has the meaning set out on the cover page of this Prospectus;

“Tacoma Industrial Contributor” has the meaning set out under the heading “The Qualifying Transaction”;

“Tacoma Industrial Earn-Out Consideration” has the meaning set out under the heading “The Qualifying Transaction”;

“Tacoma Industrial OLLC Units” has the meaning set out under the heading “The Qualifying Transaction”;

“Tacoma Industrial Operating LLC” has the meaning set out under the heading “The Qualifying Transaction”;

“Tacoma Industrial Purchaser” has the meaning set out under the heading “The Qualifying Transaction”;

“Tax Act” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations”;

“taxable capital gain” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations”;

“Taxable Income” means for income tax purposes, the income of the REIT LP determined under all applicable income tax statutes and regulations after applying the following principles, subject to a determination by the General Partner that such an application generally would not be in the best interest of Unitholders: (a) deductions in arriving at income for tax purposes will be taken at the earliest time and to the maximum extent permitted by applicable income tax statutes and regulations, and (b) the recognition of income for tax purposes will be deferred to the maximum extent permitted by applicable income tax statutes and regulations;

“Taxable Loss” means for income tax purposes, the loss of the REIT LP determined under all applicable income tax statutes and regulations after applying the following principles, subject to a determination by the General Partner that such an application generally would not be in the best interest of Unitholders: (a) deductions in arriving at loss for tax purposes will be taken at the earliest time and to the maximum extent permitted by applicable income tax statutes and regulations, and (b) the recognition of income for tax purposes will be deferred to the maximum extent permitted by applicable income tax statutes and regulations;

“TCJA” has the meaning set out under the heading “Certain United States Federal Income Tax Considerations”;

“TFSA” means a tax-free savings account as defined for purposes of the Tax Act;

“THC” means delta-9-tetrahydrocannabinol and its isomers and stereoisomers;

“TMX MOU” has the meaning set out under the heading “Risk Factors”;

“TokenVault” has the meaning set out under the heading “Overview of the Directors and Officers”;

“Transaction Size Exemptions” has the meaning set out under the heading “The Qualifying Transaction”;

“Treaty” means the Canada-U.S. Tax Convention;

“Trustee” has the meaning set out under the heading “Description of the Debentures”;

“TSA” has the meaning set out under the heading “Overview of the Directors and Officers”;

“Tuscan II” means Tuscan Holdings Corp. II, a Delaware blank check company;

“U.S. Treasury Regulations” has the meaning set out under the heading “Certain United States Federal Income Tax Considerations”;

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

“Underwriting Agreement” means the underwriting agreement dated December 23, 2019 among the REIT LP, the General Partner, our Sponsors and Canaccord Genuity Corp. and Echelon Wealth Partners Inc., as underwriters;

“United States” or **“U.S.”** means the United States of America, its territories and possessions, any State of the United States and the District of Columbia;

“Units” means the Restricted Voting Units (and following completion of the Qualifying Transaction, the Limited Partnership Units) and Proportionate Voting Units, collectively, and each a **“Unit”**;

“Unitholders” means the holders of Units, collectively, and each a **“Unitholder”**;

“USDA” has the meaning set out on the cover page to this Prospectus;

“USRPHC” has the meaning set out under the heading “Certain United States Federal Income Tax Considerations”;

“US Holdco” has the meaning set out under the heading “The Qualifying Transaction”;

“USRPI” has the meaning set out under the heading “Risk Factors”;

“Victor Capital” has the meaning set out under the heading “Overview of the Directors and Officers”;

“Voting Agreement” means the voting agreement dated January 8, 2020 between the REIT LP, the General Partner and Subversive Sponsor, that provides the REIT LP with a number of rights; and

“Winding-Up” means the liquidation and cessation of the business of the REIT LP, upon which the REIT LP shall be permitted to use up to a maximum of US\$50,000 of any interest and other amounts earned from the proceeds in the escrow account to pay actual and expected costs and expenses in connection with applications to cease to be a reporting issuer and winding-up and dissolution expenses as determined by the General Partner.

NOTICE TO READERS

The REIT LP, which is a limited partnership formed under the LPA and a special purpose acquisition corporation (“SPAC”) for purposes of the rules of the Exchange, was organized for the purpose of effecting, directly or indirectly, an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, equity exchange, asset acquisition, equity purchase, reorganization, or any other similar business combination involving the REIT LP that will qualify as its qualifying transaction for the purposes of the rules of the Exchange. This prospectus is being filed by the REIT LP in accordance with section 10.16 of the NEO Exchange Listing Manual in connection with the completion of the Qualifying Transaction.

Unless otherwise indicated, (a) the disclosure in this prospectus (i) is provided as of the date of this prospectus, (ii) has been prepared assuming that the Qualifying Transaction have been completed, and (iii) assumes (A) the issuance of (1) 1,354,250 Limited Partnership Units in connection with the Qualifying Transaction (including Units issuable upon the redemption of the Exchangeable Units), and (2) 200,000 Debenture Units, (B) the exercise in full of the Agents’ Option (with 50% of the Debentures purchased for \$950 per Debenture and 50% of the Debentures purchased for \$1,000 per Debenture), (C) the relinquishment of 42,500 Proportionate Voting Units by the Sponsors in connection with Qualifying Transaction (including, in connection with the issuance of the Debenture Units), and (D) the redemption of the Exchangeable Units, (b) all references to “\$”, “US\$”, “United States dollars” or “U.S. dollars” are to the currency of the United States and all references to “C\$” are to the currency of Canada, (c) all references to “management” refer to the executive officers and other members of senior management of the General Partner, (d) all annual financial statements included in this prospectus were prepared in accordance with IFRS, and (e) the square footage of each property and mortgage comprising the Initial Portfolio and Contingent Properties has been rounded to the nearest 1,000 square feet.

The following table sets forth, for the periods indicated, the high, low, average and period-end rates of exchange for one U.S. dollar, expressed in Canadian dollars, based on the daily exchange rate published by the Bank of Canada during the respective periods.

	Nine Months Ended September 30,			Year Ended December 31,		
	2018	2019	2020	2017	2018	2019
Rate at end of period.....	1.2803	1.3243	1.3339	1.2545	1.3642	1.2988
Average rate during per	1.2876	1.3292	1.3641	1.2986	1.2957	1.3269
High rate for period	1.3310	1.3600	1.4496	1.3743	1.3642	1.3600
Low rate for period.....	1.2288	1.3088	1.2970	1.2128	1.2288	1.2988

On October 16, 2020, the final business day prior to the date hereof, the daily average rate of exchange posted by the Bank of Canada for conversion of U.S. dollars into Canadian dollars was US\$1.00 equals C\$1.3192.

NON-IFRS MEASURES

In this prospectus, the REIT LP uses certain non-IFRS financial measures, including certain real estate industry metrics, to measure, compare and explain the operating results and financial performance of the REIT LP. These measures are commonly used by entities in the real estate industry as useful metrics for measuring performance. However, they do not have any standardized meaning prescribed by IFRS and are not necessarily comparable to similar measures presented by other publicly traded entities. These measures should be considered as supplemental in nature and not as a substitute for related financial information prepared in accordance with IFRS.

FFO, AFFO and NOI

In February 2019, the Real Property Association of Canada (“**REALPAC**”), published a white paper titled “White Paper on Funds From Operations & Adjusted Funds From Operations for IFRS”. The purpose of the white paper is to provide reporting issuers and investors with greater guidance on the definition of funds from operations (“**FFO**”) and adjusted funds from operations (“**AFFO**”) and to help promote more consistent disclosure from reporting issuers. The REIT LP has reviewed the white paper and has implemented the recommended disclosures in this prospectus.

FFO is defined as IFRS consolidated net income adjusted for items such as unrealized changes in the fair value of investment properties, the effect of puttable instruments classified as financial liabilities, property taxes accounted for under IFRS Interpretations Committee 21 Levies, transaction costs expensed as a result of the purchase of a property being accounted for as a business combination, and changes in the fair value of financial instruments which are economically effective hedges but do not qualify for hedge accounting. FFO should not be construed as an alternative to net income or cash flows provided by or used in operating activities determined in accordance with IFRS. The REIT LP’s method of calculating FFO is in accordance with REALPAC’s recommendations, but may differ from other issuers’ methods and, accordingly, may not be comparable to FFO reported by other issuers. The REIT LP regards FFO as a key measure of operating performance.

AFFO is defined as FFO adjusted for items such as maintenance capital expenditures and straight-line rental revenue differences. AFFO should not be construed as an alternative to net income or cash flows provided by or used in operating activities determined in accordance with IFRS. The REIT LP’s method of calculating AFFO is in accordance with REALPAC’s recommendations, but may differ from other issuers’ methods and, accordingly, may not be comparable to AFFO reported by other issuers. The REIT LP regards AFFO as a key measure of operating performance. The REIT LP also uses AFFO in assessing its distribution paying capacity.

Net operating income (“**NOI**”) is defined as revenue from properties less direct property operating expenses and realty taxes prepared in accordance with IFRS, except for adjustments related to IFRS Interpretations Committee 21 Levies. NOI should not be construed as an alternative to net income determined in accordance with IFRS. The REIT LP’s method of calculating NOI may differ from other issuers’ methods and, accordingly, may not be comparable to NOI reported by other issuers. The REIT LP regards NOI as an important measure of the income generated from the income producing properties and is used by the REIT LP in evaluating the performance of the REIT LP’s properties. It is also a key input in determining the value of the REIT LP’s properties.

Other Real Estate Industry Metrics

Additionally, this prospectus contains several other real estate industry metrics that could be considered non-IFRS financial measures.

“**4Q20 Annualized NOI**” is defined as, in respect of the Initial Portfolio, the NOI expected in the months of November and December 2020 multiplied by six months; and in respect of the Contingent Properties, is defined as the NOI expected in the month of December 2020 multiplied by twelve months.

“**AFFO Payout Ratio**” is defined as total cash distributions of the REIT LP (including distributions on Exchangeable Units) divided by AFFO.

“**AFFO Yield**” is defined as the annualized asset AFFO divided by the original equity investment in an asset (calculated as purchase price plus transaction expenses less mortgage debt) plus the annualized mortgage AFFO

divided by the original principal amount of the mortgage (calculated as principal amount of the mortgage less expenses).

“Annual Cash Distribution Yield” is defined as the per annual per Unit distributions of the REIT LP divided by the price of value of a Limited Partnership Unit.

“Average Annual Rent Escalator” is defined as the average of the annual escalations in rent payable pursuant to the lease terms of the properties in a portfolio.

“Capitalization Rate” is defined as the rate of return on a property based on the NOI the property generates and is calculated by dividing the forward twelve-month NOI by the current market value of the asset.

“Compound Annual Growth Rate” is defined as the annual growth rate from the beginning of a period to the ending of a period.

“Debt Service Coverage Ratio” is defined as the consolidated NOI for the borrowing entity and tenant, accounting for all excise tax payments, divided by the consolidated debt service obligations for the loan and debt service obligations related to other indebtedness of the borrowing entity and tenant.

“Debt to Gross Book Value Ratio” is calculated by dividing debt, which consists of the total principal amounts outstanding under mortgages payable and credit facilities, by Gross Book Value.

“Gross Book Value” means at any time the total assets of the REIT LP as shown in its then most recent consolidated balance sheet.

“Loan-to-Value” or **“LTV”** is calculated by dividing the total amount of mortgage financing the REIT LP has incurred by the estimated market value of the REIT LP’s real property assets.

“Net Asset Value” or **“NAV”** is defined as the estimated market value of the total assets of the REIT LP minus the value of all liabilities of the REIT LP.

“Non-Abated NOI” is defined as the tripe-net lease full base rent received if rent abatement ends for any reason.

“Price / NAV” is the ratio of the per Unit market price of the REIT LP divided by the per Unit NAV of the REIT LP.

“Total Unitholder Return” is defined as the amount, calculated as at closing of each trading day, that is equal to the quotient of (a) the sum of (i) the amount of capital distributed or payable to a unitholder from Closing to closing of such trading day, and (ii) the change in unit price over the same period, divided by (b) US\$10.00; provided that the Total Unitholder Return calculated for such date must be sustained for any 20 trading days within a 30 trading day period to be applicable for the foregoing.

“Weighted Average Debt Yield” is defined as the weighted average of all debt yields in a portfolio and is calculated by: (a) dividing the sum of individual assets total deal size by the total deal size of the loan and loan plus the purchase option transactions of the portfolio, (b) multiplying the resulting figure by the debt yield of the respective assets, and (c) adding the product of (a) and (b).

“Weighted Average Lease Term” is defined as the weighted average of all lease terms in a portfolio and is calculated by: (a) dividing the sum of individual tenant rent by the total rent of the portfolio, (b) multiplying the resulting figure by the remaining lease term of the respective tenant, and (c) adding the product of (a) and (b).

“Weighted Average Stabilized Capitalization Rate” is defined as the weighted average of all capitalization rates in a portfolio and is calculated by: taking total NOI of a portfolio and dividing it by total deal size.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this prospectus constitute “forward-looking information” for the purpose of applicable Canadian securities legislation (“**forward-looking statements**”). These statements reflect the General Partner’s management’s expectations with respect to future events, the REIT LP’s financial performance and business prospects. All statements other than statements of historical fact are forward-looking statements. The use of the words “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “intends”, “may”, “might”, “plan”, “possible”, “potential”, “predict”, “project”, “should”, “would”, and similar expressions may identify forward-looking statements, but the absence of these words does not mean that a statement is not a forward-looking statement. These statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated or implied in such forward-looking statements. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this prospectus should not be unduly relied upon. Unless otherwise indicated, these statements speak only as of the date of this prospectus.

In particular, this prospectus contains forward-looking statements pertaining to the following, among other things:

- our ability to complete the Qualifying Transaction and Private Placement, expected timing related thereto, and its potential success;
- our ability to acquire the Contingent Properties in the fourth quarter of 2020 or at all;
- the expected benefits of the Qualifying Transaction to, and resulting treatment of, holders of Restricted Voting Units, Proportionate Voting Units, Rights, Subscription Receipts and Exchangeable Units;
- the anticipated effects of the Qualifying Transaction;
- the redemption amount in respect of the Restricted Voting Units;
- the intention of the REIT LP to pay, preserve, protect and grow Unitholders’ distributions;
- our financial performance following the Qualifying Transaction;
- the ability of the REIT LP to execute its growth strategies;
- the REIT LP’s competitive position within its industry;
- expectations for regulatory and/or competitive factors related to the real estate and cannabis industries generally;
- the listing or continued listing of the Limited Partnership Units, Rights and Debentures;
- provisions in the Second A&R LP Agreement;
- the number of Limited Partnership Units, Proportionate Voting Units, Exchangeable Units and Debentures outstanding following the Qualifying Transaction;
- expectations regarding future director and executive compensation levels and plans;
- the expected tax treatment of the REIT LP and of the REIT LP’s distributions to Unitholders;
- the continuing anticipated and potential adverse impacts resulting from the COVID-19 pandemic;
- expected industry trends;
- general economic trends; and

- fluctuations in interest rates.

Such forward-looking statements are qualified in their entirety by the inherent risks, uncertainties and changes in circumstances surrounding future expectations which are difficult to predict and many of which are beyond the control of the REIT LP, 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 of the REIT LP as of the date of this prospectus, are inherently subject to significant business, economic and competitive uncertainties and contingencies. While the REIT LP believes that the expectations reflected in such forward-looking statements are reasonable and represent the REIT LP's internal projections, expectations and beliefs at this time, the REIT LP's estimates, beliefs and assumptions may prove to be incorrect and include the various assumptions set forth herein, including, but not limited to, the anticipated receipt of any required regulatory approvals and consents (including the final approval of the Exchange); the expectation that each Counterparty will comply with the terms and conditions of the applicable Definitive Agreement; the expectation that the subscribers of the Subscription Receipts will fund the Offering Price on conversion of the Subscription Receipts; the expectation that no event, change or other circumstance will occur that could give rise to the termination of a Definitive Agreement; expectations with respect to redemptions; expectations with respect to the Agents' Option; the REIT LP's future growth potential, results of operations, future prospects and opportunities, demographic and industry trends, no change in legislative or regulatory matters, future levels of indebtedness, the tax laws as currently in effect, fluctuating global economic conditions due to the continuing impact of the COVID-19 pandemic, the scope and duration of the COVID-19 pandemic and its impact on the REIT LP, the continuing availability of capital and current economic conditions.

With respect to the Annual Cash Distribution Yield referred to herein, unlike with fixed income securities, there is no obligation of the REIT LP to distribute to Unitholders any fixed amount, and reductions in, or suspensions of, cash distributions may occur that would reduce yield based on an assumed price per Limited Partnership Unit of US\$10.00.

When relying on forward-looking statements to make decisions, the REIT LP cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties. Forward-looking statements 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 the factors discussed under "Risk Factors".

Although management has attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other risk factors not presently known that management believes are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information.

Note Regarding Financial Outlook and Future-Oriented Financial Information

Financial outlook and future-oriented financial information contained in this prospectus about prospective financial performance, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on the General Partner's management's assessment of the relevant information currently available, and to become available in the future. In particular, this prospectus contains projected operational information for the REIT LP following the Qualifying Transaction. These projections contain forward-looking statements and are based on a number of material assumptions and factors set out above. Actual results may differ significantly from the projections presented herein. These projections may also be considered to contain future-oriented financial information or a financial outlook under applicable securities laws. The actual results of the REIT LP's operations for any period will likely vary from the amounts set forth in these projections, and such variations may be material. See above and under the heading "Risk Factors" for a discussion of the risks that could cause actual results to vary. The future-oriented financial information and financial outlooks contained in this prospectus have been approved by management as of the date of this prospectus and have been provided for the purpose of describing management's expectations. Readers are cautioned that any such financial outlook and future-oriented financial information contained herein should not be used for purposes other than those for which it is disclosed herein.

The prospective financial information included in this prospectus has been prepared by, and is the responsibility of, the General Partner's management. The REIT LP's auditors have not expressed any opinion or any other form of assurance on such information, and assume no responsibility for, and disclaim any association with such financial information. The REIT LP and the General Partner's management believe that the prospective financial information has been prepared on a reasonable basis, reflecting the General Partner's management's best estimates and judgments, and represents, to the best of the General Partner's management's knowledge and opinion, upon review by the Board, the REIT LP's expected course of action. However, because this information is highly subjective, it should not be relied on as necessarily indicative of future results.

Any forward-looking statement included in this prospectus is expressly qualified by this cautionary statement, and except as otherwise indicated, is made as of the date of this prospectus. None of the REIT LP, the Founders (including our Sponsors) or the Agents assume or undertake any obligation to update or revise any forward-looking statements or departures from them, except as required by applicable law. New factors emerge from time to time, and it is not possible for the General Partner's management to predict all such factors and to assess in advance the impact of each such factor on the business of the REIT LP or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

MARKET AND INDUSTRY DATA

This prospectus includes market and industry data and forecasts that were obtained from third-party sources, industry publications and publicly available information as well as industry data prepared by management on the basis of its knowledge of the industry in which the REIT LP will operate (including management's estimates and assumptions relating to the industry based on that knowledge). Management's knowledge of the U.S. real estate industry and cannabis industry has been developed through its experience and participation in the industry. Management believes that its industry data is accurate and that its estimates and assumptions are reasonable, but there can be no assurance as to the accuracy or completeness of this data. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Although management believes it to be reliable, the REIT LP nor the Agents have independently verified any of the data from management or third-party sources referred to in this prospectus, or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying economic assumptions relied upon by such sources.

ISSUERS WITH UNITED STATES REGULATED CANNABIS-RELATED ASSETS

On October 16, 2017, the Canadian Securities Administrators published Staff Notice 51-352 - *Issuers with U.S. Marijuana-Related Activities* which was then revised on February 8, 2018 ("**Staff Notice 51-352**"). Staff Notice 51-352 provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the United States as permitted within a particular state's regulatory framework. All issuers with United States Regulated Cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents.

Upon Closing, the REIT LP will indirectly own a portfolio consisting of 10 properties (comprising approximately 690,000 square feet of gross leasable area) and five first lien mortgages (secured by properties comprising approximately 810,000 square feet of gross leasable area or 860,000 square feet of gross leasable area following the expenditure of year one funding commitments), located across nine states of the United States. The REIT LP has also entered into binding agreements to acquire the Contingent Properties, which total 40,000 square feet. The tenants of the properties and the mortgagors of the mortgages comprising the Initial Portfolio and Contingent Properties operate in multiple areas of the United States Regulated Cannabis industry, including cultivation, distribution and retail, resulting in the REIT LP being subject to Staff Notice 51-352. See "Market Opportunity – U.S. Regulatory Environment" and "Regulatory Environment – Cannabis Industry Regulation" for an overview of the licensing requirements and the regulatory framework enacted by the applicable U.S. state and information regarding each tenant's regulatory compliance.

PROSPECTUS SUMMARY

The following is a summary of this prospectus and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Investors should read the entire prospectus and not rely solely on the contents of this summary.

THE REIT LP

Subversive Real Estate Acquisition REIT LP is a limited partnership established under the LPA for the purpose of effecting, directly or indirectly, an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, equity exchange, asset acquisition, equity purchase, reorganization, or any other similar business combination involving the REIT LP that will qualify as its Qualifying Transaction Exchange. The REIT LP is a SPAC for the purposes of the rules of the Exchange. The REIT LP received US\$200 million of proceeds from its initial public offering which was completed on January 8, 2020, as well as an additional US\$25 million of proceeds on the closing of the over-allotment option granted in connection with its initial public offering. The total proceeds of US\$225,000,000 were placed in an escrow account with Olympia Trust Company and will be released upon consummation of the Qualifying Transaction in accordance with the terms and conditions of the Escrow Agreement.

The REIT LP is internally managed by a team of seasoned senior professionals with a strong, relevant track record and deep industry relationships, dedicated to the REIT LP's strategic objectives on a non-conflicted basis. The REIT LP focuses on fundamental real estate and credit analysis, transacts high quality assets and works with top tier private and public cannabis-related operators. As a fully integrated owner and operator, the REIT LP is supported by internal capabilities across all disciplines, including acquisitions, asset management, financing and capital markets and audit/regulatory affairs. With an internally managed platform, the REIT LP will benefit from an in-house management team dedicated to the REIT LP's strategic objectives while operating under an efficient and scalable cost structure.

The long-term objectives of the REIT LP are to (a) provide Unitholders with an opportunity to invest in a portfolio of Regulated Cannabis-related real property assets located in variety of attractive markets, (b) provide Unitholders with predictable, sustainable and growing tax efficient cash distributions, (c) enhance the value of the REIT LP's assets and maximize long-term unit value through active internal asset and property management programs and procedures, and (d) expand the asset base of the REIT LP and increase the REIT LP's AFFO per unit primarily through acquisitions and improvements of its assets, using targeted and strategic capital expenditures. The REIT LP's mission statement is to establish itself as a top capital provider to the North American cannabis industry and the largest cannabis focused REIT with the broadest product offering in the sector.

See "The REIT LP".

MARKET OPPORTUNITY

The REIT LP believes that a convergence of changing public attitudes and increased legalization momentum in various states toward Medical-Use Cannabis and, in more limited circumstances, Adult-Use Cannabis creates an attractive opportunity to invest in the real estate sector with a focus on Regulated Cannabis properties. The REIT LP also believes that the increased sophistication of the Regulated Cannabis industry and the development of strong business, operational, and compliance practices have made the sector more attractive for investment. Increasingly, state-licensed cannabis cultivation, processing and retail facilities are becoming sophisticated business enterprises that use state-of-the-art technologies and well-honed business and operational processes to maximize product yield and revenues. Additionally, growers and dispensers have developed a growing portfolio of products into which they are able to incorporate Regulated Cannabis in a safe and appealing manner, including a variety of edibles, drinks, and topicals.

The REIT LP plans to take advantage of this market opportunity by purchasing the cannabis properties of state-licensed growers with a focus on properties that the REIT LP believes also have potential for long-term appreciation in value. The REIT LP believes that its sale-leaseback solutions offer an attractive alternative to licensed cultivators who lack access to traditional financing alternatives. The REIT LP intends to acquire cannabis properties in states that permit cannabis use. We expect that acquisition opportunities will continue to expand as additional states legalize cannabis in one form or another and license new cultivators.

Upon Closing, the REIT LP will own properties and hold first lien mortgages secured by properties in Arizona (one owned asset – 9,000 square feet), California (three owned assets – 48,000 square feet; with an additional two owned assets expected to be acquired following the Closing, totaling 40,000 square feet; three mortgages secured by properties – 288,000 square feet or 344,000 square feet following the expenditure of year one funding commitments), Florida (two owned assets – 296,000 square feet), Maryland (one owned asset – 6,000 square feet), Michigan (one mortgage secured by properties – 65,000 square feet), Nevada (one mortgage secured by properties – 455,000 square feet), Ohio (one owned asset – 7,000 square feet), Pennsylvania (one owned asset – 3,000 square feet), and Washington (one owned asset – 319,000 square feet).

See “Market Opportunity”.

GROWTH STRATEGIES

Initially, the REIT LP intends to acquire properties through sale-leaseback origination transactions and third-party acquisitions and, in circumstances where our acquisition of regulated cannabis facilities is not feasible, we may provide the owner of the property with a first lien mortgage loan secured by the property, typically along with an option to acquire the property in the future with predetermined purchase and lease terms. The REIT LP expects to lease its properties on a triple-net lease basis. Tenants are responsible for all aspects of and costs related to the property and its operation during the lease term, including maintenance, taxes and insurance. The REIT LP intends to pursue a disciplined growth strategy through investing in high quality properties under long-term triple-net leases with licensed tenants in the regulated cannabis industry, however, we are not limited to acquiring triple net leases and will acquire assets which do not meet these parameters if management determines that such acquisitions are in the best interests of the REIT LP. By way of example, the REIT LP, at Closing, the REIT LP intends to indirectly acquire the following properties: Tacoma Industrial, which will not be fully licensed as of Closing and in respect of which there are no triple-net leases; San Francisco Retail, which will not be fully licensed at Closing; and Desert Hot Springs Morongo for which the lease is not a triple-net lease. Notwithstanding the licensed status of these properties and that the leases at these properties are not triple-net, management determined that these were attractive assets for several reasons, including their strong urban infill locations and strong lease yields.

We intend to pursue our objectives through differentiated, multi-faceted investment strategy driven growth and to facilitate external growth through: maintaining and building extensive relationships, structuring and managing our portfolio with disciplined underwriting and risk management processes, access to capital and maintaining a conservative capital structure and a balance sheet positioned for growth.

See “Growth Strategies of the REIT LP”.

THE QUALIFYING TRANSACTION

On October 6, 2020, the REIT LP entered into the Definitive Agreements to acquire the Initial Portfolio, which is comprised of 10 properties and five first lien mortgages.

The approximately US\$182.8 million (after taking into account an aggregate of approximately US\$21.0 million in earn-outs and year one funding commitments) aggregate Closing Date investment will be satisfied by cash payments totalling US\$168.6 million and the issuance of US\$14.2 million of Units and Exchangeable Units, at US\$10.00 per Unit or Exchangeable Unit, as the case may be. In the event that any of the transactions comprising the Qualifying Transaction cannot be completed for any reason, the REIT LP may decide to proceed, subject to meeting all applicable regulatory and contractual requirements, with its acquisition of the others assets comprising the Initial Portfolio. In the event that it is not able to meet all applicable regulatory and contractual requirements, the REIT LP will not proceed with the Qualifying Transaction.

The REIT LP has also entered into binding agreements to acquire two additional properties totaling 40,000 square feet (the “**Contingent Properties**”) for an aggregate purchase price of US\$17.9 million (after taking in account an aggregate of approximately US\$1.0 million of year one funding commitments). The acquisition of the Contingent Properties is expected to close in the fourth quarter of 2020. Taking into account these acquisition, the REIT LP’s portfolio would be comprised of 12 properties and five first lien mortgages and would have an aggregate investment of approximately US\$200.7 million (after taking in account an aggregate of approximately US\$22.0 million in earn-outs and year one funding commitments). There is no assurance that the REIT LP will acquire the Contingent

Properties in the fourth quarter of 2020, if at all. See “Description of the Initial Portfolio and Contingent Properties” and “Risk Factors”.

On October 7, 2020, the REIT LP announced the Private Placement of Subscription Receipts. On Closing, the Outstanding Subscription Receipts shall automatically convert into US\$40.0 million aggregate principal amount of Debentures of the REIT LP at Offering Price¹. The REIT LP has also granted the Agents, a non-transferable Agents’ Option to purchase the Additional Subscription Receipts. The Agents’ Option must be exercised prior to Closing. The subscribers of the Subscription Receipts will fund the Offering Price, subject to satisfaction of certain funding conditions, on conversion of the Subscription Receipts. The Outstanding Subscription Receipts were issued, and Additional Subscription Receipts will be issued, to the extent applicable, pursuant to the Agency Agreement between the REIT LP and the Agents. Compass Point is registered as a broker dealer in the United States, and is not registered to sell securities in any Canadian jurisdiction. Accordingly, Compass Point only distributed Outstanding Subscription Receipts, and will only distribute Additional Subscription Receipts, to the extent applicable, in the U.S. pursuant to exemptions from registration requirements in the U.S. and other jurisdictions where such sales were permissible. Pursuant to the Agency Agreement, in connection with the Private Placement, the Agents were entitled to the Agents’ Commission. The Offering Price and the other terms of the Private Placement were determined by an arm’s length negotiation between the REIT LP and the Agents. The Private Placement is subject to customary closing conditions, including that the REIT LP has received final listing approval from the Exchange and a receipt for the final non-offering prospectus and has fulfilled certain covenants as further described in the Agency Agreement. This prospectus qualifies the distribution of the Debentures and the Debenture Units upon the automatic conversion of the Outstanding Subscription Receipts and the distribution of the Additional Subscription Receipts upon the exercise of the Agents’ Option, to the extent applicable. The net proceeds of the Private Placement, assuming funding is received prior to the exercise of the Agents’ Option, will be approximately US\$37.8 million.

The completion of the Qualifying Transaction is conditional upon, among other things, approval by the Exchange. The Exchange has conditionally approved the continued listing of the Limited Partnership Units, including the Limited Partnership Units issuable in connection with the Qualifying Transaction (including, for greater certainty, upon the redemption of the Exchangeable Units), the Debenture Units and the units underlying the Debentures, and the Rights. The Exchange has also conditionally approved the listing of the Debentures under the symbol SVX.DB.U. Continued listing of the Limited Partnership Units and the Rights and the listing of the Debentures is subject to the REIT LP fulfilling all of the requirements of the Exchange.

Contingent Rights

On October 19, 2020, the REIT LP announced that, in connection with Closing, the REIT LP shall distribute an aggregate of up to 24.1 million Contingent Rights, depending on the extent to, and nature in which, the Agents’ Option is exercised, to Holders of Record. The Contingent Rights will be distributed to Holders of Record on a *pro rata* basis based on the number of Limited Partnership Units and/or Exchangeable Units held by such holders on the date following Closing. Accordingly, if there are no redemptions of Restricted Voting Units, each Holder of Record will receive one Contingent Right per Limited Partnership Unit and/or Exchangeable Unit held. To the extent there are redemptions of Restricted Voting Units, each Holder of Record will receive more than one Contingent Right per Limited Partnership Unit and/or Exchangeable Unit held, depending upon the quantum of redemptions. No fractional Contingent Rights will be issued. If a holder would be entitled to receive a fractional interest in a Contingent Rights, we will round down to the nearest whole number of Contingent Rights to be issued to such holder. The Contingent Rights will not be distributed if the Qualifying Transaction does not close. The Contingent Rights will be issued pursuant to the Contingent Rights Agreement to be entered into on the Closing Date between the REIT LP and the Rights Agent.

Holders of the Contingent Rights will be entitled to receive, for no consideration, one Limited Partnership Unit for every five Contingent Rights held, subject to adjustment as described herein. The Contingent Rights will be automatically exercised by the holders thereof upon the earlier of (a) the listing of the REIT LP units on a recognized major U.S. exchange, and (b) cannabis production and sale becoming federally legal in the United States. The

¹ In connection with the issuance of the Debenture Units, the Sponsors have agreed to relinquish up to 2,625 Proportionate Voting Units, such that the issuance of the Debenture Units will not dilute the existing Unitholders. See “Escrowed Securities and Securities Subject to Contractual Restrictions on Transfer”.

Contingent Rights will not, subject to certain exceptions, otherwise be exercisable. As at the date of this prospectus, the REIT LP does not believe that a listing on a recognized major U.S. exchange would be possible, and there is no assurance that such a listing will be possible in the future. See “Risk Factor”.

In connection with the issuance of the Contingent Rights, the Founders will forfeit the equivalent of approximately 4.0 million Limited Partnerships Units in the form of Proportionate Voting Units with a notional equity value of approximately US\$40 million.

The REIT LP has applied to list the Contingent Rights on the Exchange under the symbol SVX.RT.C. Listing of the Contingent Rights is subject to the REIT LP fulfilling all of the requirements of the Exchange.

See “The Qualifying Transaction – Contingent Rights”.

Redemption Rights

Pursuant to the First A&R LP Agreement, holders of Restricted Voting Units have the right to redeem all or a portion of their Restricted Voting Units in connection with the Qualifying Transaction, provided that they deposit their Restricted Voting Units for redemption prior to the Redemption Election Deadline.

See “The Qualifying Transaction”, “Plan of Distribution” and “Description of the Debentures”

THE INITIAL PORTFOLIO AND CONTINGENT PROPERTIES

The Initial Portfolio consists of 10 properties (comprising approximately 690,000 square feet of gross leasable area) and five first lien mortgages (secured by properties comprising approximately 810,000 square feet of gross leasable area or 860,000 square feet of gross leasable area following the expenditure of year one funding commitments), located in 14 markets across nine states in the United States.

On Closing, the REIT LP will hold six assets in California (three owned assets and three mortgages, representing approximately 35.5% of its asset value (with approximately 31.9% of this value comprising owned assets and 68.1% of this value comprising mortgages). The REIT LP’s remaining assets are located in Arizona, Florida, Maryland, Michigan, Nevada, Ohio, Pennsylvania and Washington, which represent approximately 64.5% of its asset value (with approximately 65.0% of this value comprising owned assets and 35.0% of this value comprising mortgages). Within these states, the assets comprising the Initial Portfolio are strategically located in or near population centres within secondary cities.

The REIT LP has also entered into binding agreements to acquire the Contingent Properties (DTLA Industrial/Retail and North Hollywood Retail), which are located in California and are expected to close in the fourth quarter of 2020. Taking into account the acquisition of the Contingent Properties, the REIT LP will hold eight assets in California (five owned assets and three mortgages), representing approximately 41.2% of its asset value (with approximately 46.6% of this value comprising owned assets and 53.4% of this value comprising mortgages). There is no assurance that the REIT LP will acquire the Contingent Properties in the fourth quarter of 2020, if at all. See “Risk Factors”.

The Initial Portfolio consists of industrial (89.1%), retail (10.2%) and a mix of industrial/retail (0.7%). With the Contingent Properties, the REIT LP’s portfolio will consist of industrial (81.2%), retail (11.0%) and a mix of industrial/retail (7.8%).

See “The Initial Portfolio and Contingent Properties”.

DESCRIPTION OF THE INITIAL PORTFOLIO AND CONTINGENT PROPERTIES

The below chart summarizes each property and mortgage comprising the Initial Portfolio, and the Contingent Properties under binding agreement to be acquired following Closing. The numbering in the “Assets” column corresponds to the detailed description of each property and mortgage contained in the “Description of the Initial Portfolio and Contingent Properties” section of the prospectus.

Asset	Location	Total Deal Size (US\$)	Stabilized Capitalization Rate or Debt Yield	Property Use	Square Footage ⁽¹⁾	Expected Cash Net Operating Income Year One ⁽²⁾	Type of Transaction	Tenant Fully Licensed (Y/N)
DTLA Industrial/Retail(1)	Los Angeles, California ⁽³⁾	\$14,400,000	11.5%	retail and cultivation	36,000	\$1,484,000 ⁽⁴⁾	Acquisition	Y
North Hollywood Retail(2)	North Hollywood, California ⁽⁵⁾	\$3,500,000	11.0%	retail	4,000	\$353,000 ⁽⁶⁾	Acquisition	Y
Columbus Industrial(16)	Columbus, Ohio	\$1,500,000	13.3%	manufacturing	7,000	\$199,000	Acquisition	Y
Tacoma Industrial(12)	Tacoma, Washington	\$35,000,000	13.6%	cultivation and manufacturing	319,000	\$4,771,000	Acquisition	N ⁽⁷⁾
San Francisco Retail(8)	San Francisco, California	\$6,600,000	10.3%	retail	5,000 ⁽⁷⁾	\$330,000 ⁽⁷⁾	Acquisition	N ⁽⁸⁾
Alachua Industrial(9)	Alachua, Florida	\$33,018,000	13.5%	cultivation and manufacturing	292,000	\$3,289,000	Acquisition	Y
Jacksonville Retail(10)	Jacksonville, Florida	\$2,300,000	10.5%	retail	4,000	\$242,000	Acquisition	Y
Pennsylvania Retail(17)	Johnstown, Pennsylvania	\$1,965,000	10.5%	retail	3,000	\$206,000	Acquisition	Y
Mesa Industrial/Retail(13)	Mesa, Arizona	\$1,300,000	10.5%	retail and cultivation	9,000	\$137,000	Acquisition	Y
Maryland Retail(14)	Lutherville-Timonium, Maryland	\$1,600,000	10.5%	retail	6,000	\$168,000	Acquisition	Y
Desert Hot Springs Morongo Industrial(4)	Desert Hot Springs, California	\$9,400,000	10.9%	cultivation and manufacturing	37,000	\$1,029,000 ⁽⁹⁾	Acquisition	Y
DTLA Retail(3)	Los Angeles, California	\$4,700,000	10.3%	retail	6,000	\$483,000	Acquisition	Y
Coachella Retail(5)	Coachella, California	\$1,400,000	12.0%	retail	3,000	\$168,000	Loan	Y
Lansing Industrial(15)	Lansing, Michigan	\$2,250,000	12.0%	cultivation	65,000	\$270,000	Loan	Y
Greenfield Industrial(7)	Greenfield, California	\$22,750,000	12.0%	cultivation, manufacturing and distribution	140,000 ⁽¹⁰⁾	\$2,590,000	Loan + Purchase Option	Y
Desert Hot Springs 19 th Industrial(6)	Desert Hot Springs, California	\$20,000,000	11.0%	cultivation, manufacturing and distribution	201,000	\$2,200,000	Loan + Purchase Option	N ⁽¹¹⁾
North Las Vegas Industrial(11)	North Las Vegas, Nevada	\$39,000,000	10.5%	cultivation and manufacturing	455,000	\$4,095,000	Loan + Purchase Option	Y
TOTAL (excluding Contingent Properties)	—	\$182,783,000	11.9%	—	1,552,000	\$20,177,000	—	—
TOTAL (including Contingent Properties)		\$200,683,000	11.9%⁽¹²⁾	—	1,592,000	\$22,014,000	—	—

Notes:

- (1) Rounded to the nearest 1,000 square feet.
- (2) The expected year one NOI is prepared on a non-IFRS cash basis based on contractual rent and interest receivable (net of unreimbursable operating expenses) for the 12 months beginning November 1, 2020, excluding origination fees and assuming that the REIT LP does not exercise the options to acquire the properties underlying certain of the mortgages during the period. The expected cash net operating income year one is based on the following assumptions: tenant retention in respect of the acquisitions comprising the Initial Portfolio and Contingent Properties and timely rent and mortgage payments by tenants and mortgagors, respectively.
- (3) The REIT LP has entered into a binding agreement to acquire the DTLA Industrial/Retail property (one of two Contingent Properties), which acquisition is expected to close in the fourth quarter of 2020. There is no assurance that the REIT LP will acquire the DTLA Industrial/Retail property in the fourth quarter of 2020, if at all. See “Risk Factors”.
- (4) Assumes DTLA Industrial/Retail is acquired in November 2020, and assumes only 11 months of rent in year one (rather than 12 months) and US\$1,000,000 of tenant improvements over the course of six months.
- (5) The REIT LP has entered into a binding agreement to acquire the North Hollywood Retail property (one of two Contingent Properties), which acquisition is expected to close in the fourth quarter of 2020. There is no assurance that the REIT LP will acquire the North Hollywood Retail property in the fourth quarter of 2020, if at all. See “Risk Factors”.
- (6) Assumes North Hollywood Retail is acquired in November 2020, and assumes only 11 months of rent in year one (rather than 12 months).
- (7) At Closing, the Tacoma Industrial will be 95% leased with approximately 79% of tenants licensed. The expected cash net operating income for year one for the Tacoma property is based on 95% of the Tacoma property being leased at Closing, with 100% of those tenants paying rent. Expected operating expenses not covered by the tenant have been deducted to determine the expected cash net operating income. Operating expenses for the Tacoma property were determined based on prior actuals and prior recoveries. The tenants in the remaining leased space are in the process of obtaining licenses. Leased space for which a license has not yet been obtained will remain non-operational until the required licenses are secured by the tenants. There is no certainty as to how long such lease space will remain non-operational.
- (8) Tenant has indicated its intent to commence tenant improvement work on San Francisco Retail the fourth quarter of 2020. The San Francisco Retail tenant is not yet fully licensed and operational and the lease is subject to rate abatement until three months following receipt of full entitlements to operate. Leased space for which a license has not yet been obtained will remain non-operational until the required licenses are secured by the tenants. The estimated NOI in year one of ownership does not include an increase in rent if tenant receives full entitlements within 9 months of Closing. The current rentable square footage of 5,000 includes approximately 1,250 square feet of mezzanine space. After renovations, the total square footage is expected to be approximately 4,000, including mezzanine space. The Non-Abated NOI on San Francisco Retail in year one of ownership is US\$680,000.
- (9) Expected operating expenses not covered by the tenant have been deducted to determine the expected cash net operating income. Operating expenses for the Desert Hot Springs Morongo Industrial property were determined based on prior actuals and prior recoveries.
- (10) There is currently 84,000 square feet of gross leasable area at Greenfield Industrial. An additional 56,000 square feet of gross leasable area will be added in connection with year one funding commitments.
- (11) At Closing, Desert Hot Springs 19th Industrial will be 58% leased and is expected to be fully leased by the end of the first quarter of 2021, with 100% of tenants expected to have completed the licensing process and be fully operational in the first or second quarter of 2021. Leased space for which a license has not yet been obtained will remain non-operational until the required licenses are secured by the tenants.
- (12) When excluding the Contingent Properties, the Weighted Average Stabilized Capitalization Rate is 12.0%. The Weighted Average Stabilized Capitalization Rate on acquisitions is 12.5% (representing 57% of portfolio, inclusive of Contingent Properties). The Weighted Average Debt Yield on the first mortgage liens is 11.1%

See “Description of the Initial Portfolio and Contingent Properties”.

ASSESSMENT AND VALUATION OF THE INITIAL PORTFOLIO AND CONTINGENT PROPERTIES

The REIT LP retained Newmark Knight Frank Valuation & Advisory, LLC to provide, between April 2020 and August 2020, independent opinions as to the market value of each property and the properties underlying the mortgages comprising the Initial Portfolio and Contingent Properties.

The following is a summary of the Appraisals prepared by the Appraiser:

- the “as-is” appraised value of the real properties comprising the Initial Portfolio is US\$82.6 million and the “as-is” appraised value of the 12 real properties, when the Contingent Properties are included, is US\$99.965 million;
- the “as-stabilized” appraised value of the real properties comprising the Initial Portfolio is US\$93.2 million (excluding “as-stabilized” appraised estimates on San Francisco Retail that is not yet entitled, but taking into account year one funding commitments) and the “as-stabilized” appraised value of the 12 real properties, when the Contingent Properties are included, is \$110.6 million (excluding “as-

stabilized” appraised estimates on San Francisco Retail that is not yet entitled, but taking into account year one funding commitments);

- the “as-is” appraised value of the properties subject to the first lien mortgages is US\$159.1 million (including on-site equipment collateralized at the Greenfield Industrial property and Coachella Retail permit value);
- the “as-stabilized” appraised value of the properties subject to the first lien mortgages is US\$172.4 million (including on-site equipment collateralized at the Greenfield Industrial property, and taking into account year one funding commitments and Coachella Retail permit value); and
- the “as-is” aggregate market retail value of the Contingent Properties is US\$17.4 million.

The above compares to (a) with respect to the Initial Portfolio, US\$97.4 million funded to sellers at Closing and scheduled for tenant improvement reimbursement or through future earn-outs, and (b) with respect to the Contingent Properties, US\$17.9 million funded to sellers at Closing and scheduled for tenant improvement reimbursement or through future earn-outs.

See “Assessment and Valuation of the Initial Portfolio and Contingent Properties”.

DEBT STRATEGY AND INDEBTEDNESS

Debt Strategy

The REIT LP will seek to maintain a debt profile consisting of various sources of low-cost capital, including debt from regional and national banks, local credit unions and private lenders. Management believes that the REIT LP’s focus on intrinsic real estate value will allow us to borrow from commercial banks at accretive levels.

Management intends to target and maintain a Debt to Gross Book Value Ratio generally between 30% to 50% in order to maximize returns while minimizing leverage risk. Other than with respect to the Debentures, the REIT LP’s debt is expected to be comprised of fixed rate property-level mortgages.

On Closing, based on assumed redemption levels of 0% and 10%, the REIT LP’s Debt to Gross Book Value Ratio will be 23% and 24%, respectively.

Indebtedness

On closing, the Debentures will be the sole material indebtedness of the REIT LP. For a detailed description of the Debentures, see “Description of the Debentures”.

See “Debt Strategy and Indebtedness”.

DIRECTORS AND OFFICERS

The following table sets forth the names and municipalities of residence, positions and offices held with the General Partner and corresponding start dates and principal occupation during the last five years, of each of the directors and officers of the General Partner of the REIT LP:

Name and municipality of residence	Office held with the General Partner	Director and/or Officer Since	Present principal occupation and positions held⁽¹⁾
Michael B. Auerbach New York, NY	Executive Chairman, Director	November 3, 2019	General Partner of Subversive Capital
Richard Acosta Los Angeles, California	Chief Executive Officer, Director	December 20, 2019	Chief Executive Officer of the General Partner ⁽²⁾

Name and municipality of residence	Office held with the General Partner	Director and/or Officer Since	Present principal occupation and positions held⁽¹⁾
Michael Miller Los Angeles, California	Chief Financial Officer	December 20, 2019	Chief Financial Officer of the General Partner ⁽³⁾
Eric Clarke Los Angeles, California	Chief Operating Officer	December 20, 2019	Chief Operating Officer of the General Partner ⁽⁴⁾
Leland Hensch⁽⁵⁾ New York, NY	Director	December 20, 2019	Private Investor
Scott Baker Bedford, Massachusetts	Director	December 20, 2019	Vice President at New England Development LLC ⁽⁶⁾
Octavio Boccalandro New York, NY	Director	December 20, 2019	Founder of Andina Capital Inc.
Omar Mangalji London, England	Director	December 20, 2019	Founder and Advisor of Cap-Meridian Ventures
Craig Hatkoff New York, NY	Director	December 20, 2019	Non-executive director of Colony Capital, Inc.
Anne Sullivan⁽⁷⁾ Darien, Connecticut	Director	December 20, 2019	Chief Operating Officer for Saddle Point Management, L.P. ⁽⁸⁾

(1) Each of the persons has held these positions for five years other than as described below.

(2) Mr. Acosta was previously the Chief Financial Officer of SBEEG Holdings, LLC from 2014-2017.

(3) Mr. Miller was previously the Project & Acquisitions Manager at Thomas Safran & Associates from 2014-2018.

(4) Mr. Clarke was previously the founder and CEO of Fashion Insights, LLC from 2010-2017.

(5) Mr. Hensch will resign from the Board on Closing. The Board will conduct a search for a director to replace Mr. Hensch following Closing.

(6) Mr. Baker has held the position as Vice President at New England Development LLC since 2015.

(7) Ms. Sullivan will resign from the Board on Closing. The Board will conduct a search for a director to replace Ms. Sullivan following Closing.

(8) Ms. Sullivan was previously partner at Marcato Capital Management from 2013-2017.

See “Directors and Officers”.

RESTRICTIONS ON OWNERSHIP AND TRANSFER OF THE UNITS

The Second A&R LP Agreement contains restrictions on the ownership and transfer of the Units that are intended to assist the REIT LP in complying with these requirements to qualify as a real estate investment trust. The relevant sections of the Second A&R LP Agreement provide that, subject to the exceptions described below, no person or entity may actually or beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than 9.8% of the Units, excluding any Units that are not treated as outstanding for U.S. federal income tax purposes. Each of these restrictions, as well as the restrictions described below under “Summary of the Second A&R LP Agreement – FIRPTA”, is referred to as an “ownership limit” and collectively as the “ownership limits.” An individual or entity that would have acquired actual, beneficial or constructive ownership of the Units but for the application of the ownership limits or any of the other restrictions on ownership and transfer of the Units is a “prohibited owner.”

The Board may not increase or decrease any ownership limit if the new ownership limit would allow five or fewer persons (as defined for this purpose in the Code to include certain entities such as private foundations) to actually or beneficially own more than 49% of the Units (treating certain options and, under certain circumstances, securities convertible into Units as Units).

In order for the REIT LP to comply with its withholding obligations under FIRPTA (and certain other regulatory requirements), the Units are subject to notice requirements and transfer restrictions. Non-U.S. persons holding Units are required to provide the REIT LP with such information as the REIT may request. Furthermore, any non-U.S. person that would be treated as having acquired sufficient Units to be treated as owning more than 5% of the Units is required to notify the REIT LP by the close of the business day prior to the date of the transfer that would cause the non-U.S. person to own more than 5% of the Units.

See “Summary of the Second A&R LP Agreement – Restrictions on Ownership and Transfer” and “Certain United States Federal Income Tax Considerations”.

RISK FACTORS

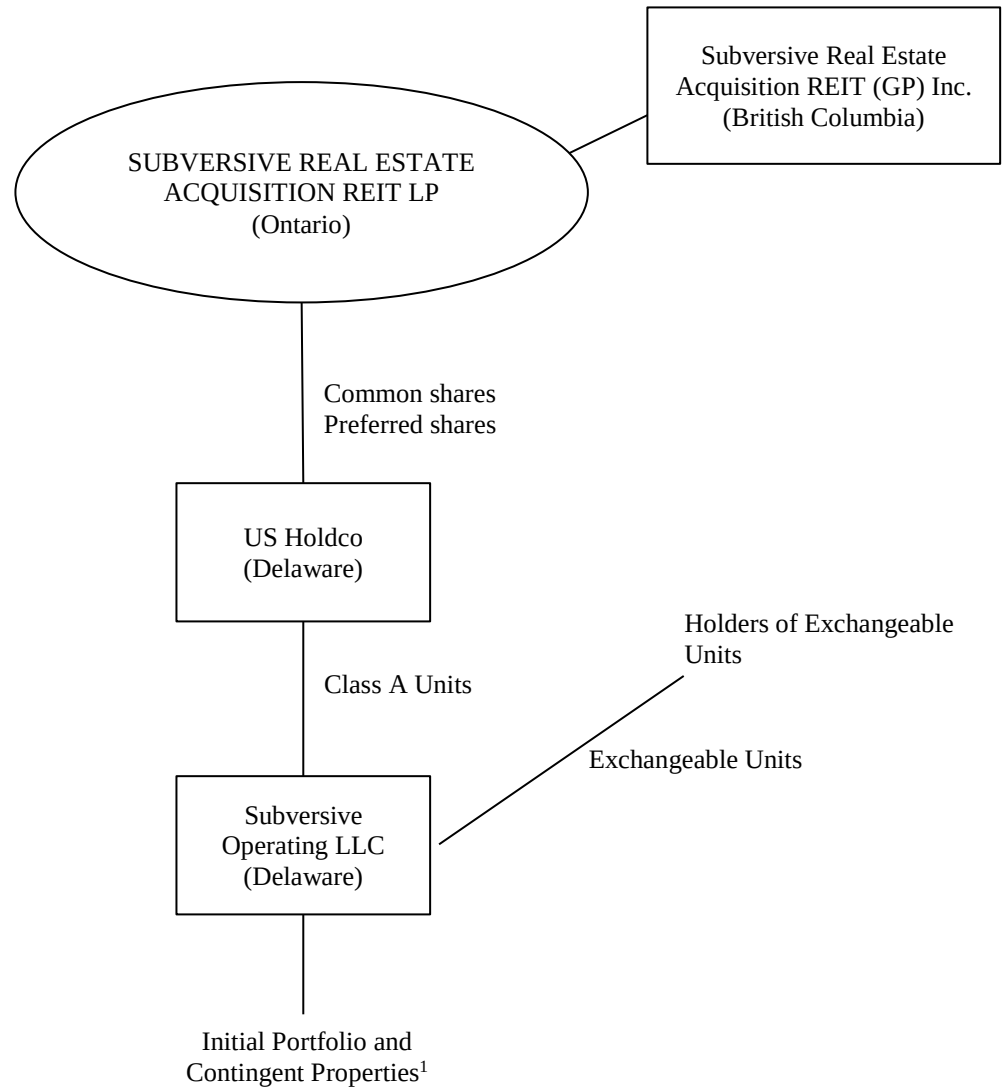
Unitholders should be aware that there are various known and unknown risk factors in connection with the Qualifying Transaction. Cash distributions by the REIT LP are not guaranteed and will be based, in part, upon the financial performance of the REIT LP’s assets, which is susceptible to a number of risks. Unitholders should carefully consider the risks identified in this prospectus under the heading “Caution Regarding Forward-Looking Statements” and “Risk Factors” before deciding whether or not to approve the Qualifying Transaction.

Cash distributions by the REIT LP are not guaranteed and will be based, in part, upon the financial performance of the REIT LP’s assets, which is susceptible to a number of risks.

ORGANIZATIONAL STRUCTURE

Subversive Real Estate Acquisition REIT LP was established under the LPA on November 12, 2019. Our head office is located at 135 Grand Street, 2nd Floor, New York, New York 10013 and our registered office is located at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7, Canada. The General Partner's head office is located at 135 Grand Street, 2nd Floor, New York, New York 10013 and its registered office is located at 700 West Georgia Street, Suite 2500, Vancouver, British Columbia V7Y 1B3, Canada.

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



Notes:

1. The Initial Portfolio and Contingent Properties will be held indirectly by Subversive Operating LLC through special purpose subsidiaries.

THE REIT LP

Overview

Subversive Real Estate Acquisition REIT LP is a limited partnership established under the LPA for the purpose of effecting, directly or indirectly, an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, equity exchange, asset acquisition, equity purchase, reorganization, or any other similar business combination involving the REIT LP that will qualify as its Qualifying Transaction Exchange. The REIT LP is a SPAC for the purposes of the rules of the Exchange. The REIT LP received US\$200 million of proceeds from its initial public offering which was completed on January 8, 2020, as well as an additional US\$25 million of proceeds on the closing of the over-allotment option granted in connection with its initial public offering. The total proceeds of US\$225,000,000 were placed in an escrow account with Olympia Trust Company and will be released upon consummation of the Qualifying Transaction in accordance with the terms and conditions of the Escrow Agreement.

The REIT LP's head office is located at 135 Grand Street, 2nd Floor, New York, New York 10013 and its registered office is located at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7, Canada. The General Partner's head office is located at 135 Grand Street, 2nd Floor, New York, New York 10013 and its registered office is located at 700 West Georgia Street, Suite 2500, Vancouver, British Columbia V7Y 1B3, Canada.

The REIT LP and/or affiliates thereof have entered into definitive agreements (the “**Definitive Agreements**”) to acquire approximately US\$97.4 million of real properties and originate or acquire US\$85.4 million of first lien mortgages, for an aggregate investment of approximately US\$182.8 million (after taking in account an aggregate of approximately US\$21.0 million in earn-outs and year one funding commitments), which transactions collectively constitute the REIT LP's Qualifying Transaction. The REIT LP is also party to purchase options to, subject to certain conditions, acquire the real properties subject to approximately US\$81.8 million of the first lien mortgages. Following closing of the Qualifying Transaction (“**Closing**”), the REIT LP will indirectly own a portfolio consisting of 10 properties (comprising approximately 690,000 square feet of gross leasable area) and five first lien mortgages (secured by properties comprising approximately 810,000 square feet of gross leasable area or 860,000 square feet of gross leasable area following the expenditure of year one funding commitments) (collectively, the “**Initial Portfolio**”), located across nine states of the United States. The properties and mortgages comprising the Initial Portfolio will be held indirectly, through wholly-owned subsidiary limited liability companies or limited partnerships of the REIT LP. The REIT LP's portfolio will generate cash flow in U.S. dollars and the distributions made on the Limited Partnership Units following the Closing will be denominated in U.S. dollars. See “The Initial Portfolio and Contingent Properties” and “The Qualifying Transaction”.

The REIT LP has also entered into binding agreements to acquire two additional properties totaling 40,000 square feet (the “**Contingent Properties**”) for an aggregate purchase price of US\$17.9 million (after taking in account an aggregate of approximately US\$1.0 million of year one funding commitments). The acquisition of the Contingent Properties is expected to close in the fourth quarter of 2020. Taking into account these acquisitions, the REIT LP's portfolio would be comprised of 12 properties and five first lien mortgages and would have an aggregate investment of approximately US\$200.7 million (after taking in account an aggregate of approximately US\$22.0 million in earn-outs and year one funding commitments). There is no assurance that the REIT LP will acquire the Contingent Properties in the fourth quarter of 2020, if at all. See “Description of the Initial Portfolio and Contingent Properties” and “Risk Factors”.

While the REIT LP will have, following closing of the Qualifying Transaction, relationships with a number of third-party cannabis cultivators, processors and retailers, at this time no single contractual relationship is material to the Issuer's business.

The REIT LP is internally managed by a team of seasoned senior professionals with a strong, relevant track record and deep industry relationships, dedicated to the REIT LP's strategic objectives on a non-conflicted basis. The REIT LP focuses on fundamental real estate and credit analysis, transacts high quality assets and works with top tier private and public cannabis-related operators. As a fully integrated owner and operator, the REIT LP is supported by internal capabilities across all disciplines, including acquisitions, asset management, financing and capital markets and audit/regulatory affairs. With an internally managed platform, the REIT LP will benefit from an in-house management team dedicated to the REIT LP's strategic objectives while operating under an efficient and scalable cost structure.

Objectives of the REIT LP

The long-term objectives of the REIT LP are to (a) provide Unitholders with an opportunity to invest in a portfolio of Regulated Cannabis-related real property assets located in variety of attractive markets, (b) provide Unitholders with predictable, sustainable and growing tax efficient cash distributions, (c) enhance the value of the REIT LP's assets and maximize long-term unit value through active internal asset and property management programs and procedures, and (d) expand the asset base of the REIT LP and increase the REIT LP's AFFO per unit primarily through acquisitions and improvements of its assets, using targeted and strategic capital expenditures. The REIT LP's mission statement is to establish itself as a top capital provider to the North American cannabis industry and the largest cannabis focused REIT with the broadest product offering in the sector.

Employees

Upon Closing, the REIT LP and its subsidiaries are expected to have five employees, all of which shall be located in the United States.

Competition

The REIT LP competes for the acquisition of properties suitable for the retail sale, cultivation or production of cannabis with other entities engaged in retail, agricultural and real estate investment activities, including corporate agriculture companies, cultivators and producers of cannabis, private equity investors, and other real estate investors (including public and private REIT LPs). The REIT LP also competes as a provider of capital to cannabis operators with alternative financing sources to these companies, including both equity and debt financing alternatives.

MARKET OPPORTUNITY

The Industrial and Retail Real Estate Sub-Markets

Upon Closing, the REIT LP will own properties and hold first lien mortgages secured by properties in Arizona (one owned asset – 9,000 square feet), California (three owned assets – 48,000 square feet; with an additional two owned assets expected to be acquired following the Closing, totaling 40,000 square feet; three mortgages secured by properties – 288,000 square feet or 344,000 square feet following the expenditure of year one funding commitments), Florida (two owned assets – 296,000 square feet), Maryland (one owned asset – 6,000 square feet), Michigan (one mortgage secured by property – 65,000 square feet), Nevada (one mortgage secured by property – 455,000 square feet), Ohio (one owned asset – 7,000 square feet), Pennsylvania (one owned asset – 3,000 square feet), and Washington (one owned asset – 319,000 square feet).

Industrial Sub-Market

The industrial real estate sub-market recently has performed well with historically low vacancies and high asking rents across most markets. According to Colliers, the U.S. industrial property vacancy rate increased nine basis points over the prior quarter and 14 basis points higher than year-end 2018. Driven by low vacancy and strong demand, development activity remained elevated, with 328.9 million square feet under construction at the close of 2019 – down slightly from an all-time record of 337.8 million square feet in the prior quarter. U.S. industrial investment sales in 2019 totaled \$112.1 billion – a 14.1% increase over 2018 and the highest annual level since 2001, according to Colliers.²

The REIT LP believes this supply/demand dynamic creates significant opportunity for owners of industrial facilities, particularly those focused on niche categories, as options are limited for tenants requiring specialized buildings. Specialized industrial cannabis facilities are required to be operated by businesses that have completed a rigorous state licensing process. The number of licenses granted in a particular state is typically restricted, which creates a barrier of

² Colliers Knowledge Leader, March 2020

entry for competing facilities. The REIT LP believes owning these mission critical industrial facilities with long-term leases will generate highly attractive current yield and above-market returns.

In light of the foregoing factors unique to cannabis cultivation and production facilities, the purchase prices for the properties the REIT LP will acquire pursuant to its Qualifying Transaction that are cannabis cultivation and production facilities, as well as the value of the cannabis facilities that it may acquire in the future, may be considered in excess of valuations for non-cannabis industrial real estate facilities. We believe the property valuations associated with cannabis cultivation and production facilities are supported by the higher expected rents, as well as the significant capital invested in the facilities to build out the highly specialized environments.

Retail Sub-Market

The REIT LP believes that owning and leasing retail cannabis stores and dispensaries offer a strong long-term value proposition that has different risks and opportunities from cannabis cultivation or processing facilities. All cannabis related properties require state and local licensing and are essential parts of the vertical cannabis supply chain. However, the REIT LP believes that retail cannabis properties are unique because their value greatly depends upon traditional retail concepts, including proximity to consumers, demographic desirability, and brand perception. As cannabis continues to develop as a mainstream consumer product, increasingly more, mature and affluent cannabis consumers will expect an enjoyable retail experience.

Within the retail sector of commercial real estate, the rent paid by a tenant is typically derived as a percentage of gross revenue that the store occupant generates, which is known as occupancy cost. In cannabis retail, the gross revenue numbers generated by a store or dispensary is generally expected to be greater than other traditional retail, and therefore, a normalized occupancy cost results in a cannabis tenant able to typically pay higher rent than a traditional retail tenant.

Retail Adult-Use Cannabis stores typically generate higher average sales per square foot than Medical-Use Cannabis dispensaries. In light of the foregoing factors unique to cannabis retail stores, the purchase prices for the properties we will acquire pursuant to our Qualifying Transaction that are cannabis retail stores, as well as the value of the cannabis retail stores that we may acquire in the future, may be considered in excess of valuations for non-cannabis retail stores. We believe the property valuations associated with cannabis retail stores are supported by the higher expected gross revenue generated by cannabis tenants, as well as the highly complex and restrictive zoning, permitting and entitlement process.

The Regulated Cannabis Industry

The REIT LP believes that a convergence of changing public attitudes and increased legalization momentum in various states toward Medical-Use Cannabis and, in more limited circumstances, Adult-Use Cannabis creates an attractive opportunity to invest in the real estate sector with a focus on Regulated Cannabis properties. The REIT LP also believes that the increased sophistication of the Regulated Cannabis industry and the development of strong business, operational, and compliance practices have made the sector more attractive for investment. Increasingly, state-licensed cannabis cultivation, processing and retail facilities are becoming sophisticated business enterprises that use state-of-the-art technologies and well-honed business and operational processes to maximize product yield and revenues. Additionally, growers and dispensers have developed a growing portfolio of products into which they are able to incorporate Regulated Cannabis in a safe and appealing manner, including a variety of edibles, drinks, and topicals.

The Regulated Cannabis industry has generally been driven by state law and regulation, and accordingly, the market varies on a state-by-state basis. The REIT LP believes that the following conditions create a favorable environment for investing in real estate assets that support the Regulated Cannabis industry:

- significant industry growth in recent years and expected continued growth;
- a shift in public opinion and increasing momentum toward the legalization of cannabis, especially as it relates to Medical-Use Cannabis;
- the Congressional enactment of annual appropriations acts that prohibits the DOJ from spending funds to interfere with the implementation of state Regulated Cannabis laws; and

- limited access to capital by industry participants in light of banking and money transfer limitations driven by federal law.

The REIT LP believes that these conditions, which are described in more detail below, create an attractive opportunity to invest in industrial and retail real estate assets that are tailored for tenants in the regulated cannabis industry.

Cannabis Industry Growth and Trends

Global Market

The United Nations recently estimated that more than 180 million people globally between the ages of 15 and 64, or approximately 4% of this age group, consume cannabis annually.³ Although cannabis is still heavily regulated, medical use is now authorized in more than 30 countries with many countries having introduced significant reforms to cannabis-use laws to broaden the scope of permitted use since the beginning of 2015.

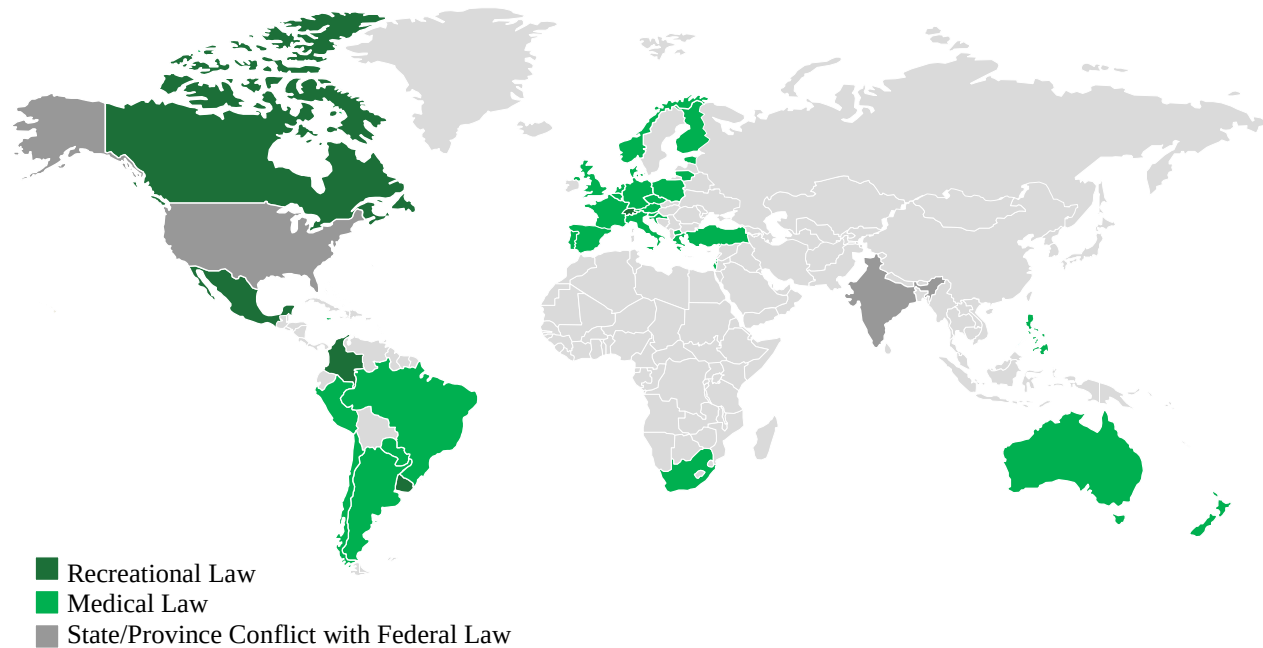
The growing adoption of cannabis for medical applications including treatment for cancer, mental disorders and chronic pain, among others, is expected to propel revenue growth in the legal cannabis market to approximately US\$47 billion globally by the end of 2025.⁴ Additionally, the number of conditions treated with cannabis is increasing, and as new patients are added to the market, the demand for medical cannabis is also expected to increase. Significant public and private investment for research and the development of safer forms of ingesting cannabis such as tinctures, oils, vaporizers and edibles are also expected to reinforce market growth. As the number and sophistication of companies operating in the cannabis market increases, the quantity and variety of products that reach consumers and advances in product development are expected to enhance product adoption among consumers contributing to further market growth.

In October 2018, Canada became the first major industrialized nation to legalize recreational cannabis at the federal level. The merits of medical cannabis are currently driving legalization, and we believe that, like Canada, Uruguay and numerous U.S. states, other countries will eventually enact legislation permitting Adult-Use Cannabis.

³ 2018 Cannabis Investment Report, Ackrell Capital.

⁴ Arcview Market Research / BDSA.

Figure 1: Select Countries with Legalized Cannabis Access⁵



U.S. Market

In the United States, cannabis is largely regulated at the state level. To our knowledge, 46 U.S. states have enacted at least one law that permits manufacturing, distribution, dispensing or possession of cannabis or concentrates.

Specifically, we believe more than 33 U.S. states (and the District of Columbia) have enacted legislation to legalize and regulate the sale and use of medical cannabis. Around 20 states have enacted narrow CBD/limited laws that permit possession of small amounts of low-THC/high-CBD cannabis products for the treating of a few serious medical conditions. Meanwhile, we understand that 11 U.S. states (and the District of Columbia) have enacted laws that permit the production and sale of Adult-Use Cannabis.

In the U.S. there are currently over 4,000 cannabis dispensaries and retail outlets, over 5,000 wholesale cultivators, over 2,5000 infused product manufacturers and over 150 testing labs and facilities.

⁵ Arcview Market Research / BDSA.

Figure 2: U.S. State Cannabis Laws⁶

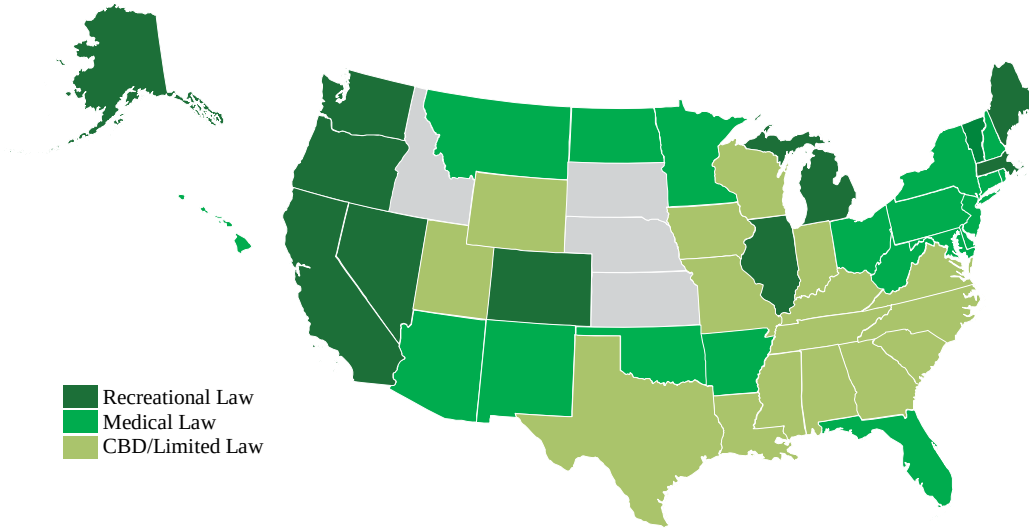
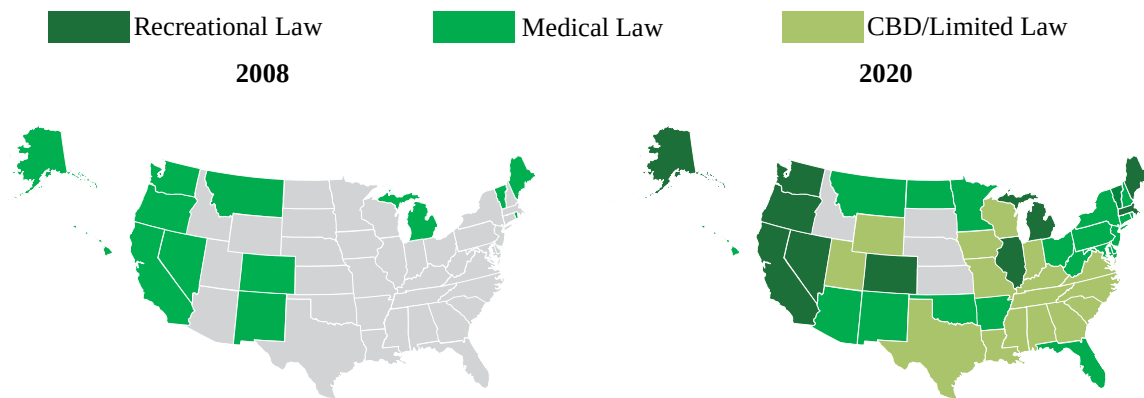


Figure 3: Progression of U.S. State Cannabis Laws⁷



In 2019, the U.S. state-legal marijuana market was estimated to generate up to US\$12.4 billion, with approximately US\$5.1 billion of sales for medical use and US\$7.3 billion for recreational use.⁸ The U.S. state-legal marijuana market is projected to grow to US\$33.9 billion by 2025, representing approximately 72% of total global legal spending on cannabis.⁹

⁶ National Conference of State Legislatures, State Medical Marijuana Laws and Publicly Available Information.

⁷ National Conference of State Legislatures, State Medical Marijuana Laws and Publicly Available Information.

⁸ Arcview Market Research / BDSA.

⁹ Arcview Market Research / BDSA.

Polls throughout the United States consistently show overwhelming support for the legalization of medical cannabis, together with strong majority support for the full legalization of Adult-Use Cannabis. It is estimated that 67% of the U.S. public supports legalizing cannabis for adult- use.¹⁰

We have observed a consistent trend whereby implementation of an Adult-Use Cannabis law significantly expands the overall size of the legalized cannabis market. We expect a significant increase in the overall size of the state-legal market as more states implement Adult-Use Cannabis laws.

Shifting Public Attitudes

The REIT LP believes that the growth of the Regulated Cannabis market will be fueled by changing public attitudes in the United States toward regulation and legalization of cannabis. A 2019 Pew Research Center survey found that two thirds of Americans support legalization of cannabis use. Moreover, a 2019 poll by Quinnipiac University found that 93% of Americans support patient access to Medical-Use Cannabis (if recommended by a doctor).

U.S. Regulatory Environment

The legalization and regulation of marijuana is being implemented at the state level in the United States. State laws regulating cannabis are in direct conflict with the Controlled Substances Act of 1940 (the “CSA”), which makes “marihuana” use and possession federally illegal. Although certain states and territories of the U.S. authorize medical or Adult-Use Cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of marijuana and any related drug paraphernalia is illegal and any such acts are criminal acts under federal law under any and all circumstances under the CSA. Although the REIT LP’s and, to its knowledge, its tenants’ and mortgagors’ business activities are compliant with applicable United States state and local law, strict compliance with state and local laws with respect to marijuana will not absolve the REIT LP of liability under United States federal law, nor does it provide a defense to any federal proceeding which may be brought against the REIT LP. The risk of federal enforcement and other risks associated with the REIT LP’s business are described under “Risk Factors”.

The following is a list of the states that have legalized cannabis for medical use in some form as of July 2020:

• Alaska	• Kentucky	• New York
• Arizona	• Louisiana	• North Dakota
• Arkansas	• Main	• Ohio
• California	• Maryland	• Oklahoma
• Colorado	• Massachusetts	• Oregon
• Connecticut	• Michigan	• Pennsylvania
• Delaware	• Minnesota	• Rhode Island
• Florida	• Missouri	• Texas
• Georgia	• Montana	• Utah
• Hawaii	• Nevada	• Vermont
• Illinois	• New Hampshire	• Virginia
• Indiana	• New Jersey	• Washington
• Iowa	• New Mexico	• West Virginia

Although the above states have all approved the medical use of cannabis, the applicable state and local laws and regulations vary widely. For example, most states’ laws allow commercial production and sales through dispensaries and set forth rigorous licensing requirements; in other states the licensing rules are unclear. In some states, dispensaries are mandated to operate on a not-for-profit basis. Some states permit home cultivation activities. The states also differ on the form in which cannabis can be sold. For example, some states do not permit cannabis-infused products such as concentrates, edibles, and topicals.

¹⁰ Pew Research Center

Following approval of Medical-Use Cannabis or Adult-Use Cannabis, programs must be developed and businesses must be licensed before commencing Regulated Cannabis sales. Some states have developed the necessary procedures and licensing requirements quickly, while other states have taken years to develop their programs for production and sales of Regulated Cannabis. According to the same source, there are signs of industry maturation, and states are increasingly demonstrating an ability to efficiently and quickly establish regulatory frameworks following legalization or decriminalization. This is particularly true when Adult-Use Cannabis use is legalized in states where Medical-Use Cannabis systems are already in place.

Even when regulatory frameworks for Regulated Cannabis production and sales are in place, states tend to revise these rules over time. These revisions often impact sales, making it difficult to predict the potential of new markets. States may restrict the number of Regulated Cannabis businesses permitted or limit the medical conditions that are eligible for treatment with Medical-Use Cannabis, both of which can limit growth of the Regulated Cannabis industry in those states. Alternatively, states may relax their initial regulations relating to Regulated Cannabis production and sales, which would likely accelerate growth of the Regulated Cannabis industry in such states.

As an industry best practice, the REIT LP abides by the following to ensure its compliance with, and the compliance of its tenants and mortgagors with, applicable licensing requirements and the regulatory framework enacted by the applicable U.S. states:

- as part of its due diligence, prior to entering into a lease or a mortgage arrangement, ensure that its tenants and mortgagors hold the requisite licenses for their operations (by requesting copies of cannabis licenses) or have applied for the requisite licenses in respect of their proposed future operations as established by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions;
- cross-reference all licenses received with state and local cannabis agency databases, as available;
- engage in strict compliance monitoring via receipt of quarterly compliance certificates confirming tenants and borrowers are not in default (with respect to their cannabis license and any potential government enforcement action) under the terms of the Issuer's leases and loans;
- the Issuer conducts periodic site visits;
- seek to ensure that its tenants and mortgagors have applied for such licenses, and seek such other licenses as are required to address changes in their operations or applicable laws and/or regulations;
- seek to ensure that its tenants' and mortgagors' cannabis related activities adhere to the scope of their licenses;
- engage the opinion of counsel, as applicable;
- monitor publicly available sources for adverse information about its tenants and mortgagors; and
- refresh information obtained as part of its due diligence on a periodic basis and commensurate with the risk to assist with the above.

The REIT LP will also conduct periodic reviews of the activities of its business and the business of its tenants and mortgagors. To the best of the REIT LP's knowledge, the businesses of its Counterparties and tenants are in compliance with the licensing requirements and regulatory frameworks enacted by each of the U.S. states in which such parties do business. For further certainty, the Issuer is not subject to any cannabis-specific licensing requirements and cannabis-specific regulatory frameworks in any of the U.S. states where the Issuer conducts business.

The REIT LP has received and continues to receive legal input, in verbal and written form (including opinions when required), regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law in certain respects.

See “Regulatory Environment”.

Access to Capital

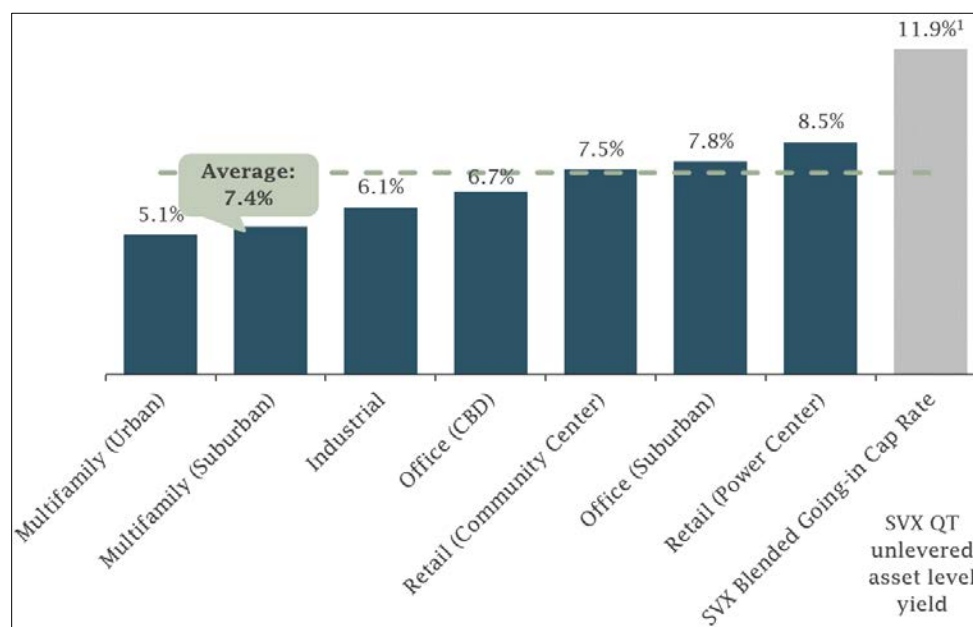
To date, the status of cannabis under federal law has significantly limited the ability of industry participants to fully access the U.S. banking system and traditional financing sources. These limitations, when combined with the high costs of maintaining licensed and stringently regulated growing and cannabis properties (including meeting extensive zoning requirements), substantially increase the cost of production. Because of the lack of access to traditional financing sources, the REIT LP believes that its sale-leaseback solutions will be attractive to cannabis cultivators, producers and retailers.

Market Opportunity and Associated Risks

The REIT LP plans to take advantage of this market opportunity by purchasing the cannabis properties of state-licensed growers with a focus on properties that the REIT LP believes also have potential for long-term appreciation in value. The REIT LP believes that its sale-leaseback solutions offer an attractive alternative to licensed cultivators who lack access to traditional financing alternatives. The REIT LP intends to acquire cannabis properties in states that permit cannabis use. We expect that acquisition opportunities will continue to expand as additional states legalize cannabis in one form or another and license new cultivators.

We believe Capitalization Rates on marijuana cultivation real estate will compress as capital becomes more readily available. The most significant catalyst to compress yields would be U.S. federal legalization of cannabis and the ability of the businesses to utilize the banking system and source debt capital. Such an event would be positive for the REIT LP in terms of creating tangible value for the company’s Net Asset Value. However, if capital markets open to competitors it could also be viewed as a negative because the REIT LP would face increased competition and the value creation spread relative to equity capital would probably narrow. Ideally, the REIT LP would raise and deploy as much capital as possible at high yields before banking laws change to entrench its position as a scaled industry leader. It is unclear how much Capitalization Rates would compress on cannabis cultivation real estate if U.S. federal legalization occurred.

Capitalization Rates by Real Estate Asset Class



Notwithstanding the foregoing market opportunity and trends, and despite legalization at the state level, the REIT LP continues to believe that the current state of federal law creates significant uncertainty and potential risks associated with investing in cannabis properties. For a more complete description of these risks, see the sections entitled “Risk Factors” and see “Regulatory Environment”.

GROWTH STRATEGIES OF THE REIT LP

Initially, the REIT LP intends to acquire properties through sale-leaseback origination transactions and third-party acquisitions and, in circumstances where our acquisition of regulated cannabis facilities is not feasible, we may provide the owner of the property with a first lien mortgage loan secured by the property, typically along with an option to acquire the property in the future with predetermined purchase and lease terms. The REIT LP expects to lease its properties on a triple-net lease basis. Tenants are responsible for all aspects of and costs related to the property and its operation during the lease term, including maintenance, taxes and insurance. The REIT LP intends to pursue a disciplined growth strategy through investing in high quality properties under long-term triple-net leases with licensed tenants in the regulated cannabis industry, however, we are not limited to acquiring triple net leases and will acquire assets which do not meet these parameters if management determines that such acquisitions are in the best interests of the REIT LP. By way of example, the REIT LP, at Closing, the REIT LP intends to indirectly acquire the following properties: Tacoma Industrial, which will not be fully licensed as of Closing and in respect of which there are no triple-net leases; San Francisco Retail, which will not be fully licensed at Closing; and Desert Hot Springs Morongo for which the lease is not a triple-net lease. Notwithstanding the licensed status of these properties and that the leases at these properties are not triple-net, management determined that these were attractive assets for several reasons, including their strong urban infill locations and strong lease yields.

We intend to pursue our objectives through differentiated, multi-faceted investment strategy driven growth and to facilitate external growth through: maintaining and building extensive relationships, structuring and managing our portfolio with disciplined underwriting and risk management processes, access to capital and maintaining a conservative capital structure and a balance sheet positioned for growth.

Differentiated, Multi-Faceted Investment Strategy Driven Growth

We intend to grow our portfolio by acquiring properties occupied by quality tenants operating in the regulated recreational and adult use cannabis industry focused on cultivation, manufacturing and/or distribution activities, including retail operations. In addition to sale-leaseback originations, we intend to grow our portfolio through a multi-faceted investment strategy, which includes acquiring net leased industrial and retail properties subject to existing stabilized long-term leases, build-to-suit transactions and reverse build-to-suit transactions. Each of these types of transactions offers unique benefits to our business.

Sale-Leasebacks

Sale-leaseback transactions allow us to acquire a commercial property used by the seller with a simultaneous long-term net lease of the property back to the seller. In sale-leaseback transactions, we are able to set rents at sustainable levels and get long-term lease commitments from tenants.

Existing Stabilized Leases

In existing stabilized lease transactions, we acquire net leased operating assets subject to existing long-term leases through our relationships with current owners, our extensive brokerage network or our developer relationships.

Reverse Build-to-Suit

In reverse build-to-suit transactions, the tenant acts as the developer and constructs the property with the project financed by the landlord. Both build-to-suit and reverse build-to-suit transactions allow us to acquire the property at lower cost in exchange for long lease terms and higher entry Capitalization Rates.

External Growth

Extensive Relationships

Management believes it has a competitive advantage in pursuing both off-market and marketed acquisition opportunities through its extensive network of owner, tenant and brokerage contacts at both the national and regional levels. Mr. Auerbach has been active in the cannabis industry for over seven years as an investor, advisor and board member. Mr. Auerbach's extensive experience has allowed him to develop a broad network of long-standing

relationships across the medicinal and Adult-Use Cannabis industry, which we believe will provide us with an ongoing pipeline of potential tenants. Mr. Acosta has been active in the commercial real estate investment and management industry for 15 years, serving as Director for Colony Capital, Inc., Chief Financial Officer for SBE Entertainment Group, LLC and Chief Executive Officer of Inception REIT, Inc. Mr. Acosta's extensive experience has allowed him to develop a broad network of long-standing relationships with brokers, intermediaries, financial institutions and others in the cannabis real estate industry and commercial real estate industry broadly, which we believe will provide us with an ongoing pipeline of both marketed and off-market investment opportunities.

Structuring and Managing Portfolio with Disciplined Underwriting and Risk Management

We seek to build a scaled portfolio with stable rental revenue and maximize the long-term return on our investments by implementing our disciplined underwriting and risk management processes. Our portfolio is focused on acquiring high quality properties tenanted by licensed operators in the regulated cannabis industry. We seek to enter into leases with terms of at least ten years and, when acquiring properties, look for opportunities to acquire long-term extensions in place at the time of closing. In addition, we seek acquisition opportunities that enhance the tenant and geographic diversification of our portfolio and actively monitor and manage our existing investments to reduce the risks associated with adverse developments affecting particular tenants or markets. Finally, we use our active portfolio management strategy to: (i) regularly review each of our properties for changes in unit performance, tenant credit and local real estate conditions, (ii) identify properties that do not meet our disciplined underwriting strategy, diversification objectives or risk management criteria, including rent coverage ratios or likelihood of non-renewal upon lease expiration, and (iii) opportunistically dispose of those properties and reinvest the proceeds in acquisitions that will generate higher returns, enhance the credit quality of our real estate portfolio or extend our average remaining lease term.

Due to the status of the cannabis industry as a growing industry, revenue is the metric conventionally used by industry participants to demonstrate financial condition and performance. Further, analyst coverage and reporting in the cannabis industry typically also uses revenue as the main indicator of the financial condition of a company in the industry. For these reasons, the REIT LP believes revenue is the metric by which investors will be able to most accurately compare competitors across the industry.

Access to Capital and Maintaining a Conservative Capital Structure

The REIT LP expects to rely on both public and private capital in order to support its continuing operations and capital expenditure requirements, and to finance its growth plans. Despite the legal standing of cannabis businesses pursuant to U.S. federal laws, the REIT LP believes that it will be successful in raising private and public financing in the future. However, there is no assurance the REIT LP will be successful, in whole or in part, in raising funds, particularly if the U.S. federal authorities change their position toward enforcing the CSA. Further, access to funding from U.S. residents may be limited due their unwillingness to be associated with activities which violate U.S. federal laws.

As a publicly listed real estate investment trust, the REIT LP believes having increased access to public capital will provide it with a competitive advantage over local cannabis real estate investors without ready access to lower cost debt and equity capital, while adding certainty for sellers at closing. The REIT LP expects to finance future acquisitions through multiple capital sources, including (a) cash flow from operations, (b) funds from issuing public equity, (c) the issuance of equity to vendors, and (d) sources of debt financing, including bank mortgages, publicly issued bonds and convertible debentures. We seek to maintain a capital structure that provides us with flexibility to manage our business and scale our platform through targeted acquisitions, while allowing us to service our debt requirements and generate appropriate risk-adjusted returns. We will target a conservative net Debt to Gross Book Value Ratio of 30% to 50% at scale to best position the REIT LP for growth. As we scale, we anticipate having increasingly broad access to the debt and equity capital markets to maintain a prudent balance between debt and equity financing.

Balance Sheet Positioned for Growth

On Closing, based on assumed redemption levels of 0% and 10%, the REIT LP's Debt to Gross Book Value Ratio will be 23% and 24%, respectively. As such, management believes the REIT LP will be well positioned to pursue acquisition opportunities with greater flexibility and limited financial risk.

The Initial Portfolio is comprised of 10 properties and five first lien mortgages. Taking into account the Contingent Properties, the Initial Portfolio will be comprised of 12 properties and five first lien mortgages. Three of the first lien mortgages have purchase options, which would provide the REIT LP the opportunity to invest an additional US\$104 million to US\$117.5 million to increase asset level annual yields and lease term lengths. In addition to the embedded purchase options, the REIT LP has three rights of first refusal/rights of first offer with certain Counterparties.

Embedded Purchase Options

Target	Asset Type	No. of Assets	State	Deal Size	Unlevered Yield
Purchase Option#1	Industrial	1	Nevada	US\$36.0 million ⁽¹⁾	13.3%
Purchase Option #2	Industrial	1	California	US\$23.0 million ⁽¹⁾	13.7%
Purchase Option #3	Industrial	1	California	US\$50.0 million ⁽²⁾	12.0% ⁽³⁾
TOTAL		3		US\$109.0 million	12.9%

Notes:

- (1) Deal size represents middle point of purchase price range and is net of principal mortgage amount.
- (2) Deal size represents low end of purchase price range and is net of principal mortgage amount.
- (3) Assumes lease entered into on exercise of purchase option reflects general economic terms of leases being entered into on Closing with respect to the properties being acquired as part of the Initial Portfolio. In the event that the purchase option is exercised by the REIT LP, the final unleveraged yield will be subject to negotiation with the vendor, and will be subject to a number of risks, including market and industry risks and general economic factors. There can be no assurance that such yield will be 12.0%.

INITIAL PORTFOLIO AND CONTINGENT PROPERTY MARKETS

On Closing, the REIT LP will hold six assets in California (three owned assets and three mortgages, representing approximately 35.5% of its asset value (with approximately 31.9% of this value comprising owned assets and 68.1% of this value comprising mortgages). The REIT LP's remaining assets are located in Arizona, Florida, Maryland, Michigan, Nevada, Ohio, Pennsylvania and Washington, which represent approximately 64.5% of its asset value (with approximately 65.0% of this value comprising owned assets and 35.0% of this value comprising mortgages). Within these states, the assets comprising the Initial Portfolio are strategically located in or near population centres within secondary cities.

The REIT LP has also entered into binding agreements to acquire the Contingent Properties (DTLA Industrial/Retail and North Hollywood Retail), which are located in California and are expected to close in the fourth quarter of 2020. Taking into account the acquisition of the Contingent Properties, the REIT LP will hold eight assets in California (five owned assets and three mortgages), representing approximately 41.2% of its asset value (with approximately 46.6% of this value comprising owned assets and 53.4% of this value comprising mortgages). There is no assurance that the REIT LP will acquire the Contingent Properties in the fourth quarter of 2020, if at all. See "Risk Factors".

The following map illustrates geographic locations of the Initial Portfolio and the Contingent Properties.



Arizona

Arizona legalized Medical-Use Cannabis in 2010 and saw its first legal dispensary open in December 2012. By 2015, Arizona had approximately 100 licensed Medical-Use Cannabis dispensaries and approximately 87,000 registered patients able to purchase Regulated Cannabis. By 2020, the number of registered patients grew to 245,533 and the market for Medical-Use Cannabis in Arizona is estimated at US\$750 million a year. A voter initiative that would legalize an Adult-Use Cannabis program in the state will appear on the November 2020 ballot. The Arizona market is expected to grow at a 13.5% compound annual growth rate from 2019 to 2025.¹¹

California

California passed legislation legalizing Medical-Use Cannabis in 1996. California represents approximately 34% of the national Regulated Cannabis market with estimated sales of US\$2.5 billion in 2018. In 2015, the then Governor California, Jerry Brown, signed into law the Medical Marijuana Regulation and Safety Act, which required licenses for the cultivation, manufacture, distribution, transportation, laboratory testing, and sale of Medical-Use Cannabis. In 2016, a voter initiative passed to create a regulated framework for legalizing, selling and taxing Adult and Medical-Use Cannabis. In June 2017, then Governor Brown signed into law the Medicinal and Adult-Use Cannabis Regulation and Safety Act, which created a general framework for the regulation of both Adult-Use and Medical-Use Cannabis. As of January 2020, over 10,000 commercial cannabis licenses have been issued. The Regulated Cannabis market in California is expected to reach US\$5 billion by 2020 and expected to grow at a 16.9% compound annual growth rate and reach sales of US\$7.4 billion in 2025.¹²

Florida

In June 2014, the Governor of Florida signed into law the Compassionate Medical Cannabis Act of 2014, legalizing low-THC cannabis for medical patients suffering from cancer and certain other serious illnesses. In November 2016, voters approved the Florida Medical Marijuana Legalization Initiative, allowing greater access to full-THC Medical-

¹¹ The North American Cannabis Report, The State of Legal Cannabis Markets 7th Edition 2020 Update, Marijuana Business Daily Factbook 2017, the Cannabis Legal Report (August 2019), Arcview Market Research – The State of Legal Cannabis Markets 8th Edition and Weedmaps.

¹² The North American Cannabis Report, The State of Legal Cannabis Markets 7th Edition 2020 Update, Marijuana Business Daily Factbook 2017, the Cannabis Legal Report (August 2019), Arcview Market Research – The State of Legal Cannabis Markets 8th Edition, CalCannabis Cultivation Licensing and Bureau of Cannabis Control (BCC), LA Times and Weedmaps.

Use Cannabis. As of April 2020, more than 336,000 Florida residents are registered to purchase Medical-Use Cannabis, and Medical-Use Cannabis is estimated to generate approximately US\$18.8 million a week in sales in the state. The Florida market is expected to grow at a 23.6% compound annual growth rate from 2019 to 2025 and reach sales of US\$2.5 billion in 2025.¹³

Maryland

Maryland adopted a comprehensive Medical-Use Cannabis program in 2014 that addressed patient registration, licensing and commercial distribution. The state's first Medical-Use Cannabis dispensaries opened in December 2017, and sales of Medical-Use Cannabis reached US\$252 million in 2019, up from US\$109 million in 2018. Approximately 1.6% of the state's population is registered in the Medical-Use Cannabis program, which is slightly higher than the U.S. average for Medical-Use Cannabis markets. The Maryland market is expected to grow significantly at an expected compound annual growth rate of 27.7% from 2019 to 2025.¹⁴

Michigan

In 2008, Michigan voters passed the Michigan Medical Marihuana Act, which legalized Medical-Use Cannabis for patients with certain serious illnesses. The law was amended in 2016 with passage of two new laws that established a licensing and regulation framework for growers, processors, transporters, and provisioning centers of Medical-Use Cannabis, and established a "seed-to-sale" tracking system. Voters in 2018 approved a ballot initiative to allow for Adult-Use Cannabis, and in 2019 sales of Adult-Use Cannabis commenced with promulgation of Emergency Rules for Adult-Use Marihuana Establishments by the state's Marijuana Regulatory Agency. The Medical-Use Cannabis market in Michigan is projected to generate revenues of over US\$700 million in 2020 and US\$1.5 billion by 2023 and to grow at an expected compound annual growth rate of 13.8% from 2019 to 2025.¹⁵

Nevada

The first legal, Medical-Use Cannabis sale took place in Nevada at a licensed dispensary in August 2015, and in 2017 sales of Adult-Use Cannabis became legal. In November 2018, the Nevada Department of Taxation opened the retailer licensing application process and, in December 2019, awarded 61 conditional Adult-Use Cannabis licenses. The state reported US\$639 million in Regulated Cannabis sales, up 20% from 2018. The Nevada market is expected to nearly double in size over the next six years reaching approximately US\$1.4 billion in projected revenue by 2025 with an expected compound annual growth rate of 12.2% from 2019 to 2025.¹⁶

Ohio

In May 2016, Ohio became the 26th state to legalize Medical-Use Cannabis for certain specified medical conditions. As of April 2020, there were approximately 101,427 registered patients allowed to purchase Medical-Use Cannabis in the state. Current law limits the number of licensed businesses to 60 dispensaries, 30 cultivators, and 40 processors.

¹³ The North American Cannabis Report, The State of Legal Cannabis Markets 7th Edition 2020 Update, Marijuana Business Daily Factbook 2017, the Cannabis Legal Report (August 2019) and Arcview Market Research – The State of Legal Cannabis Markets 8th Edition.

¹⁴ The North American Cannabis Report, The State of Legal Cannabis Markets 7th Edition 2020 Update, Marijuana Business Daily Factbook 2017, the Cannabis Legal Report (August 2019), Arcview Market Research – The State of Legal Cannabis Markets 8th Edition and JD Supra Legal News.

¹⁵ The North American Cannabis Report, The State of Legal Cannabis Markets 7th Edition 2020 Update, Marijuana Business Daily Factbook 2017, the Cannabis Legal Report (August 2019), Arcview Market Research – The State of Legal Cannabis Markets 8th Edition and Cova Software.

¹⁶ The North American Cannabis Report, The State of Legal Cannabis Markets 7th Edition 2020 Update, Marijuana Business Daily Factbook 2017, the Cannabis Legal Report (August 2019), Arcview Market Research – The State of Legal Cannabis Markets 8th Edition and Cannabis Benchmarks.

The Ohio market is expected to grow significantly at an expected compound annual growth rate of 53.3% from 2019 to 2025.¹⁷

Pennsylvania

The Pennsylvania Medical Marijuana Act was signed into law in 2016, providing qualified residents suffering from 23 specific medical conditions access to Medical-Use Cannabis. There are over 180,000 registered patients and sales of Medical-Use Cannabis grew from US\$132 million in 2018 to US\$406 million in 2019. As of August 2020, licenses have been issued to 50 retail dispensaries and 25 cultivation/processing businesses. The Pennsylvania market is expected to grow significantly at an expected compound annual growth rate of 32.0% from 2019 to 2024.¹⁸

Washington State

In 2012, the state of Washington legalized Adult-Use Cannabis, and the first dispensary opened in 2014. Over 500 retailers and 1,200 cultivators are licensed in the state. Sales of Adult-Use Cannabis in the state reached US\$1.1 billion in 2019, up from US\$1 billion in 2018. Washington is the third-largest producer of Regulated Cannabis in the U.S., yielding 1.7 million pounds of Regulated Cannabis in 2019. The Washington market is expected to reach approximately US\$1.3 billion in projected revenue by 2024 with an expected compound annual growth rate of 3.4% from 2019 to 2022.¹⁹

Although we currently intend to target the above states, we may also invest in state-licensed Regulated Cannabis properties in other states in which the market and legal conditions satisfy our investment criteria.

THE INITIAL PORTFOLIO AND CONTINGENT PROPERTIES

The Initial Portfolio consists of 10 properties (comprising approximately 690,000 square feet of gross leasable area) and five first lien mortgages (secured by properties comprising approximately 810,000 square feet of gross leasable area or 860,000 square feet of gross leasable area following the expenditure of year one funding commitments), located in 14 markets across nine states in the United States. Following the acquisition of the Contingent Properties, which is expected to occur following Closing, the Initial Portfolio consists of 12 properties (comprising approximately 730,000 square feet of gross leasable area) and five first lien mortgages (secured by properties comprising approximately 810,000 square feet of gross leasable area or 860,000 square feet of gross leasable area following the expenditure of year one funding commitments), located in 14 markets across nine states in the United States.

The Initial Portfolio consists of industrial (89.1%), retail (10.2%) and a mix of industrial/retail (0.7%). With the Contingent Properties, the REIT LP's portfolio will consist of industrial (81.2%), retail (11.0%) and a mix of industrial/retail (7.8%). The Initial Portfolio (including the Contingent Properties) is expected to have a tenant occupancy of 98%, an Average Annual Rent Escalator of 2.2%, a Price/NAV of 1.2 times and be 94% operational.

The following chart summarizes the value of the Initial Portfolio (including delayed payments associated with earn-outs and year one funding commitments) and the Contingent Properties:

¹⁷ The North American Cannabis Report, The State of Legal Cannabis Markets 7th Edition 2020 Update, Marijuana Business Daily Factbook 2017, the Cannabis Legal Report (August 2019), Arcview Market Research – The State of Legal Cannabis Markets 8th Edition, The Cannabis Industry Annual Report: 2017 Legal Marijuana Outlook, Ohio Medical Marijuana Control Program, Weedmaps and Cleveland Channel 5 News.

¹⁸ The North American Cannabis Report, The State of Legal Cannabis Markets 7th Edition 2020 Update, Marijuana Business Daily Factbook 2017, the Cannabis Legal Report (August 2019), Arcview Market Research – The State of Legal Cannabis Markets 8th Edition and Cannabis Business Times.

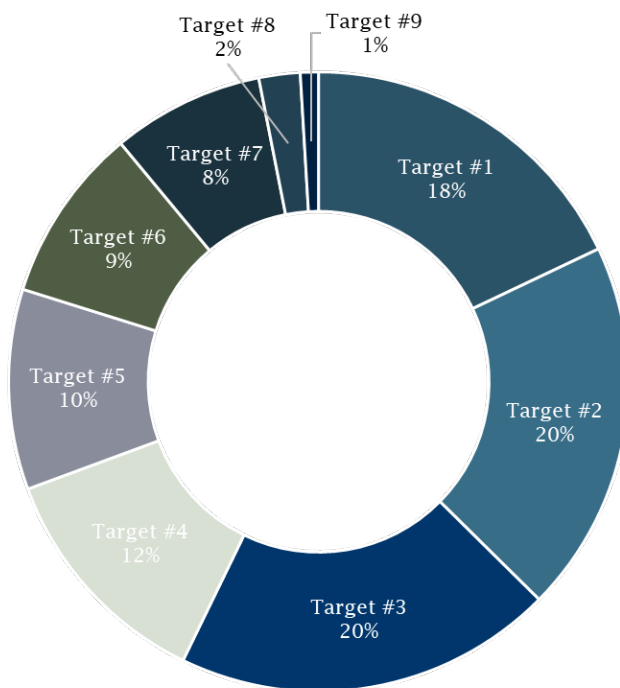
¹⁹ The North American Cannabis Report, The State of Legal Cannabis Markets 7th Edition 2020 Update, Marijuana Business Daily Factbook 2017, the Cannabis Legal Report (August 2019), Arcview Market Research – The State of Legal Cannabis Markets 8th Edition and Washington State Liquor and Cannabis Board.

Asset	Type	Lease / Mortgage Term	Total Deal Size	Consideration at Close	Earn-Outs and Year 1 Funding Commitments
DTLA Industrial/Retail ⁽¹⁾	Acquisition	15.0-years	\$14,400,000	\$13,400,000	\$1,000,000
North Hollywood Retail ⁽²⁾	Acquisition	10.0-years	\$3,500,000	\$3,500,000	\$—
Columbus Industrial	Acquisition	15.0-years	\$1,500,000	\$1,500,000	\$—
Tacoma Industrial	Acquisition	6.8-years	\$35,000,000	\$31,200,000	\$3,800,000
San Francisco Retail	Acquisition	13.6-years	\$6,600,000	\$4,425,000	\$2,175,000
Alachua Industrial	Acquisition	15.0-years	\$33,018,000	\$22,400,000	\$10,618,000
Jacksonville Retail	Acquisition	10.0-years	\$2,300,000	\$2,300,000	\$—
Pennsylvania Retail	Acquisition	10.0-years	\$1,965,000	\$1,965,000	\$—
Mesa Industrial/Retail	Acquisition	15.0-years	\$1,300,000	\$1,300,000	\$—
Maryland Retail	Acquisition	10.0-years	\$1,600,000	\$1,600,000	\$—
Desert Hot Springs Morongo Industrial ⁽³⁾	Acquisition	9.9-years	\$9,400,000	\$9,000,000	\$400,000
DTLA Retail	Acquisition	8.8-years	\$4,700,000	\$4,700,000	\$—
Coachella Retail	Loan	8.1-years	\$1,400,000	1,400,000	\$—
Lansing Industrial	Loan	5.0-years	\$2,250,000	\$2,250,000	\$—
Greenfield Industrial	Loan + PO	20.0-years ⁽⁴⁾ /5.0-years	\$22,750,000	\$18,750,000	\$4,000,000
Desert Hot Springs 19 th Industrial	Loan + PO	8.0-years ⁽⁴⁾ /10.0-years	\$20,000,000	\$20,000,000	\$—
North Las Vegas Industrial	Loan + PO	20.0-years ⁽⁴⁾ /7.0-years	\$39,000,000	\$39,000,000	\$—
TOTAL (excluding Contingent Properties)	—	11.7-years⁽⁵⁾	\$182,783,000	161,790,000	\$20,993,000
TOTAL (including Contingent Properties)	—	15.1-years⁽⁵⁾	\$200,683,000	\$178,690,000	\$21,993,000

Notes:

- (1) The REIT LP has entered into a binding agreement to acquire the DTLA Industrial/Retail property (one of two Contingent Properties), which acquisition is expected to close in the fourth quarter of 2020. There is no assurance that the REIT LP will acquire the DTLA Industrial/Retail property in the fourth quarter of 2020, if at all. See “Risk Factors”.
- (2) The REIT LP has entered into a binding agreement to acquire the North Hollywood Retail property (one of two Contingent Properties), which acquisition is expected to close in the fourth quarter of 2020. There is no assurance that the REIT LP will acquire the North Hollywood Retail property in the fourth quarter of 2020, if at all. See “Risk Factors”.
- (3) \$400,000 funding commitment contingent on securing five-year extension of lease term (with the current lease term being 4.9 years)
- (4) Represents the Weighted Average Lease Term for the purchase option.
- (5) Represents the Weighted Average Lease Term of the Initial Portfolio (including the Contingent Properties) if all purchase options are exercised and the base term for Desert Hot Springs Morongo Industrial is extended 5-years. The Weighted Average Lease Term of the Initial Portfolio (including the Contingent Properties) is 10.9 years if none of the purchase options are exercised and the base term for Desert Hot Springs Morongo Industrial is not extended.

With respect to tenant concentration, no single tenant or portfolio will represent more than 20% of NOI generated by the Initial Portfolio and Contingent Properties in the fourth quarter of 2020 (excluding additional acquisition opportunities and purchase options). The following chart presents fourth quarter 2020 Annualized Portfolio NOI by property:



Target #	Assets	Square Footage ⁽¹⁾	Total Deal Size	4Q20 Annualized NOI ⁽²⁾	% of Total NOI (excluding Contingent Properties)	% of Total NOI (including Contingent Properties)
Target #1	Alachua Industrial Jacksonville Retail Pennsylvania Retail Mesa Industrial/Retail Maryland Retail	314,000	\$40,183,000	\$3,776,000	20%	18%
Target #2	North Las Vegas Industrial	455,000	\$39,000,000	\$4,095,000	21%	20%
Target #3	Tacoma Industrial	319,000	\$35,000,000	\$4,168,000	22%	20%
Target #4	Greenfield Industrial Lansing Industrial	205,000	\$25,000,000	\$2,560,000	13%	12%
Target #5	Desert Hot Springs 19th Industrial	201,000	\$20,000,000	\$2,200,000	12%	10%
Target #6	DTLA Industrial/Retail North Hollywood Retail	40,000	\$17,900,000	\$1,926,000	—	9%
Target #7	Desert Hot Springs Morongo Industrial DTLA Retail Coachella Retail	46,000	\$15,500,000	\$1,667,000	9%	8%
Target #8	San Francisco Retail	5,000	\$6,600,000	\$454,000	2%	2%
Target #9	Columbus Industrial	7,000	\$1,500,000	\$199,000	1%	1%
Total (excluding Contingent Properties)	—	1,552,000	\$182,783,000	\$19,119,000	100%	100%
Total (including Contingent Properties)	—	1,592,000	\$200,683,000	\$21,045,000	100%	100%

Notes:

- (1) Rounded to the nearest 1,000 square feet.
- (2) The determination of 4Q20 Annualized NOI is based on the following assumptions: tenant retention in respect of the acquisitions comprising the Initial Portfolio and Contingent Properties; timely rent and mortgage payments by tenants and mortgagors, respectively; and no operating expense deductions (with the exception of the Tacoma property).

DESCRIPTION OF THE INITIAL PORTFOLIO AND CONTINGENT PROPERTIES

The below chart summarizes each property and mortgage comprising the Initial Portfolio and the Contingent Properties. The numbering in the “Assets” column corresponds to the detailed description of each property and mortgage contained below.

Asset	Location	Total Deal Size (US\$)	Stabilized Capitalization Rate or Debt Yield	Property Use	Square Footage ⁽¹⁾	Expected Cash Net Operating Income Year One ⁽²⁾	Type of Transaction	Tenant Fully Licensed (Y/N)
DTLA Industrial/Retail(1)	Los Angeles, California ⁽³⁾	\$14,400,000	11.5%	retail and cultivation	36,000	\$1,484,000 ⁽⁴⁾	Acquisition	Y
North Hollywood Retail(2)	North Hollywood, California ⁽⁵⁾	\$3,500,000	11.0%	retail	4,000	\$353,000 ⁽⁶⁾	Acquisition	Y
Columbus Industrial(16)	Columbus, Ohio	\$1,500,000	13.3%	manufacturing	7,000	\$199,000	Acquisition	Y
Tacoma Industrial(12)	Tacoma, Washington	\$35,000,000	13.6%	cultivation and manufacturing	319,000	\$4,771,000	Acquisition	N ⁽⁷⁾
San Francisco Retail(8)	San Francisco, California	\$6,600,000	10.3%	retail	5,000 ⁽⁷⁾	\$330,000 ⁽⁷⁾	Acquisition	N ⁽⁸⁾
Alachua Industrial(9)	Alachua, Florida	\$33,018,000	13.5%	cultivation and manufacturing	292,000	\$3,289,000	Acquisition	Y
Jacksonville Retail(10)	Jacksonville, Florida	\$2,300,000	10.5%	retail	4,000	\$242,000	Acquisition	Y
Pennsylvania Retail(17)	Johnstown, Pennsylvania	\$1,965,000	10.5%	retail	3,000	\$206,000	Acquisition	Y
Mesa Industrial/Retail(13)	Mesa, Arizona	\$1,300,000	10.5%	retail and cultivation	9,000	\$137,000	Acquisition	Y
Maryland Retail(14)	Lutherville-Timonium, Maryland	\$1,600,000	10.5%	retail	6,000	\$168,000	Acquisition	Y
Desert Hot Springs Morongo Industrial(4)	Desert Hot Springs, California	\$9,400,000	10.9%	cultivation and manufacturing	37,000	\$1,029,000	Acquisition	Y
DTLA Retail(3)	Los Angeles, California	\$4,700,000	10.3%	retail	6,000	\$483,000	Acquisition	Y
Coachella Retail(5)	Coachella, California	\$1,400,000	12.0%	retail	3,000	\$168,000	Loan	Y
Lansing Industrial(15)	Lansing, Michigan	\$2,250,000	12.0%	cultivation	65,000	\$270,000	Loan	Y
Greenfield Industrial(7)	Greenfield, California	\$22,750,000	12.0%	cultivation, manufacturing and distribution	140,000 ⁽⁹⁾	\$2,590,000	Loan + Purchase Option	Y
Desert Hot Springs 19 th Industrial(6)	Desert Hot Springs, California	\$20,000,000	11.0%	cultivation, manufacturing and distribution	201,000	\$2,200,000	Loan + Purchase Option	N ⁽¹⁰⁾

North Las Vegas Industrial(11)	North Las Vegas, Nevada	\$39,000,000	10.5%	cultivation and manufacturing	455,000	\$4,095,000	Loan + Purchase Option	Y
TOTAL (excluding Contingent Properties)	—	\$182,783,000	11.9%	—	1,552,000	\$20,177,000	—	—
TOTAL (including Contingent Properties)	—	\$200,683,000	11.9%⁽¹¹⁾	—	1,592,000	\$22,014,000	—	—

Notes:

- (1) Rounded to the nearest 1,000 square feet.
- (2) The expected year one NOI is prepared on a cash basis based on projected rent and interest receivable for the 12 months beginning November 1, 2020, excluding origination fees and assuming that the REIT LP does not exercise the options to acquire the properties underlying certain of the mortgages during the period.
- (3) The REIT LP has entered into a binding agreement to acquire the DTLA Industrial/Retail property (one of two Contingent Properties), which acquisition is expected to close in the fourth quarter of 2020. There is no assurance that the REIT LP will acquire the DTLA Industrial/Retail property in the fourth quarter of 2020, if at all. See “Risk Factors”.
- (4) Assumes DTLA Industrial/Retail is acquired in November 2020, and accounts for only 11 months of rent in year one and US\$1,000,000 of tenant improvements over the course of six months.
- (5) The REIT LP has entered into a binding agreement to acquire the North Hollywood Retail property (one of two Contingent Properties), which acquisition is expected to close in the fourth quarter of 2020. There is no assurance that the REIT LP will acquire the North Hollywood Retail property in the fourth quarter of 2020, if at all. See “Risk Factors”.
- (6) Assumes North Hollywood Retail is acquired in November 2020, and accounts for only 11 months of rent in year one.
- (7) At Closing, the Tacoma Industrial will be 95% leased with approximately 79% of tenants licensed. The tenants in the remaining leased space are in the process of obtaining licenses. Leased space for which a license has not yet been obtained will remain non-operational until the required licenses are secured by the tenants. There is no certainty as to how long such lease space will remain non-operational.
- (8) Tenant has indicated its intention to commence tenant improvement work on San Francisco Retail in the fourth quarter of 2020. The San Francisco Retail tenant is not yet fully licensed and operational and the lease is subject to rate abatement until three months following receipt of full entitlements to operate. Leased space for which a license has not yet been obtained will remain non-operational until the required licenses are secured by the tenants. The estimated NOI in year 1 of ownership does not include an increase in rent if tenant receives full entitlements within 9 months of Closing. The current rentable square footage of 5,000 includes approximately 1,250 square feet of mezzanine space. After renovations, the total square footage is expected to be approximately 4,000, including mezzanine space. The Non-Abated NOI on San Francisco Retail in year one of ownership is US\$680,000.
- (9) There is currently 84,000 square feet of gross leasable area at Greenfield Industrial. An additional 56,000 square feet of gross leasable area will be added in connection with year one funding commitments.
- (10) At Closing, Desert Hot Springs 19th Industrial will be 58% leased and is expected to be fully leased by the end of the first quarter of 2021, with 100% of tenants expected to have completed the licensing process and be fully operational in the first or second quarter of 2021. Leased space for which a license has not yet been obtained will remain non-operational until the required licenses are secured by the tenants.
- (11) When excluding the Contingent Properties, the Weighted Average Stabilized Capitalization Rate is 12.0%. The Weighted Average Stabilized Capitalization Rate on acquisitions is 12.5% (representing 57% of portfolio, inclusive of Contingent Properties). The Weighted Average Debt Yield on the first mortgage liens is 11.1%

Set out below is a detailed description of each property and mortgage comprising the Initial Portfolio and Contingent Properties.

California

Los Angeles, CA

- (1) “DTLA Industrial/Retail”

DTLA Industrial/Retail is one of two Contingent Properties that under binding agreement to be acquired, but will not be acquired on Closing. The acquisition of DTLA Industrial/Retail is expected to close in the fourth quarter

of 2020. There is no assurance that the REIT LP will acquire DTLA Industrial/Retail in the fourth quarter of 2020, if at all. Please see “Risk Factors” and “Caution Regarding Forward-Looking Statements”.

Property Summary: DTLA Industrial/Retail is a mission critical, fully operational 36,000 rentable square feet cultivation and retail property situated on 0.62 acres of land with 32 surface parking spaces. The DTLA Industrial/Retail property was built in 1989 and heavily renovated between 2016 and 2020 for cannabis uses, with an estimated \$7.5 million of capital expenditures and tenant improvements since 2016. DTLA Industrial/Retail is located in an industrial zone with building signage viewable from the Interstate 10 freeway, with an on ramp one block from the property. The property is also located within 1.5 miles from the center of downtown Los Angeles. DTLA Industrial/Retail is operated by a fully state and local licensed California based operator with five in-house private label brands and which manages four operational retail stores, one distribution facility and one cultivation facility, including DTLA Industrial/Retail. The tenant of DTLA Industrial/Retail estimates corporate revenue for the financial year 2020 will be approximately US\$45.0 million.

Deal Terms: The acquisition price is US\$14.4 million (US\$398 per square foot) of which US\$1.0 million will be held back for tenant improvements and funded via reimbursements over an expected six-month renovation period. The Capitalization Rate is 11.5% on the first year of ownership, with a projected first year NOI²⁰ on the projected first year of ownership of US\$1,627,000 based on a new 15-year corporate guaranteed triple-net lease with two five-year extension options and 3.0% annual escalators. The property is expected to be acquired in the fourth quarter of 2020 subject to certain conditions.

North Hollywood, CA

(2) “North Hollywood Retail”

North Hollywood Retail is one of two Contingent Properties that are under a binding agreement to be acquired, but will not be acquired on Closing. The acquisition of North Hollywood Retail is expected to close in the fourth quarter of 2020. There is no assurance that the REIT LP will acquire North Hollywood Retail in the fourth quarter of 2020, if at all. Please see “Risk Factors” and “Caution Regarding Forward-Looking Statements”.

Property Summary: North Hollywood Retail is a fully operational 4,000 rentable square feet retail property situated on 0.43 acres of land. The North Hollywood Retail property was built in 1951 and heavily renovated in 2017, with an estimated US\$1.1 million of capital expenditures and tenant improvements. The North Hollywood Retail property is located on a major thoroughfare and next to a Ralphs Supermarket to the west and a multi-family property to the east and has 30 surface parking spaces for customers. North Hollywood Retail is operated by a fully state and local licensed California based operator with five in house private label brands and which manages four operational retail stores, one distribution facility and one cultivation facility, including North Hollywood Retail. The tenant of North Hollywood Retail estimates corporate revenue for the financial year 2020 will be approximately \$US45.0 million.

Deal Terms: The acquisition price is US\$3.5 million (US\$986 per square foot), with an implied 11.0% Capitalization Rate on the projected first year NOI of US\$385,000 based on a new 10-year corporate guaranteed triple-net lease with two five-year extension options and 3.0% annual escalators. The property is expected to be acquired in the fourth quarter of 2020 subject to certain conditions.

²⁰ Projected first year NOI is prepared on a cash basis based on contractual rent and interest receivable (net of unreimbursable operating expenses) on the first 12 months of operation for each property or mortgage. The expected cash net operating income year one is prepared on a non-IFRS cash basis based on contractual rent and interest receivable (net of unreimbursable operating expenses) for the 12 months beginning November 1, 2020, excluding origination fees and assuming that the REIT LP does not exercise the options to acquire the properties underlying certain of the mortgages during the period. For each of the DTLA Industrial/Retail and North Hollywood Industrial Retail properties, the expected cash net operating income year one is calculated based on only 11 months of rent (as these are not expected to close until November 2020).

Los Angeles, CA

(3) “DTLA Retail”

Property Summary: DTLA Retail is a fully operational 6,000 rentable square feet retail property situated on approximately 0.13 acres of land. The DTLA Retail property was built in 1924 and heavily renovated in 2019, with an estimated US\$0.9 million of capital expenditures and tenant improvements. The DTLA Retail property is located in the Arts District in the East portion of downtown Los Angeles, and is surrounded by multifamily, retail and flex industrial properties. DTLA Retail is operated by the largest independent, fully state and local licensed Southern California retail operator, with six operational retail stores open or expected to open in the Los Angeles vicinity by end of year 2021.

Deal Terms: The transaction is part of the acquisition of Inception REIT, which is the current owner of three of the assets being acquired. The allocated purchase price for DTLA Retail is US\$4.7 million (US\$839 per square foot), with an implied 10.3% Capitalization Rate on the projected first year NOI of US\$483,000. The remaining corporate guaranteed triple-net lease term is 8.8 years, with two five-year extensions and 3.0% annual escalators.

Desert Hot Springs, CA

(4) “Desert Hot Springs Morongo Industrial”

Property Summary: Desert Hot Springs Morongo Industrial is a mission critical, fully operational 37,000 rentable square feet industrial property, consisting of 27,000 square feet of premium glass light-deprivation greenhouse, and 10,000 indoor head house square feet for manufacturing and processing, situated on approximately 7.91 acres of land. Desert Hot Springs Morongo Industrial was purpose built in 2018 for cannabis cultivation and processing. Desert Hot Springs Morongo Industrial is located in Desert Hot Springs, which has become a significant cannabis cultivation and manufacturing center due to its proximity to Los Angeles County and favorable tax rates and licensing process. Desert Hot Springs Morongo Industrial is operated by California’s top selling luxury flower brand, with over 50% store penetration in the state and positive operating cash flow.

Deal Terms: The transaction is part of the acquisition of Inception REIT which is the current owner of three assets being acquired. The allocated purchase price for Desert Hot Springs Morongo Industrial is US\$9.4 million (US\$254 per square foot). There is an earn-out consideration of \$0.4 million upon extending the lease an additional 5 years, with an implied 10.9% Capitalization Rate on the projected first year NOI of US\$1,029,000 on the full proceeds including earn out consideration. The remaining corporate guaranteed triple-net lease term will be 9.9 years assuming the tenant of Desert Hot Springs Morongo Industrial extends lease and earn out consideration is funded. The current remaining lease term is 4.9 years, with two five-year extensions and 2.0% annual escalators in month eight and month 20 from the closing date

Coachella, CA

(5) “Coachella Retail”

Property Summary: Coachella Retail is a mission critical, fully operational 3,000 rentable square foot retail property situated on 0.29 acres of land. Coachella Retail was built in 2018 and is located at the entrance of a high-end hotel that is more than half complete.

Deal Terms: The transaction is part of the acquisition of Inception REIT which is the current owner of three assets being acquired (two properties and one mortgage). The allocated transaction price for the mortgage on the Coachella Retail is US\$1.4 million (US\$431 per square foot), with a 12% coupon rate and 8.1 years remaining on the loan. Based on an appraised collateral value of US\$3 million, which includes the permit value, the LTV is approximately 47%. Coachella Retail relies on a Conditional Use Permit (“CUP”), which requires completion of an adjacent neighboring development managed by an affiliated party of Coachella Retail, which is delayed. As a result, the operator of Coachella Retail has entered into a Memorandum of Understanding (“MOU”) with the City of Coachella given both parties’ mutual desire to keep Coachella Retail open and operating, allowing for measurable progress on the neighboring development. The operator of Coachella Retail has agreed to a “Transient Occupancy Tax” payment plan in the MOU in order to make up for any foregone tax revenue as a result of the construction delay and to maintain its

CUP. The mortgage is personally guaranteed by a high net worth individual and is collateralized by the property and the business assets. The aggregate consideration being paid to stockholders in the Inception REIT acquisition is approximately \$8.1 million, subject to customary purchase price adjustments. Inception REIT stockholders have to option to receive consideration in the form of Limited Partnership Units or cash.

Desert Hot Springs, CA

(6) “Desert Hot Springs 19th Industrial”

Property Summary: Desert Hot Springs 19th Industrial is a 201,000 rentable square feet multi-tenant two building cultivation, manufacturing and distribution cannabis campus situated on 10.49 acres of land. Desert Hot Springs 19th Industrial was built in 2019 and has been heavily renovated between 2019 and 2020 for cannabis uses, with an estimated US\$25.0 million of cannabis specific capital expenditures and tenant improvements to be completed by the end of the first quarter of 2021. Desert Hot Springs 19th Industrial is located in Desert Hot Springs, which has become a significant cannabis cultivation and manufacturing center due to its proximity to Los Angeles County and favorable tax rates and licensing process. Desert Hot Springs 19th Industrial is also located 2 blocks from an entrance to the Interstate 10 freeway, which combined with clear heights of 24 to 28 feet, is ideal for distribution. Desert Hot Springs 19th Industrial will be 58% leased by 9 tenants at the close of the Qualifying Transaction, and at stabilization is expected to achieve a 2.7 times Debt Service Coverage Ratio. The anchor tenant is a top-tier California based operator – that achieved revenue of over US\$17 million in 2019 and is projected to obtain nearly \$40 million in revenue in 2020 – and is expected to occupy nearly 43% of the property by the end of the first quarter of 2021. The Weighted Average Lease Term is expected to be 8 years at Closing.

Deal Terms: The US\$20.0 million (US\$100 per square foot) senior secured mortgage with an exclusive purchase option in year one of the loan has an 11.0% coupon and 0.5% origination fee less US\$10,000 with a 10-year term. Based on an “as-is” appraised value of US\$47.0 million, the LTV is approximately 42.6%, and based on an “as-stabilized” appraised value of US\$50.0 million, the LTV is approximately 40%. There is a one-year lockout prepayment period, with prepayment penalties for a full loan repayment of 2.0% in year two, and 1.0% until 30 days before maturity. The prepayment fee will be waived based on specific operational milestones in year two that trigger the purchase option, if the purchase option is not exercised. The purchase option acquisition price is equal to the greater of (i) a 13.7% Capitalization Rate on actual NOI and (ii) US\$43 million (US\$215 per square foot), but not to exceed US\$46 million (US\$230 per square foot).

Greenfield, CA

(7) “Greenfield Industrial”

Property Summary: Greenfield Industrial is a mission critical, fully operational 84,000 rentable square feet cultivation, manufacturing and distribution property with approximately US\$4.1 million of equipment (based on appraised fair market value) situated on 5.0 acres of land. An additional 56,000 square feet and \$1.9 million of new equipment will be added in connection with year 1 funding commitments. The rentable square footage consists of 45,000 square feet for indoor manufacturing, processing, and distribution, and the remaining 39,000 square feet is premium light-deprivation greenhouse. Greenfield Industrial was cannabis purpose built in 2017 for cannabis uses. The Greenfield Industrial property is located near the center of Greenfield Industrial, which is in Monterey County, a cannabis hub for greenhouse cultivation and distribution. An additional 56,000 square feet of light deprivation greenhouse is expected to be completed in 2021, increasing Greenfield Industrial’s total rentable square footage to 140,000. The operator and owner of the facility is a top-tier California based operator with annualized revenue of over US\$91.0 million²¹.

Deal Terms: The US\$22.8 million (US\$162 per square foot, including additional greenhouse to be built) senior secured mortgage and equipment loan with an exclusive purchase option in year one of the loan has a 12.0% coupon and 1.0% origination fee with a five-year term. US\$4.0 million of the loan proceeds will be held back for the additional greenhouse space and new equipment. There is a one-year lockout prepayment period, with prepayment penalties for a full loan repayment of 1.3% thereafter. The purchase option acquisition price is equal to US\$75.0 million, with a

²¹ Based on trailing three months revenue ending June 30, 2020.

base rent amount to be determined based on market rates at the time of the purchase. The 20-year corporate guaranteed triple-net purchase option lease term includes two, 10-year extension options and 2.0% escalators. The deal also includes warrants equal to 5.0% of the loan based on a US\$300 million valuation of the operator.

Based on an “as-is” appraised value of US\$31.1 million (comprised of US\$27.0 million for real estate and US\$4.1 million fair market value for current equipment), the LTV is approximately 60.3% measured against the Closing date funded amount US\$18.8 million²². Based on an “as-stabilized” appraised value and including an estimated fair market value for new equipment that combined, total US\$38.3 million (comprised of US\$32.3 million for real estate, US\$4.1 million fair market value for equipment and US\$1.9 million for estimated fair market value of new equipment), the LTV is approximately 59.5% measured against the total funded amount of US\$22.8 million.

San Francisco, CA

(8) “San Francisco Retail”

Property Summary: San Francisco Retail is a pre-entitled 5,000 rentable square foot (including approximately 1,300 square feet of mezzanine space that was not included in the appraisal report for the property) retail property situated on approximately 0.09 acres of land. San Francisco Retail was built in 1996, and will undergo approximately US\$2.5 million of tenant funded improvements. After renovations, the total square footage is expected to be approximately 4,000, including mezzanine space. The tenant of San Francisco Retail has indicated its intention to commence tenant improvement work in the fourth quarter of 2020. San Francisco Retail is located in the “Dogpatch” area near downtown San Francisco, and is surrounded by multifamily, flex uses, hospitals and office. San Francisco Retail is leased by a top-tier private management service organization with operations in Massachusetts, Pennsylvania, DC, Maryland, Michigan and California and has raised over \$90.0 of debt and equity financing. The tenant of San Francisco Retail is expected to receive the necessary approvals to begin tenant improvements for cannabis retail use within 3-6 months of Closing, and is expected to receive its certificate of occupancy within 6-12 months of the Closing, at which point the one-half abated rent will increase to full rent.

Deal Terms: The acquisition price is US\$6.6 million (US\$1,320 per square foot, including current mezzanine square footage), with an implied 10.3% stabilized Capitalization Rate. There are 13.6 years remaining on the current corporate guaranteed triple-net lease. The lease includes two five-year extension options and 3% annual escalators. In order to mitigate entitlement risk, the US\$6.6 million purchase price will be paid in two tranches, 67.0% at close, and 33.0% once the tenant receives entitlements. The triple net lease is currently in a partial rent abatement period whereby the tenant is paying a reduced \$27,500 monthly rent payment until three months after receiving all entitlements and approvals to open. A total of US\$0.7 million of the purchase price will be paid in Exchangeable Units at US\$10.00 per unit, and the remainder will be paid in cash, subject to delayed earn-out provisions.

Florida

Alachua, FL

(9) “Alachua Industrial”

Property Summary: Alachua Industrial is a mission critical, partially operational 292,000 rentable square foot cultivation and manufacturing property situated on approximately 35.0 acres of land. Alachua Industrial was built in 1996 and has been partially renovated with approximately US\$7.8 million of capital expenditures and tenant improvements since 2018. The property is expected to undergo four additional phases of renovations until fully operational, with the first phase to be complete within 12 months of Closing, which will include additional cultivation canopy, a full kitchen, and extraction space. The additional phases will be completed as the additional vertically integrated operator adds to its existing retail footprint of six stores in Florida. Alachua Industrial is located on US Highway 441, and approximately 12 miles from Gainesville, Florida. Alachua Industrial will be leased and operated by one of the largest publicly traded management service organizations operating in nine states with over 35 retail

²² Includes capital expenditure and equipment financing holdback of US\$4.0 million.

locations, nine processing & cultivation facilities, and over US\$100 million of revenue in the last 12 months. The operator currently has six retail locations in Florida and plans to open additional stores in 2021.

Deal Terms: The acquisition price is US\$33.0 million (US\$113 per square foot), of which US\$10.6 million will be held back for the first additional tenant improvement phase and funded via reimbursements over an expected 9-12 month renovation period. The Capitalization Rate on closing proceeds is 13.5%, and the Capitalization Rate on the first tenant improvement phase will be 13.5% with a six-month incremental rent deferral period, which accrues and is to be paid in equal payments over 18 months in addition other lease payment obligations. The lease term will be 15-years with four five-year extension options and 2.5% annual escalators. At the tenant's request, the REIT LP and the tenant will negotiate in good faith a mutually approved development agreement whereby the REIT LP will invest up to an additional US\$20 million for three additional renovation phases.

Jacksonville, FL

(10) "Jacksonville Retail"

Property Summary: Jacksonville Retail is a 4,000 rentable square foot retail property on 0.88 acres of land. Jacksonville Retail was built in 1977 and is undergoing substantial renovations to operate as a medical marijuana dispensary in the first quarter of 2021, with approximately US\$0.9 million of capital expenditures and tenant improvements budgeted for completion. Jacksonville Retail is located on a main thoroughfare approximately 0.5 miles from the Interstate 295. Jacksonville Retail will be leased and operated by one of the largest publicly traded management service organizations operating in nine states with over 35 retail locations, nine processing & cultivation facilities, and revenue of over US\$100 million for the last 12 months.

Deal Terms: The acquisition price is US\$2.3 million (US\$612 per square foot), with an implied 10.5% Capitalization Rate on the projected first year NOI of US\$242,000 based on a new 10-year corporate guaranteed triple-net lease with four five-year extension options and 2.5% annual escalators.

Nevada

North Las Vegas, NV

(11) "North Las Vegas Industrial"

Property Summary: North Las Vegas Industrial is a mission critical, fully operational, 455,000 rentable square foot cultivation and processing property situated on 12.6 acres of land. North Las Vegas Industrial, originally a profitable vegetable greenhouse, was substantially renovated in 2014 and 2015 when still used for vegetable production. It was then heavily renovated to accommodate cannabis operation in 2018 and 2019 involving an estimated US\$55.6 million of capital expenditures and tenant improvements. North Las Vegas Industrial is the largest industrial cannabis facility in Nevada, and is located in an industrial zone only seven miles north of downtown Las Vegas. North Las Vegas Industrial is operated by a fully state and local licensed subsidiary of a publicly traded Nevada based operator, which focuses on white labeling flower, edibles, extracts, oils, distillate, concentrates, topicals, and infused products for its 15 brand partners. The facility's products have a retail penetration ratio over 95%. The 455,000 of rentable square footage consists of 400,000 square feet of premium light-deprivation glass greenhouse and 55,000 square feet of industrial processing space. The facility can cultivate up to 110,000 pounds of flower annually at an average cost per gram of US\$0.49, one of the lowest figures in the industry for premium flower. The processing facility can process up to 1,000 pounds of bulk and branded flower and up to 5,000 pounds of biomass per week.

Deal Terms: The US\$39.0 million (US\$86 per square foot) senior secured mortgage with an exclusive purchase option for the first two years of the loan has a 10.5% coupon and 0.5% origination fee with a seven-year term. Based on an "as-is" appraised value of US\$75 million, the LTV is approximately 52.0%, and based on an "as-stabilized" appraised value of US\$80 million, the LTV is approximately 48.8%. There is a one-year lockout prepayment period, with prepayment penalties for a full loan repayment of 3.0% in year two, 2.0% in year three, and 1.0% until 30 days before maturity. The prepayment fee will be waived based on specific operational milestones in the first two years that trigger the purchase option, if the purchase option is not exercised. The purchase option acquisition price ranges from US\$70 million (US\$154 per square foot) to US\$80 million (US\$176 per square foot), based on 1.5 times EBITDAR coverage with a 13.25% year one Capitalization Rate. The 20-year corporate guaranteed triple-net lease term includes

two, 10-year extension options and 3% escalators. The sale-leaseback option also provides for warrants for REIT LP to purchase a number of shares of the tenant company calculated by dividing 10% of the aggregate purchase price in respect of the sale-leaseback by the exercise price described below, such warrants issuable upon closing of the sale-leaseback. Each warrant will entitle the REIT LP to acquire one common share in the capital of the tenant company at an exercise price equal to the greater of (a) 125% of the closing trading price of a common share of tenant company stock on the Canadian Securities Exchange on the trading day immediately preceding the closing of the sale-leaseback and (b) CDN\$0.61. If the closing date of the loan occurs on or prior to November 6, 2020, then such warrants shall be exercisable for a period of five years from issuance. If the closing date of the loan occurs after November 6, 2020, then such warrants shall be exercisable for a period of three years from issuance. The warrants are subject to customary adjustments in the event of certain corporate events such as a stock split, reverse-split, dividend, capital reorganization or reclassification or the merger or amalgamation of the tenant company with another company.

Washington

Tacoma, WA

(12) “Tacoma Industrial”

Property Summary: The Tacoma Industrial is a 319,000 rentable square foot multi-tenant cultivation and manufacturing cannabis campus situated on 15.9 acres of land, of which approximately 3.5 acres are considered excess land and could be developed into additional industrial space. The Tacoma Industrial was built in 1950 and has been heavily renovated between 2015 and 2020 for cannabis uses, with an estimated US\$22.5 million of capital expenditures and tenant improvements since 2015. The Tacoma Industrial is located in an industrial zone within close proximity to the Tacoma Mall master planned redevelopment project, as well as the Interstate five freeway and State 16 highway. The Tacoma Industrial is expected to be 95% leased by 21 tenants at the Closing, with approximately US\$4.8 million of NOI in the first year of ownership. The Weighted Average Lease Term as of the Closing will be 6.8 years. The majority of the tenants are fully operational, and those with publicly available data have achieved an aggregate US\$47.4 million of annualized revenue in 2020.

Deal Terms: The acquisition price is US\$35.0 million (US\$110 per square foot), which represents an implied 13.6% Capitalization Rate on the projected first year NOI. The acquisition price will be paid in two tranches; US\$31.2 million at close, and up to US\$3.8 million after the property achieves at least 95% fully licensed occupancy for one full quarter. The second tranche expires in July of 2022, and a prorated earn-out will be paid based on licensed occupancy at the expiration date. A total of US\$6.0 million of the purchase price will be paid in Exchangeable Units at US\$10.00 per unit, and the remainder will be paid in cash.

Arizona

Mesa, AZ

(13) “Mesa Industrial/Retail”

Property Summary: Mesa Industrial/Retail is a partially operational 9,000 rentable square foot flex retail and industrial property on 0.58 acres of land. Mesa Industrial/Retail was built in 2004 and renovated in 2019 with under \$0.1 million of tenant improvements, and will be undergoing additional improvements by a cannabis industry subtenant that are expected to be complete in 2021. Mesa Industrial/Retail is located two blocks from the entrance of the 60 Arizona State Highway, and is surrounded by industrial, office and retail uses. Mesa Industrial/Retail will be master leased by one of the largest publicly traded management service organizations operating in nine states with over 35 retail locations, nine processing & cultivation facilities, and revenue of over US\$100 million for the last 12 months. The master tenant operates a fully operational retail store in 1,700 square feet of the facility, and will sublease 6,200 square feet to a cannabis cultivation and manufacturing management service organization.

Deal Terms: The acquisition price is US\$1.3 million (US\$146 per square foot), with an implied 10.5% Capitalization Rate on the projected first year NOI of US\$137,000 based on a new 15-year corporate guaranteed triple-net lease with four five-year extension options and 2.5% annual escalators.

Maryland

(14) “Maryland Retail”

Property Summary: Maryland Retail is a fully operational 6,000 rentable square foot retail property on 0.34 acres of land. Maryland Retail was built in 1970 and substantially renovated in 2019 for its current use by a prior owner, and the renovation cost is unknown. Maryland Retail is located on the main thoroughfare approximately 0.5 miles from the Interstate 695 and approximately 15 minutes from Baltimore. Maryland Retail will be master leased by the fully operational retail store on the first of two floors, which occupies 3,100 rentable square feet, and the second floor will be subleased by a currently operational medical marijuana related service business. The guarantor on the master leases is one of the largest publicly traded management service organizations operating in nine states with over 35 retail locations, nine processing & cultivation facilities, and revenue of over US\$100 million for the last 12 months.

Deal Terms: The acquisition price is US\$1.6 million (US\$256 per square foot), with an implied 10.5% Capitalization Rate on the projected first year NOI of US\$168,000 based on a new 10-year corporate guaranteed triple-net lease with four five-year extension options and 2.5% annual escalators.

Michigan

Lansing, MI

(15) “Lansing Industrial”

Property Summary: Lansing Industrial is a vacant 65,000 rentable square foot industrial property on 4.0 acres of land. Lansing Industrial includes five Class C Medical Marijuana Grower Licenses and one Medical Marijuana Process License and is located in an “opportunity zone”. The site has excess land which allows for an additional 30,000 of rentable square footage to be built. The owner of the property is a top-tier California based operator with annualized revenue of over US\$91.0 million²³, and has not committed to building out the property for cannabis use.

Deal Terms: US\$2.3 million (US\$35 per square foot) senior secured mortgage with a 12.0% coupon and 1.0% origination fee with a five-year term. Based on an “as-is” appraised value of US\$3.0 million, the LTV is approximately 76.7%. Lansing Industrial is collateralized with Greenfield Industrial. There is no lockout period and can be prepaid with a 1.25% prepayment penalty. Lansing Industrial will be released as collateral in the event the borrower generates a Debt Service Coverage Ratio in excess of 1.5 times for three consecutive months.

Ohio

Columbus, OH

(16) “Columbus Industrial”

Property Summary: Columbus Industrial is a fully operational 7,000 rentable square foot industrial property on 0.49 acres of land. Columbus Industrial was built in 1987 and renovated in 2020 for cannabis use, with an estimated US\$1.3 million of capital expenditures and tenant improvements. Columbus Industrial is located in an industrial zone in Columbus, Ohio. The location is also located within one block of the Interstate 70 freeway. Columbus Industrial is operated by one of the largest publicly traded management service organizations with over 50 facilities in operation or development in the United States, in 18 different states, with access to over 53% of the United States population, and over US\$70 million of revenue in the last 12 months. From 2016 to 2019, the operator of Columbus Industrial had a Compound Annual Growth Rate of 63%.

²³ Based on trailing three months revenue ending June 30, 2020.

Deal Terms: The acquisition price is US\$1.5 million (US\$224 per square foot), with an implied 13.3% Capitalization Rate on the projected first year NOI of US\$199,000 based on a new 15-year corporate guaranteed triple net lease with two five-year extension options and 3.0% annual escalators.

Pennsylvania

Johnstown, PA

(17) “Pennsylvania Retail”

Property Summary: Pennsylvania Retail is a fully operational 3,000 rentable square foot retail property on 0.20 acres of land. Pennsylvania Retail was built in 1976 and substantially renovated in 2019 for its current use, with approximately US\$1.2 million of capital expenditures and tenant improvements. Pennsylvania Retail is located in Downtown Johnstown directly adjacent to the Conemaugh Memorial Medical Center, the largest hospital complex in the region. Pennsylvania Retail is operated by one of the largest publicly traded management service organizations operating in nine states with over 35 retail locations, nine processing & cultivation facilities, and revenue of over US\$100 million for the last 12 months.

Deal Terms: The acquisition price is US\$2.0 million (US\$632 per square foot), with an implied 10.5% Capitalization Rate on the projected first year NOI of US\$206,000 based on a new 10-year corporate guaranteed triple-net lease with four five-year extension options and 2.5% annual escalators.

ASSESSMENT AND VALUATION OF THE INITIAL PORTFOLIO AND CONTINGENT PROPERTIES

Independent Appraisals

The REIT LP retained Newmark Knight Frank Valuation & Advisory, LLC (the “**Appraiser**”) to provide, between April 2020 and August 2020, independent opinions as to the market value of each property and the properties underlying the mortgages comprising the Initial Portfolio as well as the Contingent Properties (the “**Appraisals**”).

The Appraisals were developed based on, and prepared in conformance with, the REIT LP’s appraisal requirements, the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP) and the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice. The Appraisals define “market value”, in accordance with Code of Federal Regulations, Title 12, Chapter I, Part 34.42h, as “the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.” According to the Appraisal Institute of the United States, implicit in the definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (a) buyer and seller are typically motivated; (b) both parties are well informed or well advised, and acting in what they consider their best interests; (c) a reasonable time is allowed for exposure in the open market (d) payment is made in terms of cash in U.S. dollars or on terms of financial arrangements comparable thereto; and (e) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The following is a summary of the Appraisals prepared by the Appraiser:

- the “as-is” appraised value of the real properties comprising the Initial Portfolio is US\$82.6 million and the “as-is” appraised value of the 12 real properties, when the Contingent Properties are included, is US\$99.965 million;
- the “as-stabilized” appraised value of the real properties comprising the Initial Portfolio is US\$93.2 million (excluding “as-stabilized” appraised estimates on San Francisco Retail that is not yet entitled, but taking into account year one funding commitments) and the “as-stabilized” appraised value of the 12 real properties, when the Contingent Properties are included, is \$110.6 million (excluding “as-stabilized” appraised estimates on San Francisco Retail that is not yet entitled, but taking into account year one funding commitments);
- the “as-is” appraised value of the properties subject to the first lien mortgages is US\$159.1 million (including on-site equipment collateralized at Greenfield Industrial);
- the “as-stabilized” appraised value of the properties subject to the first lien mortgages is US\$172.4 million (including on-site equipment collateralized at Greenfield Industrial, and taking into account year one funding commitments); and
- the “as-is” aggregate market retail value of the Contingent Properties is US\$17.4 million.

With respect to the first lien mortgages, the “as-is” and “as-stabilized” appraised values represent a blended LTV of 51.2% and 49.5%, respectively, including on-site equipment collateralized at Greenfield Industrial and the permit value at the Coachella Retail property. The value conclusions made by the Appraiser reflects all known information about the Initial Portfolio and the Contingent Properties, market conditions and available data.

The estimated market value of the Initial Portfolio and the Contingent Properties was determined by the Appraiser using both the (a) income capitalization approach, which utilized the direct capitalization method using comparable cannabis asset lease rates as well as local market traditional use lease rates, as investors in similar types of property typically rely solely on this method, and (b) sales comparison approach, which utilized the sale price for comparable cannabis real estate asset types, and which was used primarily as support for the income capitalization approach, as significant adjustments are required because of the differences in the various elements of comparison. The income capitalization approach was given the greatest weight in the conclusion of value in the Appraisals, as the value

indication from the income capitalization approach is supported by market data regarding income, expenses and required rates of return and a typical investor would place greatest reliance on the income capitalization approach.

The Appraiser analyzed each property comprising the Initial Portfolio and Contingent Properties and market data gathered through the use of appropriate, relevant and accepted market-derived methods and procedures. Further, the Appraiser employed the appropriate and relevant approaches to value, and correlated and reconciled the results into an estimate of market value for each property comprising the Initial Portfolio and Contingent Properties. The Appraiser conducted an economic analysis, taking into account the surrounding area and cannabis market, as well as a comparable property analysis, taking into account the land description, improvements, real estate taxes, the highest and best use for the property and the re-tenantability for each property in the Initial Portfolio and the Contingent Properties.

In determining the appropriate market value of each property comprising the Initial Portfolio and Contingent Properties, under the sales comparison approach, the Appraiser gave appropriate consideration to adjustment factors, an analysis and adjustment of comparable sales and the effective net income for comparable sales. Under the income capitalization approach, the Appraiser gave appropriate consideration to occupancy and rental rates, a market rent analysis, a gross income estimate, operating expenses, net operating income and the appropriate Capitalization Rate.

In appraising the properties in the Initial Portfolio and Contingent Properties, the Appraiser assumed that title to the each such property is good and marketable and free and clear of all liens and encumbrances and the improvements on each such property were structurally sound. The Appraiser did not take into account soil, engineering, structural or environmental matters. The Appraiser visited each of the properties in the Initial Portfolio and Contingent Properties, which were considered to be in good condition, except for Lansing Industrial, considered to be in fair to poor condition, which was adjusted for in the appraisal report based on PCA Reports cost estimates. Appropriate valuation parameters were used with respect to the calculation of market value and exposure time.

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

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the Appraisals. A summary of the Appraisals will be filed with the securities regulatory authorities in each of the provinces and territories of Canada (other than Quebec) and investors are advised to read the summary of the Appraisals for a full description of applicable assumptions and conditions.

Environmental Site Assessments

It is the REIT LP's policy, prior to acquiring a property, to obtain a Phase I environmental site assessment report ("**Phase I ESA Report**") prepared by an independent and qualified environmental consultant in general accordance with the scope and limitations of ASTM Designation E1527-13, "Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process". Phase I ESA Reports identify existing or potential recognized environmental conditions ("**RECs**"), if any, on a property. The ASTM Standard Practice defines RECs to mean the presence or likely presence of hazardous substances or petroleum products in, on, or at a property (a) due to a release to the environment, (b) under conditions indicative of a release to the environment, or (c) under conditions that pose a material threat of a future release to the environment. Phase I ESA Reports also identify controlled recognized environmental conditions ("**CRECs**"), historical recognized environmental conditions ("**HRECs**"), and, as appropriate, certain environmental issues beyond the scope of the ASTM Standard Practice (e.g., the presence of potential asbestos-containing building material).

Consistent with this policy, each of the properties comprising the Initial Portfolio and each of the Contingent Properties has been the subject of a Phase I ESA Report prepared by an independent and qualified environmental consultant. The Phase I ESA Reports for the Initial Portfolio and the Contingent Properties did not identify any RECs for 15 of the 17 identified properties. Per the recommendations of the respective Phase I ESA Reports, the REIT LP subsequently

ordered Phase II ESA Reports for the two properties with identified RECs (DTLA Industrial/Retail and Tacoma Industrial). The Phase I ESA Report for DTLA Industrial/Retail concluded that a REC exists at the property due to the potential presence of a vapor encroachment condition or vapor intrusion-related issue from an adjacent site. The Phase I ESA Report for Tacoma Industrial concluded that a REC exists at the property due to previously identified soil contamination, a potential vapor encroachment condition, and the absence of reported cleanup activity from groundwater testing results. The Phase II ESA Reports for these two properties will not be available prior to Closing. As such, the REIT LP sought and receive estimates for remediation costs from third party environmental specialists, and has implemented hold backs and/or indemnities equal to these cost estimates in the applicable Definitive Agreements.

Equity-Level Property Condition Assessments

More comprehensive than a conventional property condition assessment reports, equity-level property condition assessment reports (“**PCA Reports**”) were prepared for each of the 17 properties being acquired or securing the mortgages being originated as part of the Initial Portfolio (including the Contingent Properties) for the purpose of assessing and documenting the general condition of the buildings, including but not limited to, structural systems, building envelope, roofing, HVAC and plumbing systems, electrical systems, fire life safety and suppression systems, conveying systems, accessibility and interior finishes, as well as site and other improvements at each such property. The PCA Reports were also prepared for the purpose of identifying those areas that will require remedial repair at each property in the Initial Portfolio and the Contingent Properties. The PCA Reports were prepared in general accordance with ASTM E2018-15, “Standard Guide for Property Condition Assessments: Baseline Property Condition Assessment Process”. The site observations for the PCA Reports were conducted in August 2020. Each of the PCA Reports assessed repairs required to be completed immediately, deferred routine maintenance repairs and a replacement reserve schedule for the reserve period with up-to-date component and system replacement costs in order to maintain appropriate building conditions. The cost estimates in the PCA Reports were for components of systems exhibiting significant deferred maintenance and existing deficiencies requiring major repairs or replacement. Repairs or improvements that could be classified as (a) cosmetic, (b) decorative, (c) part or parcel of a buildings renovation program or to reposition the asset in the marketplace, (d) routine or normal preventative maintenance, or (e) that are the responsibility of the tenants were not included. The PCA Reports also included a review of the properties for compliance with the Americans with Disabilities Act (the “**ADA**”) and, for industrial properties only, for the properties mechanical electrical plumbing (“**MEP**”) and energy efficiency systems.

The PCA Reports provide that 14 of the 17 properties were observed to be in good overall condition or good physical condition, and three of the 17 properties were observed to be in good to poor physical condition. Specifically, Alachua Industrial was observed to be in good to fair physical condition, Lansing Industrial was observed to be in fair to poor condition and Jacksonville Retail was observed to be in fair condition. The PCA Reports identify a total of US\$2.3 million in immediate repairs and deferred routine maintenance costs and a total of US\$4.6 million in capital replacement reserves expenditures (uninflated) over the next 12 years for the Initial Portfolio and the Contingent Properties. As all leases with respect to the acquired properties are triple-net, the REIT LP expects that any deferred maintenance paid by it will be minimal.

Management expects reserves to adequately cover any capital expenditures over the term that are not reimbursable through triple-net leases. The REIT LP will monitor the appropriate level of repairs and maintenance and capital expenditures to ensure that the REIT LP’s properties remain competitive.

Seismic Risk Assessment (SRA) with Probable Maximum Loss (PML) Estimation

It is the REIT LP’s policy, prior to acquiring a property, to obtain a Seismic Risk Assessment with Probable Maximum Loss estimation for all properties located in a seismic zone. The evaluation is conducted in accordance with the guidance and standard practice documented in ASTM E2026-16a “Standard Guide for Seismic Risk Assessment of Buildings” and ASTM E2557-16a “Standard Practice for Probable Maximum Loss (PML) Evaluations for Earthquake Due-Diligence Assessments”. The evaluation is intended to review the superstructure and foundations of the applicable properties for signs of existing structural abnormality and provide recommendations for correction or enhancement as necessary for prolonged system life.

The Probable Maximum Loss estimation is conducted using industry accepted Probable Maximum Loss methodologies, considering earthquake ground shaking with a 10% chance of exceedance in 50 years, commonly

referred to as a 475-year return period. Estimated losses are reported in terms of Scenario Expected Loss (SEL), corresponding to the average, and Scenario Upper Loss (SUL), corresponding to the 90% confidence loss. Loss estimations are calculated based on primary building characteristics, such as age, design code, construction type, number of stories, foundation systems, lateral force resisting systems, building configurations, and structural vulnerabilities. Site hazards such as landslide and soil liquefaction susceptibility may also be reflected in the estimate of PML.

The REIT LP ordered Seismic Risk Assessment with Probable Maximum Loss Estimation for eight of the 17 properties in the Initial Portfolio and the Contingent Properties. The report concluded Scenario Expected Losses ranging from 4.0% to 14.0% and Scenario Upper Losses of 7.0% to 29.0%. The REIT LP's seismic specialist determined that the properties were found to have acceptable damageability with Probable Maximum Loss scores below 20%.

Zoning Report

The REIT LP's specialists conducted zoning reports that included evaluation of the current zoning ordinances and codes for each specific site. Information on site requirements, outstanding building and or zoning violations, outstanding fire and or safety code violations, planned condemnations or easement and parking requirements were researched and noted. The zoning report was performed utilizing methods and procedures consistent with good commercial or customary practices designed to conform to acceptable industry standards.

Ten of the 17 properties in the Initial Portfolio and the Contingent Properties were determined to be of a legal conforming use. The remaining seven properties were determined to be of a legal non-conforming use. Per the conclusion of the specialist reports, there are no additional steps necessary. The legal non-conforming sites are currently of a legal use and the sites are in compliance with the existing zoning ordinances at the time of construction. Zoning laws regulate future uses and are not retroactive. This legal non-conforming zoning status has no impact on the operational quality of the properties in question.

ALTA Survey

It is the REIT LP's policy, prior to acquiring a property, to obtain an ALTA Survey. The ALTA Survey is a detailed map of the land showing all existing improvements of the property, utilities, and significant observations within the insured estate. The survey details the surveyor's findings concerning the property boundaries and how it relates to title. The Survey delineates or makes note of all easements and exceptions cited within the title commitment for insurance of the secured party. The survey may also show zoning and flood zone restrictions or areas indicating potential future use of the property. The ALTA survey is a combination of a boundary survey, title survey, and a location survey. The ALTA standards govern the content of all ALTA surveys and are denoted in the "2016 MINIMUM STANDARD DETAIL REQUIREMENTS FOR ALTA/NSPS LAND TITLE SURVEYS" as adopted by American Land Title Association and National Society of Professional Surveyors.

Review of the ALTA survey revealed no remarkable issues for 15 of the 17 properties in the Initial Portfolio and the Contingent Properties with the exception of the identification of two sites within a flood zone (being, Pennsylvania Retail and Desert Hot Springs Morongo Industrial). The REIT LP engaged an insurance specialist to obtain the appropriate levels of flood insurance in-place prior to Closing. As of the date of this prospectus, insurance has been obtained for the Pennsylvania Retail property and is in process for Desert Hot Springs Morongo Industrial.

DEBT STRATEGY AND INDEBTEDNESS

Debt Strategy

The REIT LP will seek to maintain a debt profile consisting of various sources of low-cost capital, including debt from regional and national banks, local credit unions and private lenders. Management believes that the REIT LP's focus on intrinsic real estate value will allow us to borrow from commercial banks at accretive levels.

Management intends to target and maintain a Debt to Gross Book Value Ratio of between 30% to 50% in order to maximize returns while minimizing leverage risk. Other than with respect to the Debentures, the REIT LP's debt is expected to be comprised of fixed rate property-level mortgages.

On Closing, based on assumed redemption levels of 0% and 10%, the REIT LP's Debt to Gross Book Value Ratio will be 23% and 24%, respectively.

Indebtedness

On closing, the Debentures will be the sole material indebtedness of the REIT LP. For a detailed description of the Debentures, see "Description of the Debentures".

REGULATORY ENVIRONMENT

Cannabis Industry Regulation

On February 8, 2018, the Canadian Securities Administrators revised their previously released Staff Notice 51-352, which provides specific disclosure expectations for issuers that currently have, or are in the process of developing, cannabis-related activities in the United States as permitted within a particular state's regulatory framework. All issuers with U.S. cannabis-related activities are expected to clearly and prominently disclose certain prescribed information in prospectus filings and other required disclosure documents.

Upon Closing, the REIT LP will indirectly own a portfolio consisting of 10 properties (comprising approximately 690,000 square feet of gross leasable area) and five first lien mortgages (secured by properties comprising approximately 810,000 square feet of gross leasable area or 860,000 square feet of gross leasable area following the expenditure of year one funding commitments), located across nine states of the United States. The tenants of the properties and the mortgagors of the mortgages comprising the Initial Portfolio and Contingent Properties operate in multiple areas of the United States cannabis industry, including cultivation, distribution and retail, resulting in the REIT LP being subject to Staff Notice 51-352. The following disclosure is being provided pursuant to Staff Notice 51-352.

The United States federal government regulates drugs through the CSA which schedules controlled substances, including cannabis, based on their approved medical use and potential for abuse. Marijuana is classified as a Schedule I controlled substance. The DOJ defines Schedule I drugs, substances or chemicals as "drugs with no currently accepted medical use and a high potential for abuse." The FDA has not approved marijuana as a safe and effective treatment for any condition. The FDA has approved CBD, a component of cannabis, for a narrow segment of medical conditions.

State laws that permit and regulate the production, distribution and use of Medical-Use Cannabis or Adult-Use Cannabis are in direct conflict with the CSA, which makes marijuana and THC distribution and possession federally illegal. Although certain states and territories of the U.S. authorize Medical-Use Cannabis or Adult-Use Cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, cultivation, and transfer of marijuana, THC and any related drug paraphernalia is illegal and any such acts are criminal acts under any and all circumstances under the CSA. Although the REIT LP's activities are believed to be compliant with applicable United States state and local law, strict compliance with state and local laws with respect to cannabis does not absolve the REIT LP of liability under United States federal law, nor does it provide a defense to any federal proceeding which may be brought against the REIT LP.

As of the date of this prospectus, 33 U.S. states, and the District of Columbia and the territories of Guam, Puerto Rico, the U.S. Virgin Islands, and the Northern Mariana Islands have legalized the cultivation and sale of Medical-Use Cannabis. In 11 U.S. states, the sale and possession of both Medical-Use Cannabis and Adult-Use Cannabis is legal, and the District of Columbia has legalized Adult-Use Cannabis but has barred it from commercial sale. 13 states have also enacted low-THC / high-CBD only laws for medical cannabis patients.

Under President Barack Obama, the U.S. administration attempted to address the inconsistencies between federal and state regulation of cannabis in the Cole Memorandum outlining certain priorities for the DOJ relating to the prosecution of cannabis offenses. The Cole Memorandum noted that in jurisdictions that have enacted laws legalizing or decriminalizing Regulated Cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, processing, distribution, sale and possession of Regulated Cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. The DOJ did not provide (and has not provided since) specific guidelines for what regulatory and enforcement systems

would be deemed sufficient under the Cole Memorandum. In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the DOJ should be focused on addressing only the most significant threats related to cannabis, a non-exhaustive list of which was enumerated therein.

On January 4, 2018, U.S. Attorney General Jeff Sessions formally issued the Sessions Memorandum, which rescinded the Cole Memorandum. The Sessions Memorandum stated, in part, that current law reflects “Congress’ determination that cannabis is a dangerous drug and cannabis activity is a serious crime”, and Mr. Sessions directed all U.S. Attorneys to enforce the laws enacted by Congress by following well-established principles when pursuing prosecutions related to cannabis activities. There can be no assurance that the federal government will not enforce federal laws relating to cannabis in the future. As a result of the Sessions Memorandum, federal prosecutors are now free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of State-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active U.S. federal prosecutors will be in relation to such activities.

The REIT LP believes it is still unclear what prosecutorial effects will be created by the rescission of the Cole Memorandum. The sheer size of the Regulated Cannabis industry, in addition to participation by state and local governments and investors, suggests that a large-scale enforcement operation would more than likely create unwanted political backlash for the DOJ and the Trump administration in certain states that heavily favor decriminalization and/or legalization. Regardless, cannabis and THC remain a Schedule I controlled substance at the federal level, and neither the Cole Memorandum nor its rescission has altered that fact. The federal government of the United States has always reserved the right to enforce federal law in regard to the sale and disbursement of Medical-Use Cannabis or Adult-Use Cannabis, even if state law sanctioned such sale and disbursement. The REIT LP believes, from a purely legal perspective, that the criminal risk today remains similar to the risk on January 3, 2018. It remains unclear whether the risk of enforcement has been altered. Additionally, under United States federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of Regulated Cannabis or any other Schedule I controlled substance. Canadian banks are likewise hesitant to deal with cannabis companies, due to the uncertain legal and regulatory framework of the industry. Banks and other financial institutions, particularly those that are federally chartered in the United States, could be prosecuted and possibly convicted of money laundering for providing services to Regulated Cannabis businesses. While Congress is considering legislation that may address these issues, there can be no assurance that such legislation passes.

Despite these laws, FinCEN issued the FinCEN Memorandum outlining the pathways for financial institutions to bank state-sanctioned Regulated Cannabis businesses in compliance with federal enforcement priorities. The FinCEN Memorandum echoed the enforcement priorities of the Cole Memorandum and stated that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. Under these guidelines, financial institutions must submit a SAR in connection with all cannabis-related banking activities by any client of such financial institution, in accordance with federal money laundering laws. These cannabis-related SARs are divided into three categories - cannabis limited, cannabis priority, and cannabis terminated - based on the financial institution’s belief that the business in question follows state law, is operating outside of compliance with state law, or where the banking relationship has been terminated, respectively. On the same day that the FinCEN Memorandum was published, the DOJ issued the 2014 Cole Memorandum directing prosecutors to apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of cannabis-related conduct. The 2014 Cole Memorandum has been rescinded as of January 4, 2018, along with the Cole Memorandum, removing guidance that enforcement of applicable financial crimes against state-compliant actors was not a DOJ priority.

However, former Attorney General Sessions’ revocation of the Cole Memorandum and the 2014 Cole Memorandum has not affected the status of the FinCEN Memorandum, nor has the Department of the Treasury given any indication that it intends to rescind the FinCEN Memorandum itself. Though it was originally intended for the 2014 Cole Memorandum and the FinCEN Memorandum to work in tandem, the FinCEN Memorandum is a standalone document which explicitly lists the eight enforcement priorities originally cited in the Cole Memorandum. As such, the FinCEN Memorandum remains intact, indicating that the Department of the Treasury and FinCEN intend to continue abiding by its guidance. However, FinCEN issued further guidance on December 3, 2019, in which it acknowledged that the Farm Bill removed hemp as a Schedule I controlled substance and authorized the USDA to issue regulations governing, among other things, domestic hemp production. The guidance states that because hemp is no longer a

controlled substance under federal law, banks are not required to file SARs on these businesses solely because they are engaged in the growth or cultivation of hemp in accordance with applicable laws and regulations. The guidance further notes that for hemp-related customers, banks are expected to follow standard SAR procedures, and file a SAR if indicia of suspicious activity warrants. FinCEN noted that the 2014 SAR reporting structure for marijuana remains in place even with the passage of the Farm Bill and this additional guidance related to hemp.

Although the Cole Memorandum has been rescinded, one legislative safeguard for the medical Medical-Use Cannabis industry remains in place: Congress adopted the Rohrabacher/Blumenauer Amendment to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated Medical-Use Cannabis actors operating in compliance with state and local law. The Rohrabacher/Blumenauer Amendment was included in the consolidated appropriations bill signed into legislation by President Trump in December 2019 and expired on September 30, 2020. In signing the Rohrabacher/Blumenauer Amendment, President Trump issued a signing statement noting that the Rohrabacher/Blumenauer Amendment “provides that the Department of Justice may not use any funds to prevent implementation of medical marijuana laws by various States and territories,” and further stating “I will treat this provision consistent with the President’s constitutional responsibility to faithfully execute the laws of the United States.” While the signing statement can fairly be read to mean that the executive branch intends to enforce the CSA and other federal laws prohibiting the sale and possession of medical marijuana, the president did issue a similar signing statement in 2017 and no major federal enforcement actions followed. The Rohrabacher/Blumenauer Amendment may or may not be included in a subsequent omnibus appropriations package or a continuing budget resolution. Should the Rohrabacher-Farr Amendment not be renewed upon expiration in subsequent spending bills, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with State law. Such potential proceedings could involve significant restrictions being imposed upon the REIT LP or third parties.

U.S. Attorney Statements in Arizona

To the knowledge of management of the REIT LP, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Arizona.

U.S. Attorney Statements in California

To the knowledge of management of the REIT LP, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in California.

U.S. Attorney Statements in Florida

To the knowledge of management of the REIT LP, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Florida.

U.S. Attorney Statements in Maryland

To the knowledge of management of the REIT LP, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Maryland.

U.S. Attorney Statements in Michigan

To the knowledge of management of the REIT LP, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Michigan.

U.S. Attorney Statements in Nevada

To the knowledge of management of the REIT LP, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Nevada.

U.S. Attorney Statements in Ohio

To the knowledge of management of the REIT LP, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Ohio.

U.S. Attorney Statements in Pennsylvania

To the knowledge of management of the REIT LP, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Pennsylvania.

U.S. Attorney Statements in Washington

To the knowledge of management of the REIT LP, there have not been any statements or guidance made by federal authorities or prosecutors regarding the risk of enforcement action in Washington.

Despite the legal, regulatory, and political obstacles the Regulated Cannabis industry currently faces, the industry has continued to grow. Under certain circumstances, the federal government may repeal the federal prohibition on cannabis and thereby leave the states to decide for themselves whether to permit Regulated Cannabis cultivation, production and sale, just as states are free today to decide policies governing the distribution of alcohol or tobacco. Until that happens, the REIT LP faces the risk of federal enforcement and other risks associated with the REIT LP's business, which are described under "Risk Factors".

As an industry best practice, the REIT LP abides by the following to ensure its compliance with, and the compliance of its tenants and mortgagors with, applicable licensing requirements and the regulatory framework enacted by the applicable U.S. states:

- as part of its due diligence, prior to entering into a lease or a mortgage arrangement, ensure that its tenants and mortgagors hold the requisite licenses for their operations (by requesting copies of cannabis licenses) or have applied for the requisite licenses in respect of their proposed future operations as established by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions;
- cross-reference all licenses received with state and local cannabis agency databases, as available;
- engage in strict compliance monitoring via receipt of quarterly compliance certificates confirming tenants and borrowers are not in default (with respect to their cannabis license and any potential government enforcement action) under the terms of the Issuer's leases and loans;
- the Issuer conducts periodic site visits;
- seek to ensure that its tenants and mortgagors have applied for such licenses, and seek such other licenses as are required to address changes in their operations or applicable laws and/or regulations;
- seek to ensure that its tenants' and mortgagors' cannabis related activities adhere to the scope of their licenses;
- engage the opinion of counsel, as applicable;
- monitor publicly available sources for adverse information about its tenants and mortgagors; and
- refresh information obtained as part of its due diligence on a periodic basis and commensurate with the risk to assist with the above.

The REIT LP will also conduct periodic reviews of the activities of its businesses and the business of its tenants and mortgagors. To the best of the REIT LP's knowledge, the businesses of its Counterparties and tenants are in compliance with the licensing requirements and regulatory frameworks enacted by each of the U.S. states in which

such parties do business. For further certainty, the Issuer is not subject to any cannabis-specific licensing requirements and cannabis-specific regulatory frameworks in any of the U.S. states where the Issuer conducts business.

The REIT LP has received and continues to receive legal input, in verbal and written form (including opinions when required), regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law in certain respects.

The Cole Memorandum and the Rohrabacher/Blumenauer Amendment gave Medical-Use Cannabis operators and investors in states with legal regimes greater certainty regarding federal enforcement as to establish Regulated Cannabis businesses in those states. While the Sessions Memorandum has introduced some uncertainty regarding federal enforcement, the Regulated Cannabis industry continues to experience growth in legal Medical-Use Cannabis and Adult-Use Cannabis markets across the United States. U.S. Attorney General Jeff Sessions resigned on November 7, 2018. On February 14, 2019, William Barr was confirmed as U.S. Attorney General. It is unclear what impact this development will have on U.S. federal government enforcement policy. However, in a written response to questions from U.S. Senator Cory Booker made as a nominee, Attorney General Barr stated “I do not intend to go after parties who have complied with state law in reliance on the Cole Memo.” Nonetheless, there is no guarantee that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. Unless and until the United States Congress amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law.

Despite the expanding market for Regulated Cannabis, traditional sources of financing, including bank lending or private equity capital, are lacking which can be attributable to the fact that cannabis remains a Schedule I substance under the CSA. These traditional sources of financing are expected to remain scarce unless and until the federal government legalizes cannabis cultivation and sales.

Laws Applicable to Financial Services for Regulated Cannabis Industry

All banks are subject to federal law, whether the bank is a national bank or state-chartered bank. At a minimum, all banks maintain federal deposit insurance which requires adherence to federal law. Violation of federal law could subject a bank to loss of its charter. Financial transactions involving proceeds generated by cannabis-related conduct can form the basis for prosecution under the federal money laundering statutes, unlicensed money transmitter statutes and the Bank Secrecy Act. For example, under the Bank Secrecy Act, banks must report to the federal government any suspected illegal activity, which would include any transaction associated with a Regulated Cannabis-related business. These reports must be filed even though the business is operating in compliance with applicable state and local laws. Therefore, financial institutions that conduct transactions with money generated by Regulated Cannabis-related conduct could face criminal liability under the Bank Secrecy Act for, among other things, failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA.

The FinCen issued guidance in February 2014 which clarifies how financial institutions can provide services to cannabis-related businesses consistent with their obligations under the Bank Secrecy Act. Concurrently with the FinCen guidance, the DOJ issued supplemental guidance directing federal prosecutors to consider the federal enforcement priorities enumerated in the Cole Memo with respect to federal money laundering, unlicensed money transmitter and Bank Secrecy Act offenses based on cannabis-related violations of the CSA. The FinCen guidance sets forth extensive requirements for financial institutions to meet if they want to offer bank accounts to cannabis-related businesses, including close monitoring of businesses to determine that they meet all of the requirements established by the DOJ, including those enumerated in the Cole Memo. This is a level of scrutiny that is far beyond what is expected of any normal banking relationship. Under the 2019 FinCEN guidance discussed above, banks are not required to file SARs on businesses solely because they are engaged in the growth or cultivation of hemp in accordance with applicable laws and regulations, and hemp businesses are subject to a lower level of scrutiny. However, the 2014 guidance remains in place with respect to Regulated Cannabis businesses.

As a result, many banks are hesitant to offer any banking services to Regulated Cannabis-related businesses, including opening bank accounts. While the REIT LP currently has a bank account, our inability to maintain that account or the lack of access to bank accounts or other banking services in the future, would make it difficult for us to operate our business, increase our operating costs, and pose additional operational, logistical and security challenges. Similarly, if the REIT LP’s proposed tenants are unable to access banking services, they will not be able to enter into triple-net

leasing arrangements with REIT LP, as REIT LP's leases will require rent payments to be made by check or wire transfer.

Furthermore, it remains unclear what impact the rescission of the Cole Memo will have, but federal prosecutors may increase enforcement activities against institutions or individuals that are conducting financial transactions related to cannabis activities.

The increased uncertainty surrounding financial transactions related to cannabis activities may also result in financial institutions discontinuing services to the cannabis industry. See "Risk Factors".

Real Estate Industry Regulation

Generally, the ownership and operation of real properties are subject to various laws, ordinances and regulations, including regulations relating to zoning, land use, building code, real estate taxation and assessment, water rights, wastewater, storm water runoff and lien sale rights and procedures. These laws, ordinances or regulations, such as the Comprehensive Environmental Response and Compensation Liability Act and its state analogs, or any changes to any such laws, ordinances or regulations, could result in or increase the potential liability for environmental conditions or circumstances existing, or created by tenants or others, on our properties. Laws related to upkeep, safety and taxation requirements may result in significant unanticipated expenditures, loss of our properties or other impairments to operations, any of which would adversely affect our cash flows from operating activities.

The REIT LP's property management activities, to the extent we are required to engage in them due to lease defaults by tenants or vacancies on certain properties, will likely be subject to state real estate brokerage laws and regulations as determined by the particular real estate commission for each state.

Environmental, Health and Safety Matters

The REIT LP's properties, and its tenants' operations on those properties, are subject to federal, state and local laws, ordinances and regulations protecting the environment and workplace health and safety. With limited exceptions, as landlord to cannabis businesses, the REIT LP's tenants will bear the principal compliance obligations. Where commercially appropriate and feasible, the REIT LP's lease agreements will require tenants to covenant compliance with these obligations and to indemnify the REIT LP for any losses that might arise from tenants' noncompliance. The REIT LP's tenants' failure to fulfill their lease agreement obligations may create exposure for the REIT LP.

Water Supply. The REIT LP may, in some circumstances, have the obligation to provide tenants with adequate water supply for cultivating cannabis. Different cultivation practices have different water supply needs, with indoor growing practices having become efficient users of water in recent years.

Water Discharge. Cannabis producers' process wastewater streams may contain nutrients used in the cultivation process and may require authorization to discharge to municipal sewer systems.

Energy Consumption. Indoor cannabis cultivation can be a substantial consumer of electricity. Some states impose limits on energy consumption by growers. The REIT LP's lease agreements with its tenants will make tenants responsible for the costs of their energy consumption.

Chemical Use. Cannabis producers may use fertilizers and pesticides that are subject to management requirements.

Waste Management. Cannabis firms (including manufacturers that make edibles) produce both non-hazardous (e.g., leftover plant material, packaging) and hazardous (e.g., flammable, solvent) waste. Production of vaporizer cartridges and pens may produce electronic waste.

Workplace Safety. Because the REIT LP's tenants will control their operations and the conduct of their employees, they will bear the principal obligation to provide a safe and healthy workplace. Real property conditions that can be shown to have been the responsibility of the REIT LP as landlord could allow liability to be imposed on the REIT LP.

Management is not aware of any non-compliance with environmental laws at any of the properties (including the properties related to the mortgages) comprising the Initial Portfolio (including the Contingent Properties) that management believes would have a material adverse effect on the REIT LP. Management is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the properties comprising the Initial Portfolio (including the Contingent Properties) that would materially adversely affect the REIT LP or the value of the Initial Portfolio (including the Contingent Properties), taken as a whole, as determined by the Appraiser.

Agricultural Regulation

The Initial Portfolio (including the Contingent Properties) is partly comprised of properties currently used cultivating cannabis and vegetables. Each governmental jurisdiction has its own distinct laws, ordinances and regulations governing the use of agricultural lands. Many such laws, ordinances and regulations seek to regulate water usage and water runoff because water can be in limited supply, as is the case in certain locations where our properties are located. In addition, runoff from rain or from irrigation is governed by laws, ordinances and regulations from state, local and federal governments. Additionally, if any of the water used on or running off from the REIT LP's properties flows to any rivers, streams, ponds, the ocean or other waters, there may be specific laws, ordinances and regulations governing the amount of pollutants, including sediments, nutrients and pesticides, that such water may contain.

In addition to the regulation of water usage and water runoff, state, local and federal governments also seek to regulate the type, quantity and method of use of chemicals and materials for growing crops, including fertilizers, pesticides and nutrient rich materials. Such regulations could include restricting or preventing the use of such chemicals and materials near residential housing or near water sources. Further, some regulations have strictly forbidden or significantly limited the use of certain chemicals and materials. Licenses, permits and approvals must be obtained from governmental authorities requiring such licenses, permits and approvals before chemicals and materials can be used at grow facilities. Reports on the usage of such chemicals and materials may be required pursuant to applicable laws, ordinances, and regulations and the terms of the specific licenses, permits and approvals. Failure to comply with laws, ordinances and regulations, to obtain required licenses, permits and approvals or to comply with the terms of such licenses, permits and approvals could result in fines, penalties and/or imprisonment.

Because properties we own may be used for growing cannabis, there may be other additional land use and zoning regulations at the state or local level that affect our properties that may not apply to other types of agricultural uses. For example, certain states in which our properties are located require stringent security systems in place at grow facilities, and require stringent procedures for disposal of waste materials.

As an owner of agricultural lands, the REIT LP may be liable or responsible for the actions or inactions of its tenants with respect to these laws, regulations and ordinances.

U.S. Commercial Lending Regulation

Commercial lending in the United States is subject to state-by-state regulation. State licensing requirements vary significantly. Although most states do not regulate commercial lending, certain states require licensing of lenders and financiers and prescribe or impose limitations on interest rates and other charges and on certain collection practices and creditor remedies; different recordkeeping requirements; restrictions on loan origination and servicing practices; disclosure requirements; requirements that licensees submit to periodic examination; surety bond and minimum specified net worth requirements; periodic financial reporting requirements; notification requirements for changes in principal officers, stock ownership or corporate control; restrictions on advertising; and requirements that loan forms be submitted for review. Other state laws governing various aspects of mortgage lending—such as those prohibiting predatory lending, referral fees and unfair and deceptive acts and practices, may also apply to commercial mortgage loans. Commercial lenders are also required to comply with certain provisions of the Equal Credit Opportunity Act (“ECOA”) that are applicable to commercial mortgage loans. In addition to ECOA, commercial real estate transactions may implicate other consumer protection laws, depending on the nature or location of the property, such as the Flood Disaster Protection Act of 1973. Commercial lenders may also be subject to local city or town laws, regulations or ordinances governing their activities.

FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE REIT LP

The REIT LP Financial Statements and the REIT LP's management's discussion and analysis of financial condition and results of operations (the "MD&A") are included in Appendix A of this prospectus. The MD&A is designed to assist readers of the REIT LP Financial Statements understand the REIT LP's operations and business environment. The MD&A should be read in conjunction with the REIT LP Financial Statements. Additional information relating to the REIT LP is available on SEDAR at www.sedar.com and such information is not incorporated by reference in this prospectus unless otherwise noted herein.

THE QUALIFYING TRANSACTION

Overview

On October 6, 2020, the REIT LP entered into the Definitive Agreements to acquire the Initial Portfolio, which is comprised of 10 properties and five first lien mortgages.

The approximately US\$182.8 million (after taking into account an aggregate of approximately US\$21.0 million in earn-outs and year one funding commitments) aggregate Closing Date investment will be satisfied by cash payments totalling US\$168.6 million and the issuance of US\$14.2 million of Units and Exchangeable Units, at US\$10.00 per Unit or Exchangeable Unit, as the case may be. In the event that any of the transactions comprising the Qualifying Transaction cannot be completed for any reason, the REIT LP may decide to proceed, subject to meeting all applicable regulatory and contractual requirements, with its acquisition of the others assets comprising the Initial Portfolio. In the event that it is not able to meet all applicable regulatory and contractual requirements, the REIT LP will not proceed with the Qualifying Transaction.

The REIT LP has also entered into binding agreements to acquire the Contingent Properties for an aggregate purchase price of US\$17.9 million (after taking into account an aggregate of approximately US\$1.0 million of year one funding commitments). The acquisition of the Contingent Properties is expected to close in the fourth quarter of 2020. Taking into account these acquisitions, the REIT LP's portfolio would be comprised of 12 properties and five first lien mortgages and would have an aggregate investment of approximately US\$200.7 million (after taking into account an aggregate of approximately US\$22.0 million in earn-outs and year one funding commitments). There is no assurance that the REIT LP will acquire the Contingent Properties in the fourth quarter of 2020, if at all. See "Description of the Initial Portfolio and Contingent Properties" and "Risk Factors".

On October 7, 2020, the REIT LP announced the Private Placement of Subscription Receipts. On Closing, the Outstanding Subscription Receipts shall automatically convert into US\$40.0 million aggregate principal amount of Debentures of the REIT LP at Offering Price²⁴. The subscribers of the Subscription Receipts will fund the Offering Price, subject to satisfaction of certain funding conditions, on conversion of the Subscription Receipts. The REIT LP has also granted the Agents, a non-transferable Agents' Option to purchase Additional Subscription Receipts. The Agents' Option must be exercised prior to Closing. The Private Placement is subject to customary closing conditions, including that the REIT LP has received final listing approval from the Exchange and a receipt for the final non-offering prospectus and has fulfilled certain covenants as further described in the Agency Agreement. The net proceeds of the Private Placement, assuming funding is received, and prior to the exercise of the Agents' Option, will be approximately US\$37.8 million. The Outstanding Subscription Receipts were issued, and the Additional Subscription Receipts will be issued, to the extent applicable, pursuant to the Agency Agreement between the REIT LP and the Agents. Compass Point is registered as a broker dealer in the United States, and is not registered to sell securities in any Canadian jurisdiction. Accordingly, Compass Point only distributed Outstanding Subscription Receipts, and will only distribute Additional Subscription Receipts, to the extent applicable, in the U.S. pursuant to exemptions from registration requirements in the U.S. and other jurisdictions where such sales were permissible. Pursuant to the Agency Agreement, in connection with the Private Placement, the Agents were entitled to the Agents' Commission. The Offering Price and the other terms of the Private Placement were determined by an arm's length negotiation between the REIT LP and the Agents. This prospectus qualifies the distribution of the Debentures and the Debenture Units

²⁴ In connection with the issuance of the Debenture Units, the Sponsors have agreed to relinquish up to 2,625 Proportionate Voting Units, such that the issuance of the Debenture Units will not dilute the existing Unitholders. See "Escrowed Securities and Securities Subject to Contractual Restrictions on Transfer".

upon the automatic conversion of the Outstanding Subscription Receipts and the distribution of the Additional Subscription Receipts upon the exercise of the Agents' Option, to the extent applicable.

The REIT LP expects that expenses relating to the completion of the Qualifying Transaction as well as funds required for the ongoing operations of the REIT LP going forward will be funded from a combination of cash available to the REIT LP from its IPO plus accrued interest less any amounts used to settle redemptions of Restricted Voting Units, if any (currently held in escrow), the net proceeds from the Private Placement and cash on hand.

Subject to obtaining certain approvals and the satisfaction of certain conditions, it is anticipated that the Qualifying Transaction will be completed in the first half of November 2020. The outside date for the Qualifying Transaction is November 6, 2020 or such other date as the applicable Counterparties and the REIT LP may mutually agree in writing.

The REIT LP's currently issued and outstanding Restricted Voting Units and Rights are listed and posted for trading on the Exchange under the symbol "SVX.U" and "SVX.RT.U", respectively. Holders of Restricted Voting Units can elect to redeem all or a portion of their Restricted Voting Units, provided that they deposit their Restricted Voting Units for redemption prior to the Redemption Election Deadline. Upon the Closing, (a) the class of Restricted Voting Units shall be automatically renamed "Limited Partnership Units" with no action taken on the part of the holders thereof, as set forth in the First A&R LP Agreement, (b) holders of Rights will be entitled to receive, for no additional consideration, one Limited Partnership Unit for every eight Rights held, subject to adjustment under the terms of the Rights Agreement, (c) Non-Redeeming Holders and holders of Restricted Voting Units issued in connection with the Qualifying Transaction will receive a *pro rata* portion of the Contingent Rights based on the number of Restricted Voting Units held on the day following Closing, depending upon the quantum of redemptions, and (d) the REIT LP shall be authorized to issue two classes of securities: Limited Partnership Units and Proportionate Voting Units. Generally, the Limited Partnership Units and the Proportionate Voting Units have the same rights, are equal in all respects and are treated by the REIT LP as if they were units of one class only. Proportionate Voting Units, or fractions thereof, may at any time, subject to the FPI Condition, at the option of the holder and subject to certain restrictions, be converted into Limited Partnership Units at a ratio of 100 Limited Partnership Units per Proportionate Voting Unit. Prior to the conversion, each Proportionate Voting Unit carries 100 votes per Proportionate Voting Unit (compared to one vote per Limited Partnership Unit) and is entitled to distributions and liquidation distributions in an amount equal to 100 times the amount distributed in respect of each Limited Partnership Unit. The Limited Partnership Units may at any time, at the option of the holder and with the consent of the REIT LP, be converted into Proportionate Voting Units at a ratio of one Proportionate Voting Unit for 100 Limited Partnership Units.

The completion of the Qualifying Transaction is conditional upon, among other things, approval by the Exchange. The Exchange has conditionally approved the continued listing of the Limited Partnership Units, including the Limited Partnership Units issuable in connection with the Qualifying Transaction (including, for greater certainty, upon the redemption of the Exchangeable Units), the Debenture Units and the units underlying the Debentures, and the Rights. The Exchange has also conditionally approved the listing of the Debentures under the symbol SVX.DB.U. Continued listing of the Limited Partnership Units and the Rights and the listing of the Debentures is subject to the REIT LP fulfilling all of the requirements of the Exchange.

Contingent Rights

On October 19, 2020, the REIT LP announced that, in connection with Closing, the REIT LP shall distribute an aggregate of up to 24.1 million Contingent Rights, depending on the extent to, and nature in which, the Agents' Option is exercised, to Holders of Record. The Contingent Rights will be distributed to Holders of Record on a *pro rata* basis based on the number of Limited Partnership Units and/or Exchangeable Units held by such holders on the date following Closing. Accordingly, if there are no redemptions of Restricted Voting Units, each Holder of Record will receive one Contingent Right per Limited Partnership Unit and/or Exchangeable Unit held. To the extent there are redemptions of Restricted Voting Units, each Holder of Record will receive more than one Contingent Right per Limited Partnership Unit and/or Exchangeable Unit held, depending upon the quantum of redemptions. No fractional Contingent Rights will be issued. If a holder would be entitled to receive a fractional interest in a Contingent Rights, we will round down to the nearest whole number of Contingent Rights to be issued to such holder. The Contingent Rights will not be distributed if the Qualifying Transaction does not close. The Contingent Rights will be issued pursuant to the Contingent Rights Agreement to be entered into on the Closing Date between the REIT LP and the Rights Agent.

Holders of the Contingent Rights will be entitled to receive, for no consideration, one Limited Partnership Unit for every five Contingent Rights held, subject to adjustment as described herein. The Contingent Rights will be automatically exercised by the holders thereof upon the earlier of (a) the listing of the REIT LP units on a recognized major U.S. exchange, and (b) cannabis production and sale becoming federally legal in the United States. The Contingent Rights will not, subject to certain exceptions, otherwise be exercisable. As at the date of this prospectus, the REIT LP does not believe that a listing on a recognized major U.S. exchange would be possible, and there is no assurance that such a listing will be possible in the future. See “Risk Factor”.

Contingent Rights will only be exercised for a whole number of units. No fractional units will be issued upon the automatic exercise of the Contingent Rights. If, upon the exercise of the Contingent Rights, a holder would be entitled to receive a fractional interest in a Limited Partnership Unit, we will, upon such exercise, round down to the nearest whole number of units to be issued to the Contingent Rights holder. As a result, holders must hold Contingent Rights in multiples of five in order to receive Limited Partnership Units for all of his, her or its Contingent Rights following the Closing.

The Contingent Rights will not possess any redemption or distribution rights. The Contingent Rights will expire and be worthless if they do not convert upon their terms prior to the 10th anniversary of the Closing.

In connection with the issuance of the Contingent Rights, the Founders will forfeit the equivalent of approximately 4.0 million Limited Partnerships Units in the form of Proportionate Voting Units with a notional equity value of approximately US\$40 million.

Principal Steps of the Qualifying Transaction and Related Transactions

The following steps shall occur in connection with and to effect the Qualifying Transaction:

- The REIT LP shall incorporate a wholly-owned corporate subsidiary (“**MergerSub**”) under the laws of the State of Delaware.
- The Subscription Receipts will convert into up to US\$65.0 million aggregate principal amount of Debentures and up to 262,500 Debenture Units on satisfaction of certain funding conditions, assuming the Agents’ Option is exercised. The subscribers of the Subscription Receipts will fund the Offering Price on conversion of the Subscription Receipts, subject to satisfaction of certain funding conditions, on conversion of the Subscription Receipts.
- MergerSub and Inception REIT will merge (the “**Merger**”), with MergerSub continuing as the surviving entity (the surviving entity will be SVX HoldCo, Inc., referred to herein as “**US Holdco**”).
- Inception LLC will change its name to Subversive Operating LLC.
- In connection with the Merger, (a) certain preferred stock of Inception REIT will be redeemed for cash, the remaining preferred stock of Inception REIT will be converted to common stock and all of the issued and outstanding common stock of Inception REIT will be exchanged for Limited Partnership Units, and (b) the terms of a certain class currently outstanding units of Subversive OP held by Zevo Drive Holdings (the “**Exchangeable Units**”) will be amended to be economically equivalent to Limited Partnership and to be redeemable by the holder thereof for cash or Limited Partnership Units (on a one-for one basis subject to customary anti-dilution adjustments) as determined by Subversive OP in its sole discretion.
- The class of Restricted Voting Units shall be automatically renamed “Limited Partnership Units” with no action taken on the part of the holders thereof, as set forth in the First A&R LP Agreement. The REIT LP shall be authorized to issue two classes of securities: Limited Partnership Units and Proportionate Voting Units.

- The Second A&R LP Agreement shall become effective.
- Holders of Rights will be entitled to receive, for no additional consideration, one Limited Partnership Unit for every eight Rights held, subject to adjustment under the terms of the Rights Agreement.
- The REIT LP will indirectly acquire the remaining properties (excluding those properties already held by Subversive OP) and originate the mortgages comprising the Initial Portfolio (including the Contingent Properties) indirectly through Subversive OP. Certain Counterparties receiving equity consideration pursuant to the applicable Definitive Agreement shall receive such equity consideration in the form of Exchangeable Units.
- Holders of Record will receive their *pro rata* portion of the Contingent Rights based on the number of Limited Partnership Units and/or Exchangeable Units held on the day following Closing, depending upon the quantum of redemptions.

It is anticipated that upon completion of the Qualifying Transaction and based on assumed redemption levels of 0% and 10%:

- the holders of Limited Partnership Units, which consist of the REIT LP's current public Unitholders, will retain an ownership interest of approximately 80.1% or 78.4%, respectively;
- the Founders, which includes the Sponsors, will retain an ownership interest of approximately 14.4% and 15.6%, respectively;²⁵
- the Counterparties will own an ownership interest of approximately 4.8% and 5.2%, respectively; and
- the subscribers under the Private Placement will own approximately 0.7% and 0.8%, respectively.

In addition, it is anticipated that upon completion of the Qualifying Transaction and based on assumed redemption levels of 0% and 10%

- the Inception Sponsor will own approximately 1.3% and 1.5%, respectively; and
- Omar Mangalji and Richard Acosta will own, directly or indirectly, 0.4% and 0.4%, respectively (excluding any interest held by them in the Inception Sponsor).

The above percentages are calculated based on a number of additional assumptions, including the assumed redemption levels of the Restricted Voting Units of 0% and 10%, that no Rights have been exercised for Limited Partnership Units, the issuance of 200,000 Debenture Units upon the conversion of the Subscription Receipts, the issuance of 1,354,250 Limited Partnership Units issuable upon the redemption of the Exchangeable Units, and the conversion of all Proportionate Voting Units to Limited Partnership Units. If the actual facts are different than these assumptions, the percentage ownerships will be different.

Related Party Interests

The Counterparties under the Definitive Agreement to acquire Inception REIT include an entity, which is controlled, directly or indirectly, by Omar Mangalji and Richard Acosta, respectively, which entity owns approximately 2.1% of Inception REIT. As a result of these relationships, the acquisition of Inception REIT by the REIT LP (the “**Related Party Transaction**”) constitutes a “related party transactions” under MI 61-101 and, unless an exemption is available, will be subject to the minority approval and formal valuation requirements set out in MI 61-101 (the “**MI 61-101 Requirements**”). The Related Party Transaction will be exempt from the MI 61-101 Requirements if neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the Related Party

²⁵ 42,500 Proportionate Voting Units held by the Founders are subject to relinquishment. See Escrowed Securities and Securities Subject to Contractual Restrictions on Transfer”

Transaction exceeds 25% of the REIT LP's "market capitalization" (the "**Transaction Size Exemptions**"). Under MI 61-101, an issuer's "market capitalization" is calculated based on the outstanding "equity securities" of the issuer. As the Restricted Voting Units do not have a residual right to share in the assets of the REIT LP on a liquidation or winding-up, the Restricted Voting Units do not constitute "equity securities" for purposes of determining the "market capitalization" of the REIT LP and therefore, the REIT LP's market capitalization as determined under MI 61-101 is calculated only on the basis of the outstanding Proportionate Voting Units. As neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the Related Party Transaction exceeds 25% of the REIT LP's "market capitalization", the Qualifying Transaction qualifies for the Transaction Size Exemptions.

Recommendation of the Special Committee

A committee of independent directors of the General Partner, consisting of Michael Auerbach, Leland Hensch, Scott Baker, Octavio Boccalandro, Craig Hatkoff and Anne Sullivan (the "**Special Committee**"), was established on July 16, 2020 by the board of directors of the General Partner for the purpose of considering the Qualifying Transaction, particularly as it related to the potential acquisition of Inception REIT. The Special Committee met six times to evaluate the Inception REIT properties and deliberate on the appropriate price therefor, which included a meeting on August 12, 2020 with a representative of the Appraiser to obtain a detailed overview of the procedures and methodologies that the Appraiser used to produce appraisal reports for each of the Inception REIT properties.

The Special Committee has recommended to the directors that they approve the Qualifying Transaction and that the REIT LP proceeds with the Qualifying Transaction.

Approval of the Board

The Board has approved the Qualifying Transaction, with Omar Mangalji and Richard Acosta declaring a conflict with respect to the acquisition of Inception REIT and abstaining from voting thereon, and determined that it is in the best interest of the REIT LP to proceed with the Qualifying Transaction.

Redemption Rights

Pursuant to the First A&R LP Agreement, holders of Restricted Voting Units have the right to redeem all or a portion of their Restricted Voting Units in connection with the Qualifying Transaction, provided that they deposit their Restricted Voting Units for redemption prior to the Redemption Election Deadline. **Holders of Restricted Voting Units whose Restricted Voting Units are held through an intermediary may have earlier deadlines for depositing their Restricted Voting Units for redemption. If the deadline for depositing such units held through an intermediary is not met by a holder of Restricted Voting Units, such holder's Restricted Voting Units may not be eligible for redemption.**

Subject to applicable law, effective immediately prior to Closing, all Restricted Voting Units validly deposited for redemption shall be redeemed for the Qualifying Transaction Redemption Price per Restricted Voting Unit redeemed, payable in cash. Upon payment in cash of the Qualifying Transaction Redemption Price (which shall occur no later than 30 calendar days following completion of the Qualifying Transaction), the holders of the Restricted Voting Units so redeemed will have no further rights in respect of the Restricted Voting Units. For illustrative purposes, as of the date hereof, the estimated Qualifying Transaction Redemption Price is approximately US\$10.04 per Restricted Voting Unit. Holders of Proportionate Voting Units and/or Class B Units do not have redemption rights with respect to their Proportionate Voting Units and/or Class B Units.

Notwithstanding any of the foregoing, no registered or beneficial holder of Restricted Voting Units (other than CDS) that, together with any Affiliate thereof or any person acting jointly or in concert therewith, shall be entitled to require the REIT LP to redeem Restricted Voting Units in excess of an aggregate of 15% of the Restricted Voting Units issued and outstanding (the "**Redemption Limitation**"). By its election to redeem, each registered holder of Restricted Voting Units (other than CDS) and each beneficial holder of Restricted Voting Units will be required to represent or will be deemed to have represented to the REIT LP that, together with any Affiliate of such holder and any other person with whom such holder is acting jointly or in concert, such holder is not redeeming Restricted Voting Units in excess of the Redemption Limitation.

The REIT LP has obtained a waiver from the Exchange with respect to the requirement in section 10.16(18) of the NEO Exchange Listing Manual to mail the Redemption Notice and make the final prospectus publicly available 21 days prior to the Redemption Election Deadline. Pursuant to the waiver, the REIT LP shall mail a notice of redemption to the holders of record the Restricted Voting Units and make this preliminary prospectus publicly available at least 21 days prior to the Redemption Election Deadline, and send by prepaid mail or otherwise deliver the prospectus to the holders of the Restricted Voting Units no later than midnight (Toronto time) on the second business day prior to the Redemption Election Deadline, which delivery may be effected electronically in compliance with NP 11-201.

The REIT LP expects to file its final long form prospectus on SEDAR no later than 14 days prior to the Redemption Election Deadline, and to mail it to holders of Restricted Voting Units of record as at September 15, 2020 shortly thereafter. If the REIT LP's final prospectus is not filed by October 16, 2020, the Redemption Election Deadline may be required to be extended. The REIT LP will provide notice of any such extension via news release. See "Exemptions".

Process for Redemption by Non-Registered Holders of Restricted Voting Units

A non-registered holder of Restricted Voting Units who desires to exercise its redemption rights in connection with the Qualifying Transaction must do so by causing a participant (a "**CDS Participant**") in the depository, trading, clearing and settlement systems administered by CDS to deliver to CDS (at its office in the City of Toronto) on behalf of the owner, a written notice (the "**Redemption Notice**") of the owner's intention to redeem Restricted Voting Units in connection with the Qualifying Transaction. A non-registered holder of Restricted Voting Units who desires to redeem Restricted Voting Units should ensure that the CDS Participant is provided with notice of his or her intention to exercise his or her redemption privilege sufficiently in advance of the notice date described above so as to permit the CDS Participant to deliver notice to CDS and so as to permit CDS to deliver notice to the Transfer Agent in advance of the required time. The form of Redemption Notice will be available from a CDS Participant or the Transfer Agent.

By causing a CDS Participant to deliver to CDS a notice of the owner's intention to redeem Restricted Voting Units, an owner shall be deemed to have irrevocably surrendered his, her, or its Restricted Voting Units for redemption and appointed such CDS Participant to act as his, her, or its exclusive settlement agent with respect to the exercise of the redemption right and the receipt of payment in connection with the settlement of obligations arising from such exercise.

Any Redemption Notice delivered by a CDS Participant regarding an owner's intent to redeem which CDS determines to be incomplete, not in proper form, or not duly executed shall for all purposes be void and of no effect and the redemption right to which it relates shall be considered for all purposes not to have been exercised. A failure by a CDS Participant to exercise redemption rights or to give effect to the settlement thereof in accordance with the owner's instructions will not give rise to any obligations or liability on the part of the REIT LP to the CDS Participant or to the owner.

If the deadline for depositing Restricted Voting Units held through an intermediary is not met by holder of Restricted Voting Units, such holder's Restricted Voting Units may not be eligible for redemption. Such deadline may be earlier than the Redemption Election Deadline.

Definitive Agreements

The following summaries are qualified in their entirety by reference to the provisions of the Definitive Agreements, which contain complete statement of the applicable provisions. Copies of the Definitive Agreements will be filed on SEDAR at www.sedar.com. Unitholders are advised to review the Definitive Agreements for a complete description of the applicable provisions.

The DTLA Industrial/Retail Acquisition

Pursuant to that certain Purchase and Sale Agreement, by and among, certain affiliated parties with ownership of the DTLA Industrial/Retail property (one the "**North Hollywood Retail Seller**", one the "**DTLA Industrial/Retail Seller**", one the "**Parent**", together, the "**DTLA Industrial/Retail-North Hollywood Retail Sellers**"), and those

certain wholly-owned subsidiaries of the REIT LP (one the “**North Hollywood Retail Purchaser**”, one the “**DTLA Industrial/Retail Purchaser**”), and that certain Single Tenant Lease (the “**DTLA Industrial/Retail Lease**”), by and among the DTLA Industrial/Retail Purchaser and that certain affiliate of the DTLA Industrial/Retail Seller (the “**DTLA Industrial/Retail Tenant**”), the DTLA Industrial/Retail Purchaser will purchase from the DTLA Industrial/Retail Seller and lease to the DTLA Industrial/Retail Tenant the DTLA Industrial/Retail property. The acquisition price is US\$14.4 million (US\$ 398 per square foot) to be satisfied by (i) US\$13.4 million payable in full at closing subject to adjustments, including certain closing costs; and (ii) US\$1 million held back for tenant improvements and funded via reimbursements over an expected six-month renovation period.

The DTLA Industrial/Retail-North Hollywood Retail Sellers, jointly and severally, provide fundamental representations and warranties such as those regarding existence and requisite authority to carry on its business. The DTLA Industrial/Retail-North Hollywood Retail Sellers also provide representations and warranties regarding (a) permits or licenses required by any Governmental Authority with respect to leasing the Properties to licensed commercial cannabis businesses engaged in the sale or cultivation of cannabis; and (b) hazardous waste. The Purchase and Sale Agreement contains customary indemnities related to the covenants and representations and warranties.

The Purchase and Sale Agreement includes customary pre-closing covenants to conduct business in the ordinary course consistent with past practice, as well as customary closing covenants of the parties, including those relating to (a) examination and information, (b) notification of certain events, and (c) execution and delivery of ancillary documents. The DTLA Industrial/Retail-North Hollywood Retail Seller also covenants (i) to not, nor permit any other person or entity, to lease any of the DTLA Industrial/Retail property, without the DTLA Industrial/Retail Purchaser’s prior written consent and (ii) to provide those documents to be included in the Prospectus, including the DTLA Industrial/Retail Lease. MM Acquisition Co., LLC, covenants that it shall retain a majority stake in the SF Company and shall not dispose of or encumber or make any offer to dispose of or encumber any portion of such majority stake for a period of six months following the closing date.

In addition to customary closing conditions, the closing is conditional on the acquisition of certain entities of the Parent by a third party.

The DTLA Industrial/Retail-North Hollywood Retail Lease is a 15-year corporate guaranteed triple net lease with two five-year extension options. The implied capitalization rate is 11.5% on the projected first year NOI of US\$1,627,000. Rent will be adjusted annually by 3.0% of the rent then in effect immediately prior to the date of such increase. Additionally, the DTLA Industrial/Retail Tenant shall submit a security deposit of three months rent, which may be funded from the escrow out of the proceeds of the purchase price relating to the Purchase and Sale Agreement. If at any time the DTLA Industrial/Retail Tenant fails or is unable to continue conducting its commercial cannabis business at the DTLA Industrial/Retail property, the DTLA Industrial/Retail Purchaser may terminate the DTLA Industrial/Retail Lease early.

The North Hollywood Retail Acquisition

Pursuant to that certain Purchase and Sale Agreement, by and among, the DTLA Industrial/Retail-North Hollywood Retail Seller, and the North Hollywood Retail Purchaser and the DTLA Industrial/Retail Purchaser, and that certain Single Tenant Lease (the “**North Hollywood Retail Lease**”), by and among the North Hollywood Retail Purchaser and that certain affiliate of the North Hollywood Retail Seller (the “**North Hollywood Retail Tenant**”), the North Hollywood Retail Purchaser will purchase from the North Hollywood Retail Seller and lease to the North Hollywood Retail Tenant the North Hollywood Retail property. The acquisition price, payable at closing, is US\$3.5 million (US\$986 per square foot) subject to adjustments, including certain closing costs.

The DTLA Industrial/Retail-North Hollywood Retail Sellers, jointly and severally, provide fundamental representations and warranties such as those regarding existence and requisite authority to carry on its business. The DTLA Industrial/Retail-North Hollywood Retail Sellers also provide representations and warranties regarding (a) permits or licenses required by any Governmental Authority with respect to leasing the Properties to licensed commercial cannabis businesses engaged in the sale or cultivation of cannabis; and (b) hazardous waste. The Purchase and Sale Agreement contains customary indemnities related to the covenants and representations and warranties.

The Purchase and Sale Agreement includes customary pre-closing covenants to conduct business in the ordinary course consistent with past practice, as well as customary closing covenants of the parties, including those relating to

(a) examination and information, (b) notification of certain events, and (c) execution and delivery of ancillary documents. The DTLA Industrial/Retail-North Hollywood Retail Seller also covenants (i) to not, nor permit any other person or entity, to lease any of the North Hollywood Retail property, without the North Hollywood Retail Purchaser's prior written consent and (ii) to provide those documents to be included in the Prospectus, including the North Hollywood Retail Lease. MM Acquisition Co., LLC, covenants that it shall retain a majority stake in the SF Company and shall not dispose of or encumber or make any offer to dispose of or encumber any portion of such majority stake for a period of six months following the closing date.

In addition to customary closing conditions, the closing is conditional on the acquisition of certain entities of the Parent by a third party.

The North Hollywood Retail Lease is a 10-year corporate guaranteed triple net lease with two five-year extension options. The implied capitalization rate is 11.0% on the projected first year NOI of US\$385,000. Rent will be adjusted annually by 3.0% of the rent then in effect immediately prior to the date of such increase. Additionally, the North Hollywood Retail Tenant shall submit a security deposit of three months rent, which may be funded from the escrow out of the proceeds of the purchase price relating to the Purchase and Sale Agreement. If at any time the North Hollywood Retail Tenant fails or is unable to continue conducting its commercial cannabis business at the North Hollywood Retail property, the North Hollywood Retail Purchaser may terminate the North Hollywood Retail Lease early.

The Acquisition of DTLA Retail, Desert Hot Springs Morongo Industrial and Coachella Retail

Pursuant to an agreement (the “**Inception Merger Agreement**”) by and among the REIT LP, MergerSub and Inception REIT, REIT LP will acquire 53.7% of, and the ability to control, Subversive OP, and indirect control over the DTLA Retail, Desert Hot Springs Morongo Industrial and Coachella Retail assets through Subversive OP. The aggregate consideration to the stockholders under the Inception Merger Agreement is \$8,108,700, subject to customary purchase price adjustments. The Inception Merger Agreement also includes an earn-out mechanism whereby the consideration payable to the common holders of Inception REIT shall be increased by \$214,800 if the lease for Desert Hot Springs Morongo Industrial is extended for an additional five years at any point in the next two years on terms no less favorable in any material respect than the prevailing market terms.

The Stockholders of Inception REIT will have the option to elect to receive their consideration in the form of cash or Limited Partnership Units (valued at \$10.00 per unit). In addition, Subversive OP will convert into a limited liability company and the terms of a certain class of currently outstanding units of Subversive OP held by Zevo Drive Holdings will be amended to be economically equivalent to Limited Partnership Units and to be redeemable by the holder thereof for cash or Limited Partnership Units (on a one-for one basis subject to customary anti-dilution adjustments) as determined by Subversive OP in its sole discretion.

The Inception Merger Agreement contains customary representations and warranties from Inception REIT regarding existence and requisite authority to carry on its business, capitalization, and title to assets, among others, and covenants to operate the business of Inception REIT in the ordinary course of business. The Inception REIT stockholders will provide customary indemnification to REIT LP, and it is expected that Zevo Drive Holdings will indemnify the REIT LP for claims related to certain litigation matters.

The closing of the Merger (as defined herein) is subject to customary closing conditions, including the approval of the Inception REIT stockholders. In addition, if the Inception Merger Agreement is terminated in certain circumstances despite the approval of the Inception REIT stockholders, the REIT LP will pay Inception REIT a termination fee of \$150,000. Similarly, if the Inception Merger Agreement is terminated due to the failure of the Inception REIT stockholders to approve the Merger, Inception REIT will pay the REIT LP a termination fee of \$150,000.

The Desert Hot Springs 19th Industrial Acquisition

Pursuant to that certain Loan Agreement, by and among certain affiliated parties with ownership of Desert Hot Springs 19th Industrial (one the “**Desert Hot Springs 19th Industrial Borrower**”, one the “**Desert Hot Springs 19th Industrial Guarantor**”, together the “Desert Hot Springs 19th Industrial Borrower Parties”), and that certain wholly-owned subsidiary of the REIT LP (the “**Desert Hot Springs 19th Industrial Lender**”), and that certain Secured Promissory Note, by and among the Desert Hot Springs 19th Industrial Borrower and the Desert Hot Springs 19th

Industrial Lender, the Desert Hot Springs 19th Industrial Borrower will borrow from the Desert Hot Springs 19th Industrial Lender US\$20 million (US\$100 per square foot) under a senior secured mortgage collateralized by Desert Hot Springs 19th Industrial, with a 10-year term and an 11.0% annual interest rate. Certain expenses will be paid out of the loan proceeds, including the 0.5% origination fee less US\$10,000. There is a one-year lockout prepayment period, with prepayment penalties for a full loan repayment of 2.0% in year two, and 1% thereafter until 30 days before maturity.

The senior secured mortgage is coupled with an exclusive purchase option. The purchase option acquisition price is equal to the greater of (i) a 13.7% Capitalization Rate on actual NOI, or, if that yields a result in excess of US\$46 million, then US\$46 million (US\$230 per square foot), and (ii) US\$43 million (US\$215 per square foot).

The Desert Hot Springs 19th Industrial Borrower Parties, jointly and severally, provide fundamental representations and warranties such as those regarding existence and requisite authority to carry on its business. The Desert Hot Springs 19th Industrial Borrower Parties also provide warranties regarding (i) the fitness of the property, (ii) tenant compliance with governmental licensing requirements for operating a commercial cannabis business, and (iii) refusals to take bribes, kickbacks or similar payments in connection with the Desert Hot Springs 19th Industrial Borrowing Parties' business. The Loan Agreement contains customary indemnities related to the covenants and representations and warranties.

The Loan Agreement includes customary pre-closing covenants to conduct business in the ordinary course consistent with past practice, as well as customary closing covenants of the parties, including those relating to (a) the payment of taxes, (b) the maintenance of the Desert Hot Springs 19th Industrial Borrower's same corporate name and structure, and (c) the sharing of financial statements and reports. The Desert Hot Springs 19th Industrial Borrower also covenants to (i) not modify or enter into any leases of the Desert Hot Springs 19th Industrial property, other than those prior disclosed, without the prior consent of the Desert Hot Springs 19th Industrial Lender; (ii) to duly perform all obligations it has under leases of the Desert Hot Springs 19th Industrial property; (iii) to notify the Desert Hot Springs 19th Industrial Lender should any tenant of the Desert Hot Springs 19th Industrial property materially breach their lease with the Desert Hot Springs 19th Industrial Borrower; and (iv) to use commercially reasonable efforts not to operate, nor allow any tenant to operate, a cannabis-related business at the Desert Hot Springs 19th Industrial property without applicable requirements, including any governmental licenses.

The closing is conditional on customary closing conditions, including the execution of the pledge by the Desert Hot Springs 19th Industrial Guarantor.

The Greenfield Industrial & Lansing Industrial Acquisitions

Pursuant to that certain Loan Agreement, by and among certain affiliated parties with ownership of the Greenfield Industrial property and the Lansing Property (one a "**Greenfield Industrial Borrower**", one a "**Lansing Industrial Borrower**", one a "**Greenfield Industrial Guarantor**", together the "**Greenfield Industrial Borrower Parties**"), and certain wholly-owned subsidiaries of the REIT LP (the "**Greenfield Industrial Lender**"), and that certain Secured Promissory Note, by and among the Greenfield Industrial Borrower and the Greenfield Industrial Lender, the Greenfield Industrial Borrower and the Lansing Industrial Borrower will borrow from the Greenfield Industrial Lender US\$25.0 million (for the Greenfield Industrial property, US\$162 per square foot, including additional greenhouse to be built; and for the Lansing Industrial Property, US\$35 per square foot) under senior secured mortgages and equipment loan collateralized by the Greenfield Industrial property and the Lansing Industrial property, with a 5-year term and an 12.0% annual interest rate. Certain expenses will be paid out of the loan proceeds, including a 1.0% origination fee, and US\$4.0 million of the loan proceeds will be held back and reimbursed pursuant to typical construction loan mechanics at 60% loan-to-cost for the additional 56,361 square feet of greenhouse space to be constructed (with up to US \$2,869,000 to be reimbursed to Borrower for the construction of new greenhouses, and US\$1,131,000 to be reimbursed to Borrower for the acquisition new equipment for the Greenfield Industrial property. There is a one-year lockout prepayment period, with prepayment penalties for a full loan repayment of 1.25% thereafter. Lansing Industrial will be released as collateral in the event the borrower generates a Debt Service Coverage Ratio in excess of 1.5 times for three consecutive months.

The senior secured mortgage is coupled with an exclusive purchase option as to the Greenfield Industrial property. The purchase option acquisition price is equal to US\$75 million and would involve a leaseback to the Greenfield Industrial Borrower (the "**Greenfield Industrial PO Lease**"). The Greenfield Industrial PO Lease is a 20-year

corporate guaranteed triple-net purchase option lease with two 10-year extension options. The base rent amount is to be determined based on market rates at the time of the purchase. Thereafter, rent will be adjusted annually by 2.0% of the rent then in effect immediately prior to the date of such increase. Additionally, the Greenfield Industrial Borrower shall submit a security deposit of two (2) months rent, which may be funded from the escrow out of the proceeds of the purchase price relating to the purchase option agreement. If at any time the Greenfield Industrial Borrower fails or is unable to continue conducting its commercial cannabis business at the Greenfield Industrial property, the Greenfield Industrial Lender may terminate the Greenfield Industrial PO Lease early.

The Greenfield Industrial Borrower Parties, jointly and severally, provide fundamental representations and warranties such as those regarding existence and requisite authority to carry on its business. The Greenfield Industrial Borrower Parties also provide warranties regarding (i) the fitness of the property, (ii) tenant compliance with governmental licensing requirements for operating a commercial cannabis business, and (iii) refusals to take bribes, kickbacks or similar payments in connection with the Greenfield Industrial Borrowing Parties' business. The deal also includes warrants equal to 5.0% of the loan based on a US\$300 million valuation of the operator. The Loan Agreement contains customary indemnities related to the covenants and representations and warranties.

The Loan Agreement includes customary pre-closing covenants to conduct business in the ordinary course consistent with past practice, as well as customary closing covenants of the parties, including those relating to (a) the payment of taxes, (b) the maintenance of the Greenfield Industrial Borrower Parties' same corporate name and structure, and (c) the sharing of financial statements and reports. The Greenfield Industrial Borrower Parties also covenant to (i) not modify or enter into any leases of the Greenfield Industrial property, other than those prior disclosed, without the prior consent of the Greenfield Industrial Lender; (ii) to duly perform all obligations it has under leases of the Greenfield Industrial property and the Lansing Industrial Property; (iii) to notify the Greenfield Lender should any tenant of the Greenfield Industrial property or the Lansing Industrial property materially breach their leases; and (iv) to use commercially reasonable efforts not to operate, nor allow any tenant to operate, a cannabis-related business at the Greenfield Industrial property without applicable requirements, including any governmental licenses.

The closing is conditional on customary closing conditions, including the execution of the pledge by the Greenfield Industrial Guarantor.

The San Francisco Retail Acquisition

Pursuant to that certain Contribution Agreement, by and among certain affiliated parties with ownership of the San Francisco Retail property (the "**San Francisco Retail Contributor**") and certain wholly owned subsidiaries of the REIT LP (the "**San Francisco Retail Purchaser**"), and that certain Assignment and Assumption, by and among that certain affiliate of San Francisco Retail Contributor and the San Francisco Retail Purchaser, the San Francisco Retail Purchaser will purchase from San Francisco Retail Contributor the San Francisco Retail property and assume and acquire that certain Commercial Lease (the "**San Francisco Retail Lease**") as landlord from that certain affiliate of the San Francisco Retail Contributor. The acquisition price is up to US\$6.6 million (US\$1,320 per square foot (based on current rentable square footage including mezzanine space not included in the appraisal)) subject to adjustments, including certain closing costs, and is to be satisfied by (i) US\$4.4 million payable at closing, and (ii) up to US\$2.2 million in deferred consideration (the "**San Francisco Retail Earn-Out**"), with both payments consisting of 90% cash and 10% equity securities in a wholly-owned third-party subsidiary of the REIT LP.

The San Francisco Retail Earn-Out shall be held in escrow until such time as when the San Francisco Retail property has received all licenses and permits necessary to operate a cannabis retail business at the San Francisco Retail property ("**Stabilization**"). The San Francisco Retail Earn-Out expires 24 months after the closing date, and if Stabilization fails to occur by such time the San Francisco Retail Earn-Out will be returned to the San Francisco Retail Purchaser.

The San Francisco Retail Contributors, jointly and severally, provide fundamental representations and warranties such as those regarding existence and requisite authority to carry on its business. The San Francisco Retail Contributors also provide representations and warranties regarding permits or licenses required by any Governmental Authority with respect to leasing the San Francisco Retail property to licensed commercial cannabis businesses engaged in the sale or cultivation of cannabis. The Contribution Agreement contains customary indemnities related to the covenants and representations and warranties.

The Contribution Agreement includes customary pre-closing covenants to conduct business in the ordinary course consistent with past practice, as well as customary closing covenants of the parties, including those relating to (a) examination and information, (b) notification of certain events, and (c) execution and delivery of ancillary documents. The San Francisco Retail Contributor also covenants (i) to not lease, nor permit any other person or entity to lease, any of the San Francisco Retail property, without the San Francisco Retail Purchaser's prior written consent and (ii) to provide those documents to be included in the Prospectus.

The closing is conditional on customary closing conditions.

The San Francisco Retail Lease is a corporate guaranteed triple net lease with two 10-year extension options and 13.3 years remaining. The implied capitalization rate is 10.3% based on a Non-Abated NOI of US\$680,000. Rent will be adjusted annually by 2.5% of the rent then in effect immediately prior to the date of such increase. The triple net lease is currently in a partial rent abatement period whereby the tenant is paying a reduced \$27,500 monthly rent payment until three months after receiving required permits and licenses to operate a cannabis dispensary. Additionally, there is a US\$400,000 security deposit subject reduction upon tenant's receipt of the required permits and licenses to operate a cannabis dispensary. Until tenant has obtained the necessary permits and licenses to operate a cannabis dispensary, tenant may terminate the San Francisco Retail Lease upon 30 days notice.

The Alachua Industrial Acquisition

Pursuant to that certain Purchase and Sale Agreement, by and among certain affiliated parties with ownership of the Alachua Industrial property (the "**Alachua Industrial Seller**") and certain wholly-owned subsidiaries of the REIT LP (the "**Alachua Industrial Purchaser**"), and that certain Single Tenant Lease (the "**Alachua Industrial Lease**"), by and among the Alachua Industrial Purchaser and that certain affiliate of the Alachua Industrial Seller (the "**Alachua Industrial Tenant**"), the Alachua Industrial Purchaser will purchase from the Alachua Industrial Seller and lease to the Alachua Industrial Tenant the Alachua Industrial property. The acquisition price is US\$33.0 million (US\$113 per square foot) subject to adjustments, including certain closing costs, and is to be satisfied by (i) US\$22.4 million payable at closing; and (ii) US\$ 10.6 million to be held back for the first additional tenant improvement phase and funded via reimbursements to be completed within 18 months with one six month extension if more than 50% of the funds to be dispersed under the Development Agreement have been disbursed.

The Alachua Industrial Sellers, jointly and severally, provide fundamental representations and warranties such as those regarding existence and requisite authority to carry on its business. The Alachua Industrial Sellers also provide representations and warranties regarding permits or licenses required by any Governmental Authority with respect to leasing the Alachua Industrial property to licensed commercial cannabis businesses engaged in the sale or cultivation of cannabis. The Purchase and Sale Agreement contains customary indemnities related to the covenants and representations and warranties.

The Purchase and Sale Agreement includes customary pre-closing covenants to conduct business in the ordinary course consistent with past practice, as well as customary closing covenants of the parties, including those relating to (a) examination and information, (b) notification of certain events, and (c) execution and delivery of ancillary documents. The Alachua Industrial Seller also covenants (i) to not lease, nor permit any other person or entity to lease, any of the Alachua Industrial property, without the Alachua Industrial Purchaser's prior written consent and (ii) to provide those documents to be included in the Prospectus, including the Alachua Industrial Lease.

The closing is conditional on customary closing conditions.

The Alachua Industrial Lease is a 15-year corporate guaranteed triple net lease with four five-year extension options. The capitalization rate on closing proceeds is 13.5%, and the Capitalization Rate on the first tenant improvement phase will be 13.5% with a six-month incremental rent deferral period, which accrues and is to be paid in equal payments over 18 months in addition to other lease payment obligations. Rent will be adjusted annually by 2.5% of the rent then in effect immediately prior to the date of such increase. Additionally, the Alachua Industrial Tenant shall submit a security deposit of three months rent, which may be funded from the escrow out of the proceeds of the purchase price relating to the Purchase and Sale Agreement. If at any time the Alachua Industrial Tenant fails or is unable to continue conducting its commercial cannabis business at the Alachua Industrial property, the Alachua Industrial Purchaser may terminate the Alachua Industrial Lease early.

At the Alachua Industrial Seller's request, the REIT LP and the Alachua Industrial Seller will negotiate in good faith a mutually approved development agreement whereby the REIT LP will invest up to an additional US\$20 million for three additional renovation phases; provided, that the Alachua Industrial Purchaser is only obligated to enter into these negotiations if the Alachua Industrial Seller has satisfied certain financial metrics.

The Jacksonville Retail Acquisition

Pursuant to that certain Purchase and Sale Agreement, by and among certain affiliated parties with ownership of the Jacksonville Retail property (the "**Jacksonville Retail Seller**") and certain wholly-owned subsidiaries of the REIT LP (the "**Jacksonville Retail Purchaser**"), and that certain Single Tenant Lease (the "**Jacksonville Retail Lease**"), by and among the Jacksonville Retail Seller and the Jacksonville Retail Purchaser, the Jacksonville Retail Purchaser will purchase from and lease to the Jacksonville Retail Seller the Jacksonville Retail property. The acquisition price, payable in full at closing, is US\$2.3 million (US\$601 per square foot) subject to adjustments, including certain closing costs.

The Jacksonville Retail Sellers, jointly and severally, provide fundamental representations and warranties such as those regarding existence and requisite authority to carry on its business. The Jacksonville Retail Sellers also provide representations and warranties regarding permits or licenses required by any Governmental Authority with respect to leasing the Jacksonville Retail property to licensed commercial cannabis businesses engaged in the sale or cultivation of cannabis. The Purchase and Sale Agreement contains customary indemnities related to the covenants and representations and warranties.

The Purchase and Sale Agreement includes customary pre-closing covenants to conduct business in the ordinary course consistent with past practice, as well as customary closing covenants of the parties, including those relating to (a) examination and information, (b) notification of certain events, and (c) execution and delivery of ancillary documents. The Jacksonville Retail Seller also covenants (i) to not lease, nor permit any other person or entity to lease, any of the Jacksonville Retail property, without the Jacksonville Retail Purchaser's prior written consent and (ii) to provide those documents to be included in the Prospectus, including the Jacksonville Retail Lease.

The closing is conditional on customary closing conditions.

The Jacksonville Retail Lease is a 10-year corporate guaranteed triple net lease with four five-year extension options. The implied capitalization rate is 10.5% on the projected first year NOI of US\$241,500. Rent will be adjusted annually by 2.5% of the rent then in effect immediately prior to the date of such increase. Additionally, the Jackson Retail Seller shall submit a security deposit of two months rent, which may be funded from the escrow out of the proceeds of the purchase price relating to the Purchase and Sale Agreement. If at any time the Jacksonville Retail Seller fails or is unable to continue conducting its commercial cannabis business at the Jacksonville Retail property, the Jacksonville Retail Purchaser may terminate the Jacksonville Retail Lease early.

The North Las Vegas Industrial Acquisition

Pursuant to that certain Loan Agreement, by and among certain affiliated parties that own the North Las Vegas Industrial property (one a "**North Las Vegas Industrial Borrower**", one a "**North Las Vegas Industrial Guarantor**", together with any other affiliated parties, the "**North Las Vegas Industrial Borrower Parties**"), and that certain wholly owned subsidiary of REIT LP (the "**North Las Vegas Industrial Lender**"), and that certain Secured Promissory Note, by and among the North Las Vegas Industrial Borrower and the North Las Vegas Industrial Lender, the North Las Vegas Industrial Borrower will borrow from the North Las Vegas Industrial Lender US\$39 million (US\$86 per square foot) under a senior secured mortgage collateralized by the North Las Vegas Industrial property, with a 7-year term and an 10.5% annual interest rate. Certain expenses will be paid out of the loan proceeds, including a 0.5% origination fee. There is a one-year lockout prepayment period, with prepayment penalties for a full loan repayment of 3.0% in year two, 2.0% in year three, and 1.0% thereafter until 30 days before maturity. If the purchase option is not exercised, the prepayment fee will be waived based on specific operational milestones that trigger the purchase option.

The senior secured mortgage is coupled with an exclusive purchase option. The purchase option acquisition price ranges from US\$70 million (US\$154 per square foot) to US\$80 million (US\$176 per square foot), based on an EBITDAR coverage adjustment table (1.5 times to 2.0 times) with a 13.25% year one Capitalization Rate. The

subsequent leaseback to the North Las Vegas Industrial Seller (the “North Las Vegas Industrial PO Lease”) upon exercise of the purchase option is a 20-year corporate guaranteed triple-net purchase option lease with two 10-year extension options. The rent will be adjusted annually by 3.0% of the rent then in effect immediately prior to the date of such increase. Additionally, the North Las Vegas Industrial Seller shall submit a security deposit of three (3) months rent, which may be funded from the escrow out of the proceeds of the purchase price relating to the purchase option agreement. If at any time the North Las Vegas Industrial Borrower fails or is unable to continue conducting its commercial cannabis business at the North Las Vegas Industrial property, the North Las Vegas Industrial Lender may terminate the North Las Vegas Industrial PO Lease early.

The North Las Vegas Industrial Borrower Parties, jointly and severally, provide fundamental representations and warranties such as those regarding existence and requisite authority to carry on its business. The North Las Vegas Industrial Borrower Parties also provide warranties regarding (i) the fitness of the property, (ii) tenant compliance with governmental licensing requirements for operating a commercial cannabis business, and (iii) refusals to take bribes, kickbacks or similar payments in connection with the North Las Vegas Industrial Borrowing Parties’ business. The sale-leaseback option also provides for warrants for REIT LP to purchase a number of shares of the tenant company calculated by dividing 10% of the aggregate purchase price in respect of the sale-leaseback by the exercise price described below, such warrants issuable upon closing of the sale-leaseback. Each warrant will entitle the REIT LP to acquire one common share in the capital of the tenant company at an exercise price equal to the greater of (a) 125% of the market price of a common share of tenant company stock as of the close of trading of such shares on the trading day immediately preceding the closing of the sale-leaseback and (b) CDN\$0.61. If the closing date of the loan occurs on or prior to November 6, 2020, then such warrants shall be exercisable for a period of five years from issuance. If the closing date of the loan occurs after November 6, 2020, then such warrants shall be exercisable for a period of three years from issuance. The warrants are subject to customary adjustments in the event of certain corporate events such as a stock split, reverse-split, dividend, capital reorganization or reclassification or the merger or amalgamation of the tenant company with another company.

The Loan Agreement includes customary pre-closing covenants to conduct business in the ordinary course consistent with past practice, as well as customary closing covenants of the parties, including those relating to (a) the payment of taxes, (b) the maintenance of the North Las Vegas Industrial Borrower’s same corporate name and structure, and (c) the sharing of financial statements and reports. The North Las Vegas Industrial Borrower also covenants to (i) not modify or enter into any leases of the North Las Vegas Industrial property, other than those prior disclosed, without the prior consent of the North Las Vegas Industrial Lender; (ii) to duly perform all obligations it has under leases of the North Las Vegas Industrial property; (iii) to notify the North Las Vegas Industrial Lender should any tenant of the North Las Vegas Industrial property materially breach their lease with the North Las Vegas Industrial Borrower; and (iv) to use commercially reasonable efforts not to operate, nor allow any tenant to operate, a cannabis-related business at the North Las Vegas Industrial property without applicable requirements, including any governmental licenses.

The closing is conditional on customary closing conditions, including the execution of the pledge by the North Las Vegas Industrial Guarantor.

The Tacoma Industrial Acquisition

Pursuant to that certain Contribution Agreement by and among that certain party who owns the Tacoma Industrial property (the “**Tacoma Industrial Contributor**”), those certain wholly-owned subsidiaries of the REIT LP (one the “**Tacoma Industrial Purchaser**” and one the “**Tacoma Industrial Operating LLC**”) and REIT LP, the Tacoma Industrial Purchaser will acquire the Tacoma Industrial property from the Tacoma Industrial Contributor. The purchase price under the Contribution Agreement is up to US\$35.0 million (US\$110 per square foot), which represents an implied 13.6% Capitalization Rate on the projected first year NOI, to be satisfied by (i) US\$25.2 million cash in upfront consideration; (ii) up to US\$3.8 million in deferred consideration, as described below (the “Tacoma Industrial Earn-Out Consideration”); and (iii) 600,000 units of equity securities in the Tacoma Industrial Operating LLC (the “**Tacoma Industrial OLLC Units**”), with an agreed upon value of US\$10 per unit.

The Tacoma Industrial Earn-Out Consideration shall be held in escrow until such time as the contributed property achieves at least 95% fully licensed occupancy for one full quarter. The Tacoma Industrial Earn-Out Consideration expires in July of 2022, and a prorated earn-out will be paid based on licensed occupancy at the expiration date. Additionally, the Tacoma Industrial OLLC Units will be subject to a thirty-day lock-up following the closing date of the Contribution Agreement.

The Tacoma Industrial Contributor provides fundamental representations and warranties such as those regarding existence and requisite authority to carry on its business. The Tacoma Industrial Contributor also provide representations and warranties regarding (i) the schedule of leases and associated rents it provided to Tacoma Industrial Purchaser, (ii) the existence of tenant's permits or licenses required by any Governmental Authority with respect to tenant's sale, use or cultivation of cannabis; and (iii) the issue of hazardous waste. The Contribution Agreement contains customary indemnities related to the covenants and representations and warranties. The representations and warranties survive until the expiration of the statute of limitations applicable to the matters covered thereby.

The Contribution Agreement includes customary pre-closing covenants to conduct business in the ordinary course consistent with past practice, as well as customary closing covenants of the parties, including those relating to (a) examination and information, (b) notification of certain events, and (c) execution and delivery of ancillary documents. The Tacoma Industrial Contributor also covenants, among other things, to not lease any vacant portion of the Tacoma Industrial property without the Tacoma Industrial Purchaser's prior written consent.

The closing is conditional on customary closing conditions.

The Mesa Industrial/Retail Acquisition

Pursuant to that certain Purchase and Sale Agreement, by and among certain affiliated parties with ownership of the Mesa Industrial/Retail property (the "**Mesa Industrial/Retail Seller**") and certain wholly-owned subsidiaries of the REIT LP (the "**Mesa Industrial/Retail Purchaser**"), and that certain Single Tenant Lease (the "**Mesa Industrial/Retail Lease**"), by and among the Mesa Industrial/Retail Seller and the Mesa Industrial/Retail Purchaser, the Mesa Industrial/Retail Purchaser will purchase from and lease to the Mesa Industrial/Retail Seller the Mesa Industrial/Retail property. The acquisition price, payable in full at closing, is US\$1.3 million (US\$146 per square foot) subject to adjustments, including certain closing costs.

The Mesa Industrial/Retail Sellers, jointly and severally, provide fundamental representations and warranties such as those regarding existence and requisite authority to carry on its business. The Mesa Industrial/Retail Sellers also provide representations and warranties regarding permits or licenses required by any Governmental Authority with respect to leasing the Mesa Industrial/Retail property to licensed commercial cannabis businesses engaged in the sale or cultivation of cannabis. The Purchase and Sale Agreement contains customary indemnities related to the covenants and representations and warranties. The representations and warranties survive until the expiration of the statute of limitations applicable to the matters covered thereby.

The Purchase and Sale Agreement includes customary pre-closing covenants to conduct business in the ordinary course consistent with past practice, as well as customary closing covenants of the parties, including those relating to (a) examination and information, (b) notification of certain events, and (c) execution and delivery of ancillary documents. The Mesa Industrial/Retail Seller also covenants (i) to not lease, nor permit any other person or entity to lease, any of the Mesa Industrial/Retail property, without the Mesa Industrial/Retail Purchaser's prior written consent and (ii) to provide those documents to be included in the Prospectus, including the Mesa Industrial/Retail Lease.

The closing is conditional on customary closing conditions.

The Mesa Industrial/Retail Lease is a 15-year corporate guaranteed triple net lease with four five-year extension options. The implied capitalization rate is 10.5% on the projected first year NOI of US\$136,500. Rent will be adjusted annually by 2.5% of the rent then in effect immediately prior to the date of such increase. Additionally, the Mesa Industrial/Retail Seller shall submit a security deposit of two months rent, which may be funded from the escrow out of the proceeds of the purchase price relating to the Purchase and Sale Agreement. If at any time the Mesa Industrial/Retail Seller fails or is unable to continue conducting its commercial cannabis business at the Mesa Industrial/Retail property, the Mesa Industrial/Retail Purchaser may terminate the Mesa Industrial/Retail Lease early.

The Maryland Retail Acquisition

Pursuant to that certain Purchase and Sale Agreement, by and among certain affiliated parties with ownership of the Maryland Retail property (the "**Maryland Retail Sellers**") and certain wholly-owned subsidiaries of the REIT LP (the "**Maryland Retail Purchaser**"), and that certain Single Tenant Lease (the "**Maryland Retail Lease**"), by and

among the Maryland Retail Sellers and the Maryland Retail Purchasers, the Maryland Retail Purchasers will purchase from and lease to the Maryland Retail Sellers the Maryland Retail property. The acquisition price, payable in full at closing, is US\$1.6 million (US\$256 per square foot) subject to adjustments, including certain closing costs.

The Maryland Retail Sellers, jointly and severally, provide fundamental representations and warranties such as those regarding existence and requisite authority to carry on its business. The Maryland Retail Sellers also provide representations and warranties regarding permits or licenses required by any Governmental Authority with respect to leasing the Maryland Retail property to licensed commercial cannabis businesses engaged in the sale or cultivation of cannabis. The Purchase and Sale Agreement contains customary indemnities related to the covenants and representations and warranties. The representations and warranties survive until the expiration of the statute of limitations applicable to the matters covered thereby.

The Purchase and Sale Agreement includes customary pre-closing covenants to conduct business in the ordinary course consistent with past practice, as well as customary closing covenants of the parties, including those relating to (a) examination and information, (b) notification of certain events, and (c) execution and delivery of ancillary documents. The Maryland Retail Seller also covenants (i) to not lease, nor permit any other person or entity to lease, any of the Maryland Retail property, without the Maryland Retail Purchaser's prior written consent and (ii) to provide those documents to be included in the Prospectus, including the Maryland Retail Lease.

The closing is conditional on customary closing conditions.

The Maryland Retail Lease is a 10-year corporate guaranteed triple net lease with four five-year extension options. The implied capitalization rate is 10.5% on the projected first year NOI of US\$168,000. Rent will be adjusted annually by the greater of (a) 2.5% of the rent then in effect immediately prior to the date of such increase or (b) the CPI Index figure published for the latest date prior to the Rent Adjustment Date, where the "CPI Index" means the "Consumer Price Index for All Urban Consumers (CPI-U), U. S. City Average-All Items (1982-1984=100)", published by the Bureau of Labor Statistics of the United States Department of Labor. Additionally, the Maryland Retail Seller shall submit a security deposit of three months rent, which may be funded from the escrow out of the proceeds of the purchase price relating to the Purchase and Sale Agreement. If at any time the Maryland Retail Seller fails or is unable to continue conducting its commercial cannabis business at the Maryland Retail property, the Maryland Retail Purchaser may terminate the Maryland Retail Lease early.

The Columbus Industrial Acquisition

Pursuant to that certain Purchase and Sale Agreement, by and among certain affiliated parties with ownership of the Columbus Industrial property (the "**Columbus Industrial Seller**") and that certain wholly-owned subsidiary of REIT LP (the "**Columbus Industrial Purchaser**"), and that certain Single Tenant Lease (the "**Columbus Industrial Lease**"), by and among the Columbus Industrial Purchaser and a certain affiliate of the Columbus Industrial Seller (the "**Columbus Industrial Tenant**"), the Columbus Industrial Purchaser will purchase the Columbus Industrial property from the Columbus Industrial Sellers and lease it to the Columbus Industrial Tenant. The purchase price, payable in full at closing, is US\$1.5 million (US\$ 224 per square foot) subject to adjustments.

The Columbus Industrial Sellers, jointly and severally, provide fundamental representations and warranties such as those regarding existence, authority, and requisite governmental certificates and licenses to carry on its business. Columbus Industrial Sellers also warrants that while it owns the property, it does not yet own but is in the process of acquiring by stock acquisition the company that operates the cannabis business at the property.

The Purchase and Sale Agreement includes customary pre-closing covenants to conduct business in the ordinary course consistent with past practice, as well as customary closing covenants of the parties, including those relating to (a) examination and information, (b) notification of certain events, and (c) execution and delivery of ancillary documents. The Columbus Industrial Sellers also covenant (i) to not lease, nor permit any other person or entity to lease, any portion of the Columbus Industrial property, without the Columbus Industrial Purchaser's prior written consent; and (ii) to provide those documents to be included in the Prospectus, including the Columbus Industrial Lease. The Purchase and Sale Agreement contains customary indemnities related to the covenants and representations and warranties.

The closing is conditional on Columbus Industrial Sellers entering into agreement with a certain cannabis operator for the sublease and servicing of the property.

The Columbus Industrial Lease is a 15-year corporate guaranteed triple net lease with two five-year extension options. The implied capitalization rate is 13.3% on the projected first year NOI of US\$198,750. Rent will be adjusted annually by the greater of (a) 3.0% of the rent then in effect immediately prior to the date of such increase or (b) the CPI Index figure published for the latest date prior to the Rent Adjustment Date, where the “CPI Index” means the “Consumer Price Index for All Urban Consumers (CPI-U), U. S. City Average-All Items (1982-1984=100)”, published by the Bureau of Labor Statistics of the United States Department of Labor. Additionally, the Columbus Industrial Tenant shall submit a security deposit of three months rent, which may be funded from the escrow out of the proceeds of the purchase price relating to the Purchase and Sale Agreement. If at any time the Columbus Industrial Tenant fail or are unable to continue conducting their commercial cannabis business at the property, the Columbus Industrial Purchaser may terminate the Columbus Industrial Lease early.

The Pennsylvania Retail Acquisition

Pursuant to that certain Purchase and Sale Agreement, by and among certain affiliated parties with ownership of the Pennsylvania Retail property (the “**Pennsylvania Retail Sellers**”) and those certain wholly owned subsidiaries of REIT LP (the “**Pennsylvania Retail Purchasers**”), and that certain Single Tenant Lease (the “**Pennsylvania Retail Lease**”), by and among certain Pennsylvania Retail Sellers and the Pennsylvania Retail Purchasers, the Pennsylvania Retail Purchaser will purchase from and lease to the Pennsylvania Retail Sellers the Pennsylvania Retail property. The acquisition price, payable in full at closing, is US\$2 million (US\$632 per square foot) subject to adjustments, including certain closing costs.

The Pennsylvania Retail Sellers, jointly and severally, provide fundamental representations and warranties such as those regarding existence and requisite authority to carry on its business. The Pennsylvania Retail Sellers also provide representations and warranties regarding permits or licenses required by any Governmental Authority with respect to leasing the Pennsylvania Retail property to licensed commercial cannabis businesses engaged in the sale or cultivation of cannabis. The Purchase and Sale Agreement contains customary indemnities related to the covenants and representations and warranties. The representations and warranties survive until the expiration of the statute of limitations applicable to the matters covered thereby.

The Purchase and Sale Agreement includes customary pre-closing covenants to conduct business in the ordinary course consistent with past practice, as well as customary closing covenants of the parties, including those relating to (a) examination and information, (b) notification of certain events, and (c) execution and delivery of ancillary documents. The Pennsylvania Retail Seller also covenants (i) to not to lease, nor permit any other person or entity to lease, any of the Pennsylvania Retail property, without the Pennsylvania Retail Purchaser’s prior written consent and (ii) to provide those documents to be included in the Prospectus, including the Pennsylvania Retail Lease.

The closing is conditional on customary closing conditions.

The Pennsylvania Retail Lease is a 10-year corporate guaranteed triple net lease with four five-year extension options. The implied capitalization rate is 10.5% on the projected first year NOI of US\$206,325. Rent will be adjusted annually by the greater of (a) 2.5% of the rent then in effect immediately prior to the date of such increase or (b) the CPI Index figure published for the latest date prior to the Rent Adjustment Date, where the “CPI Index” means the “Consumer Price Index for All Urban Consumers (CPI-U), U. S. City Average-All Items (1982-1984=100)”, published by the Bureau of Labor Statistics of the United States Department of Labor. Additionally, the Pennsylvania Retail Seller shall submit a security deposit of three months rent, which may be funded from the escrow out of the proceeds of the purchase price relating to the Purchase and Sale Agreement. If at any time the Pennsylvania Retail Seller fails or is unable to continue conducting its commercial cannabis business at the Pennsylvania Retail property, the Pennsylvania Retail Purchaser may terminate the Pennsylvania Retail Lease early.

CAPITALIZATION AND USE OF PROCEEDS

The following table sets forth our capitalization at June 30, 2020 and as adjusted to give effect to the Qualifying Transaction and the Private Placement, assuming redemptions of 0% and 10%:

	As at June 30, 2020 prior to giving effect to the Qualifying Transaction and Private Placement (\$US)	As at June 30, 2020 after giving effect to the Qualifying Transaction and Private Placement, and assuming 0% redemptions (\$US)	As at June 30, 2020 after giving effect to the Qualifying Transaction and Private Placement, and assuming 10% redemptions (\$US)
Cash ⁽¹⁾	\$1,283,974	\$122,404,017	\$99,815,236
Securities held in escrow account	\$225,887,813	--	--
Debt			
Restricted Voting Units subject to redemption ⁽²⁾	\$213,498,082	--	--
Debentures	--	\$65,000,000	\$65,000,000
Total Debt	\$213,498,082	\$65,000,000	\$65,000,000
Equity			
Total Unitholders' Equity ⁽³⁾	\$13,652,412	\$224,589,144	\$202,000,363
Total Capitalization	\$227,150,494	\$289,589,144	\$267,000,363
Diluted Units Outstanding⁽⁴⁾	582,063	28,084,875	25,834,875

Notes:

- (1) Cash balances after giving effect to the Qualifying Transaction include: (a) proceeds from the securities held in the Escrow Account, (b) proceeds from the Private Placement net of the original issue discount, and (c) the existing cash balance prior to giving effect to the Qualifying Transaction, net of any redemptions, and cash required for acquisitions, legal expenses and underwriters' commission.
- (2) Restricted Voting Units will be transferred to equity upon completion of the Qualifying Transaction, net of any redemptions.
- (3) Total unitholders' equity includes: (a) proceeds from Restricted Voting Units and interest earned thereon net of redemptions and deferred underwriting commission, and (b) remaining proceeds from the Class B Units, Founders' Proportionate Voting Units, the General Partnership Unit, and is net of the cash required for acquisitions, legal expenses, the original issue discount on the Debentures and the Agents' Commission.
- (4) Diluted units outstanding prior to giving effect to the Qualifying Transaction includes: (a) the Class B Units, (b) Founders' Proportionate Voting Units, and (c) the General Partnership Unit. Diluted units outstanding after giving effect to the Qualifying Transaction and Private Placement includes: (a) the unredeemed Restricted Voting Units (b) Class B Units (c) Founders' Proportionate Voting Units net of 2,625 surrendered Proportionate Voting Units by the Sponsors, (d) the General Partnership Unit, (e) 200,000 Debenture Units (assuming full exercise of the Agents' Option with 50% of the Debentures purchased for \$950 per Debenture and 50% of the Debentures purchased for \$1,000 per Debenture), and (f) the Limited Partnership Units and Exchangeable Units issued as consideration for the acquisition of the Initial Portfolio and Contingent Properties, but excluding the Rights and Contingent Rights.

The REIT LP is not raising any funds in conjunction with this prospectus. Accordingly, there are no proceeds. The REIT LP anticipates having access to the following sources of funding in connection with the Qualifying Transaction:

	Assuming 0% Redemptions (US\$)	Assuming 10% Redemptions (US\$)
Proceeds from IPO held in escrow	\$225,887,813	\$203,299,032
Proceeds from Private Placement	\$63,750,000 ⁽¹⁾	\$63,750,000 ⁽¹⁾
Cash on hand	\$1,283,974	\$1,283,974

Value of purchase price being paid in Units of Exchangeable Units (at US\$10.00 per unit).....	\$13,542,500	\$13,542,500
Total Sources	\$304,464,287	\$281,875,506

Notes:

(1) Assumes Agents' Option is exercised in full (assuming 50% of the Debentures are purchased at a price of \$1,000 per Debenture and 50% of the Debentures are purchased at a price of \$950 per Debenture and before deducting expenses of the Private Placement).

The REIT LP expects that the total available sources of funds shall be used as follows:

	Assuming 0% Redemptions (\$)	Assuming 10% Redemptions (\$)
Purchase price paid in cash.....	\$151,512,500	\$151,512,500
Purchase price paid in Units or Exchangeable Units(at US\$10.00 per unit)	\$13,542,500	\$13,542,500
Estimated closing costs.....	\$4,301,420	\$4,301,420
Transaction costs.....	\$12,703,850	\$12,703,850
Remaining working capital.....	\$122,404,017	\$99,815,236
Total Uses.....	\$304,464,287	\$281,875,506

PRIOR SALES

The REIT LP has not issued any Units or securities convertible into Units during the 12-month period before the date of this prospectus other than pursuant to the IPO and the Private Placement. The REIT LP's currently issued and outstanding Restricted Voting Units and Rights are listed and posted for trading on the Exchange under the symbol "SVX.U" and "SVX.RT.U", respectively.

US HOLDCO

US Holdco is a corporation incorporated under the laws of the State of Delaware. Upon completion of the Merger, the REIT LP will own all of the common and preferred stock of US Holdco. The board of directors of US Holdco will be determined (and may be removed without cause) by the REIT LP; provided that the board of directors of US Holdco shall always be comprised of a majority of U.S. residents.

The operations of US Holdco will be subject to the terms of its constating documents, which will provide, among other things, that US Holdco will operate in a manner consistent with the governance and other terms of the Second A&R LP Agreement, including the investment guidelines and operating principles set out therein.

SUBVERSIVE OP

Upon Closing, Subversive OP will be a Delaware limited liability company governed by the Operating Agreement and the laws of the State of Delaware. The registered office of Subversive OP is located at 135 Grand Street, 2nd Floor, New York, New York 10013. The principal place of business of Subversive OP is located at 135 Grand Street, 2nd Floor, New York, New York 10013. On Closing, the sole holder of Subversive OP's class A units (the "**Class A Units**") will be US Holdco. The board of directors of Subversive OP will be determined (and may be removed without cause) by US Holdco; provided that the board of directors of Subversive OP shall always be comprised of a majority of U.S. residents. Subversive OP will be treated as a partnership for U.S. federal income tax purposes.

The REIT LP is considered an umbrella partnership real estate investment trust (an "**UPREIT**") for U.S. federal income tax purposes. An UPREIT is a structure that REITs often use to acquire real property from sellers on a tax deferred basis for U.S. federal income tax purposes because the sellers can generally accept equity interests and defer

taxable gain otherwise required to be recognized by them upon the disposition of their properties. Such sellers may also desire to achieve diversity in their investment and other benefits afforded to Unitholders in a real estate investment trust. For purposes of satisfying the asset and income tests for qualification as a real estate investment trust for U.S. federal income tax purposes, the REIT LP's proportionate share of the assets and income of Subversive OP will be deemed to be assets and income of the REIT LP, so long as Subversive OP continues to be treated as a partnership for U.S. federal income tax purposes.

Subversive OP

Upon Closing, Subversive OP will have outstanding (i) Class A Units, all of which will be held by US Holdco, and (ii) the Exchangeable Units, all of which will be held by legacy holders of a certain class of units of Subversive OP and certain Counterparties. The Exchangeable Units will, in all material respects, be economically equivalent to the Limited Partnership Units and will be redeemable by the holder thereof for cash or Limited Partnership Units (on a one-for-one basis subject to customary anti-dilution adjustments), as determined by Subversive OP in its sole discretion. It is anticipated that Exchangeable Units may be subsequently issued to U.S. persons in connection with the acquisition of additional properties by the REIT LP in the United States.

Transfers of Class A Units and Exchangeable Units are generally not permitted subject to limited exceptions, including (i) pursuant to the redemption of Exchangeable Units and (ii) transfers from a legal entity to an affiliate, Subsidiary or successor in interest of such entity.

Redemption Rights

The holders of Exchangeable Units, acting individually, have the right to cause Subversive OP to redeem all or a portion of such Exchangeable Units for Limited Partnership Units or a cash payment of equivalent value, as determined by Subversive OP in its sole discretion. If Subversive OP elects to redeem Exchangeable Units for Limited Partnership Units, the REIT LP will generally deliver (indirectly) one Limited Partnership Unit for each Exchangeable Unit redeemed (subject to customary anti-dilution adjustments). In connection with the exercise of these redemption rights, a holder of Exchangeable Units will be required to make certain representations, including that the delivery of Limited Partnership Units upon redemption will not result in such holder owning Limited Partnership Units in excess of the ownership limits in the Second A&R LP Agreement.

Compulsory Acquisition

The Operating Agreement provides that in the event of an acquisition of not less than 90% of the Units (by value) of the REIT LP (including Limited Partnership Units issuable upon the redemption of Exchangeable Units) by a person (including persons acting jointly or in concert with such person), Subversive OP will have the right, subject to applicable laws, to acquire outstanding Exchangeable Units in exchange for an equal number of Limited Partnership Units, subject to adjustments for splits, consolidations and reorganizations in accordance with the Second A&R LP Agreement.

Operation

The Operating Agreement requires that Subversive OP be operated in a manner that will enable the REIT LP to: (i) to satisfy the requirements for being classified as a real estate investment trust for U.S. federal income tax purposes, unless the Board elects for the REIT LP to cease to qualify as a real estate investment trust, (ii) not be subject to any federal income or excise tax liability, unless the Board elects for the REIT LP to cease to qualify as a real estate investment trust, and (iii) ensure that Subversive OP will not be classified as a "publicly traded partnership" for purposes of Section 7704 of the Code, which classification could result in Subversive OP being taxed as a corporation for U.S. federal income tax purposes, rather than as a partnership.

The operations of Subversive OP will be subject to the terms of the Operating Agreement, which will provide, among other things, that Subversive OP will operate in a manner consistent with the governance and other terms of the Second A&R LP Agreement, including the investment guidelines and operating principles set out therein.

Distributions and Allocations of Profits and Losses

The Operating Agreement generally provides that Subversive OP will distribute cash flow from operations and, except as provided below, net sales proceeds from the disposition of assets, to all of the members of Subversive OP *pro rata* in accordance with their ownership interests. Upon the liquidation of Subversive OP, after payment of (or adequate provision for) debts and obligations, any remaining assets of Subversive OP will be distributed in accordance with the distribution provisions contained in the Operating Agreement. The holders of Exchangeable Units will be entitled to receive distributions from Subversive OP proportionately to the distributions made by the REIT LP to holders of Units.

The Operating Agreement provides that generally, net income, net loss and, to the extent necessary, individual items of income, gain, loss or deduction of Subversive OP will be allocated among the members *pro rata* in accordance with their ownership interests.

If the REIT LP elects to cause Subversive OP to admit additional members to Subversive OP, the distributions and allocations of profits and losses to the members generally will be *pro rata* in accordance with their ownership interests.

In addition to the administrative and operating costs and expenses incurred by Subversive OP and its Subsidiaries in acquiring, operating and servicing their assets, Subversive OP will either pay the administrative costs and expenses of US Holdco directly or make cash distributions to reimburse for expenses incurred by US Holdco. For U.S. federal income tax purposes, such expenses will be treated as expenses of Subversive OP. Such expenses will include, but not be limited to:

- administrative and operating costs and expenses and other expenses, including any salaries or other payments to directors, officers and/or employees, including any 401(k) plan or other incentive, bonus or compensation plan, and any accounting and legal expenses;
- costs and expenses relating to the formation and continuity of existence of the REIT LP and the General Partner, including taxes, fees and assessments associated therewith, any and all costs, expenses or fees payable to any director, officer or employee of the REIT LP or the General Partner;
- costs and expenses associated with the preparation and filing of any periodic reports by the REIT LP under Canadian federal or provincial laws or regulations and U.S. federal, state or local laws or regulations;
- costs and expenses associated with compliance by the REIT LP with laws, rules and regulations promulgated by any regulatory body; and
- costs and expenses relating to any issuance, redemption or repurchase of Units or other securities by the REIT LP.

Indemnification

To the fullest extent permitted by law, the Operating Agreement provides for indemnification of any person for any loss incurred by such a person by reason of such person's status as the REIT LP or a director, officer, employee, agent or affiliate of the REIT LP, the General Partner or Subversive OP.

Tax Matters

Pursuant to the Operating Agreement, US Holdco will be the "partnership representative" of Subversive OP for U.S. federal income tax purposes pursuant to Section 6223 of the Code, and as such, will have authority to make tax decisions under the Code on behalf of Subversive OP. Subversive OP will file a U.S. federal income tax return annually on Internal Revenue Service Form 1065 (or such other successor form) or on any other Internal Revenue Service form as may be required.

DESCRIPTION OF THE DEBENTURES

The following is a summary of the material attributes and characteristics of the Debentures. This summary is subject to, and qualified in its entirety by, reference to the terms of the indenture between the REIT LP, a trustee (the “**Trustee**”), and a collateral agent (the “**Collateral Agent**”) and the guarantors from time to time party thereto (the “**Indenture**”), which, following the Closing, may be viewed under the REIT LP’s profile on SEDAR at www.sedar.com.

Debentures

The Debentures are being offered at the price of \$1,000 per Debenture or \$950 per Debenture, as applicable.

The Debentures will be issued under and governed by the Indenture to be entered into between the REIT LP and the Trustee. The Indenture is governed by New York law. The Debentures will initially be guaranteed by certain subsidiaries of the REIT LP who hold any direct or indirect interest in the Initial Portfolio and the real properties acquired after the closing of the Qualifying Transaction with any cash remaining on the balance sheet of the REIT LP at Closing (the “**Issue Date Cash Balance**”), as well as any subsidiaries who hold an interest in the Collateral (as defined below) in the future (collectively, the “**Guarantors**”).

The aggregate principal amount of the Debentures authorized for issuance will be limited to an aggregate principal amount of up to \$65,000,000. The Debentures will be dated as of Closing and will be issuable only in denominations of \$1,000 and integral multiples thereof.

The Debentures will mature in 2024 (the “**Maturity Date**”). The Debentures will bear interest from the date of issue at 6% per annum, which will be payable semi-annually in arrears each March 31 and September 30 (each, an “**Interest Payment Date**”), commencing on March 31, 2021. The principal amount of the Debentures and interest accrued thereon will be payable in lawful money of the United States of America.

The obligations of the REIT LP under the Debentures will be secured by a first-lien mortgage on all properties owned by the REIT LP and the Guarantors at Closing as well as any unencumbered properties acquired with the cash on the REIT LP’s balance sheet after Closing (together with such additional assets as may be added or substituted from time to time in accordance with the Indenture, collectively, the “**Collateral**”), together with equity interests in any intermediary holding companies. Prior to a Fall-Away Event, the Indenture will restrict the REIT LP and the Guarantors from incurring unsecured debt, subject to compliance with a ratio incurrence test. The Indenture will also prohibit the REIT LP and the Guarantors from granting additional liens on the Collateral other than certain customary permitted liens. Subsidiaries of the REIT LP that are not Guarantors shall not be subject to restrictions under the Indenture.

The Debentures and Conversion Limited Partnership Units (as defined below) will not be registered under the U.S. Securities Act or under the securities laws of any state of the United States and the Debentures will not be convertible unless an exemption from registration under the U.S. Securities Act and any applicable state securities law is available.

Payments

Payments of interest and principal on the Debentures will be made to CDS or its nominee, as the case may be, as the registered holder of the Debentures. As long as CDS is the registered holder of the Debentures, CDS or its nominee will be considered the sole legal owner of the Debentures for the purposes of receiving payments of interest and principal on the Debentures and for all other purposes under the Indenture and the Debentures. The record date for the payment of interest will be each March 15 and September 15. Interest payments on Debentures will be made by (i) cheque mailed to addresses of the persons entitled thereto as such addresses shall appear on the registry maintained by the registrar for the Debentures or (ii) wire transfer to an account located in the United States maintained by the payee.

Conversion Privilege

Each holder of a Debenture will have the right, at such holder’s option (except for certain holders, as described in the Indenture), to convert all or any portion (if the portion to be converted would result in the issuance of at least one

whole Limited Partnership Unit upon conversion) of such Debenture (each a “**Conversion Limited Partnership Unit**”) at any time prior to the close of business of the earliest of: (i) the last business day before the Maturity Date or (ii) if called for redemption, the last business day immediately preceding the date fixed for redemption of the Debentures, at a conversion rate of 86.957 Limited Partnership Units (at an initial conversion price of \$11.50 per Limited Partnership Unit (the “**Conversion Price**”)) per \$1,000 principal amount of Debentures, subject to adjustment (including in connection with the distribution of the Contingent Rights) as set forth in the Indenture. Upon exercise, each holder of a Debenture will have the option to take all or a portion of its proportionate share of the Contingent Rights (based on its entitlement to the Conversion Limited Partnership Units at such time) in lieu of the adjustment to the Conversion Price resulting from the distribution of the Contingent Rights.

Holders of Debentures will, in addition to the applicable number of Conversion Limited Partnership Units to be received on conversion, receive accrued and unpaid interest, if any, for the period from the last Interest Payment Date on their Debentures to and including the last record date set by the REIT LP prior to the date of conversion for determining the unitholders entitled to receive a distribution on the Limited Partnership Units.

Subject to the provisions thereof, the Indenture will provide for the adjustment of the applicable Conversion Price in certain events including: (i) the split, subdivision, reclassification or combination of the outstanding Limited Partnership Units of the REIT LP; (ii) certain distributions to holders of Limited Partnership Units by the REIT LP (excluding distributions of its Limited Partnership Units); (iii) a *pro rata* repurchase of Limited Partnership Units by the REIT LP; and (iv) if monthly cash distributions by the REIT LP to holders of Limited Partnership Units exceed \$0.0542 per Limited Partnership Unit, each as further described in the Indenture.

Optional Redemption

The Debentures may not be redeemed by the REIT LP prior to the third anniversary of the date of issuance of the Debentures (the “**Issue Date**”). On and from the third anniversary of the Issue Date and prior to the Maturity Date, the Debentures may be redeemed by the REIT LP, in whole at any time or in part from time to time, without premium or penalty, at a price equal to the principal amount thereof plus all accrued and unpaid interest thereon.

Payment Upon Maturity

At maturity, the REIT LP will repay the indebtedness represented by the Debentures then outstanding by paying the Trustee in lawful money of the United States of America an amount equal to the aggregate principal amount of the outstanding Debentures which are to be redeemed or which have matured, together with all accrued and unpaid interest thereon, less any tax required by law to be deducted.

Covenants

1) Change of Control

Upon a Change of Control with respect to the Debentures, the REIT LP will offer payment in cash equal to 101% of the aggregate principal amount of Debentures repurchased plus accrued and unpaid interest, if any, on the Debentures repurchased, to the date of purchase (the “**Debenture Offer Price**”). The REIT LP will not be required to make such an offer upon the occurrence of a Change of Control if a third party makes such an offer and repurchases all Debentures validly tendered and not withdrawn under its offer. If 90% or more of the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control to the Trustee have been tendered to the REIT LP in connection with a Change of Control offer, the REIT LP will have the right to redeem all the remaining Debentures at the Debenture Offer Price.

A “**Change of Control**” will be defined in the Indenture as, subject to certain exceptions, (i) any transfer of all or substantially all of the assets of the REIT LP and the Operating Guarantors to any person or group other than the REIT LP or the Guarantors; (ii) a person or group becoming, directly or indirectly, the beneficial owner of more than 50% of the voting power of the REIT LP; or (iii) the first day on which a majority of the members of the board of directors of the General Partner cease to be continuing directors.

In the event of a Cash Change of Control, during the period beginning on the day the Change of Control notice is delivered and ending 5 business days prior to the payment date in respect of the Change of Control, debentureholders

will be entitled to convert their Debentures and, subject to certain limitations, receive, in addition to the number of Conversion Limited Partnership Units they would otherwise be entitled to receive, an additional number of Conversion Limited Partnership Units per \$1,000 principal amount of Debentures at a new conversion price (the “**Cash Change of Control Conversion Price**”), which will be calculated as follows (all such information to be confirmed to the Trustee and debentureholders by the REIT LP in the Change of Control notice):

- Cash Change of Control Conversion Price = $ECP / (1 + CP \times (c/t))$, where:
 - o ECP is the Conversion Price in effect on the date (the “**Cash Change of Control Effective Date**”) that is ten trading days prior to the effective date of the Cash Change of Control
 - o CP = 20%
 - o c = the number of days from and including the Cash Change of Control Effective Date to but excluding the third anniversary of the Issue Date; and
 - o t = the number of days from and including the Issue Date to but excluding the third anniversary of the Issue Date.

2) *Asset Dispositions*

The REIT LP and certain of the Guarantors shall not consummate any Asset Disposition, unless:

- (a) after giving effect to such Asset Disposition and any concurrent addition or substitution of any property or assets to form part of the Collateral, the Collateral Coverage Ratio would be equal to or greater than 3.25:1.00; or
- (b) within 30 days from the date of such Asset Disposition or the receipt by the REIT LP or the applicable guarantor of the net available cash from such Asset Disposition (the “**Net Available Cash**”), the Net Available Cash is applied towards:
 - a. the addition or substitution of additional Collateral in an amount (based on the lower of (A) the purchase price and (B) the appraised value (as set out in a valuation issued by an independent third party appraiser), in either case, of such added or substituted Collateral) of equal to or greater than the Collateral Coverage Required Amount (if the Collateral Coverage Required Amount is greater than zero); or
 - b. any additional Net Available Cash in excess of the amount required in subsection (i) is used to repurchase Debentures at an amount equal to 101% of the aggregate principal amount of Debentures repurchased plus accrued and unpaid interest, if any, on the Debentures repurchased, to the date of purchase.

No asset dispositions will be permitted among the REIT LP and any of its Subsidiaries that have not provided a guarantee and granted security in respect of the Debentures.

3) *Other Covenants*

The Indenture will provide for additional covenants, including, but not limited to:

- limitations on transactions with affiliates, subject to certain exceptions;
- limitations on the ability of the REIT LP to consolidate, amalgamate or merge with another Person or assign, transfer, lease, convey or otherwise dispose of substantially all of its assets, subject to certain exceptions;
- the REIT LP using reasonable commercial efforts to maintain the listing of the Limited Partnership Units and the Debentures on the Exchange, and maintaining its status as a reporting issuer under Canadian securities legislation; and
- the REIT LP maintaining its status as a “real estate investment trust” within the meaning of the Code.

Events of Default

The Indenture will provide for customary events of default (each, an “**Event of Default**”) in respect of the Debentures, including, but not limited to: payment defaults continuing unremedied for 30 days; failure of the REIT LP to observe

and perform any of its material covenants or agreements pursuant to the Indenture for a period of 30 days following written notice thereof; bankruptcy or insolvency-like proceedings commenced by the REIT LP or its General Partner; failure by the REIT LP to perform its obligations under the change of control, asset disposition or successor provisions of the Indenture; failure by the REIT LP or any Guarantor to pay final judgments in excess of \$4.0 million; any notes, debentures, bonds or other indebtedness in an aggregate principal amount of at least \$4.0 million becoming due and payable prior to maturity following default by the REIT LP or any Guarantor thereunder; and the failure of the REIT LP to deliver, when due, any Conversion Limited Partnership Units or other consideration payable upon the conversion of the Debentures continuing unremedied for 15 days.

Upon the occurrence and during the continuation of an Event of Default, the obligations of the REIT LP may be accelerated in accordance with the terms of the Indenture.

Approval Thresholds

The rights of the debentureholders may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture will contain certain provisions which will make binding on all debentureholders certain amendments, supplements, or waivers consented to by the holders of at least a majority in aggregate principal amount of the Debentures then outstanding. Notwithstanding the foregoing, (i) changes to the maturity date, redemption price, principal amount of debentures or changes that would adversely affect the conversion rights under the Indenture, among others, will require consent of each affected holder; and (ii) changes relating to the release of Collateral, release of Guarantors from their guarantees and the amendment of the REIT LP's obligations under certain covenants (including restrictions on debt, liens and asset dispositions), among others, will require consent of the holders of not less than 66 2/3% of the aggregate principal amount of the Debentures then outstanding.

DISTRIBUTION POLICY

We have not paid any cash distributions on our units to date and we do not intend to declare or pay any cash distributions prior to the completion of the Qualifying Transaction. The following outlines the distribution policy of the REIT LP to be adopted pursuant to the Second A&R LP Agreement. Determinations as to the amounts distributable, however, will be made in the sole discretion of the board of directors of the General Partner from time to time.

Distribution Policy

The REIT LP initially expects to generate monthly cash distributions in the estimated amount of US\$0.0542 per Limited Partnership Unit, and through Subversive OP, to holders of Exchangeable Units, which will provide Unitholders with an approximate Annual Cash Distribution Yield of approximately 6.5% (assuming a price per Limited Partnership Unit of US\$10.00) which is approximately 2.2 times greater than industry benchmark. Such aggregate distributions initially will be equal to, on an annual basis, approximately 90% of the REIT LP's expected 2021 AFFO. See "Non-IFRS Measures" and "Risk Factors". Management of the REIT LP believes that the 90% AFFO Payout Ratio initially set by the REIT LP should allow the REIT LP to meet its internal funding needs. However, subject to compliance with the Second A&R LP Agreement, the actual AFFO Payout Ratio will be determined by the board of directors of the General Partner in their discretion. Pursuant to the Second A&R LP Agreement, the directors have full discretion respecting the timing and amounts of distributions including the adoption, amendment or revocation of any distribution policy. It is the REIT LP's current intention to make distributions to Unitholders at least equal to the amount of Net Income and net realized capital gains of the REIT LP as is necessary to ensure that the REIT LP will not be liable for ordinary income taxes on such income.

Because the REIT LP will be treated as a real estate investment trust for U.S. federal income tax purposes, distributions paid by the REIT LP to Canadian investors that are made out of the REIT LP's current or accumulated earnings and profits (as determined under U.S. federal income tax principles) generally will be subject to U.S. withholding tax at a rate of 30%, which may be reduced to 15% for investors that qualify for benefits under the Treaty. To the extent a Canadian investor is subject to U.S. withholding tax in respect of distributions paid by the REIT LP on the Units out of the REIT LP's current or accumulated earnings and profits, the amount of such tax generally will be eligible for foreign tax credit or deduction treatment, subject to the detailed rules and limitations under the Tax Act. The foregoing is qualified by the more detailed summary in this prospectus. Distributions in excess of the REIT LP's current and

accumulated earnings and profits that are distributed to Canadian investors that have not owned (or been deemed to own) more than 10% of the outstanding Units generally will not be subject to U.S. withholding tax, although there can be no assurances that withholding on such amounts will not be required. The composition of distributions for U.S. federal income tax purposes may change over time, which may affect the after-tax return to Unitholders. Qualified residents of Canada that are tax-exempt entities established to provide pension, retirement or other employee benefits (including trusts governed by an RRSP, RRIF or DPSP, but excluding trusts governed by a TFSA, RESP or RDSP) may be eligible for an exemption from U.S. withholding tax. The foregoing is qualified by the more detailed summary in this prospectus. See “Certain Canadian Federal Income Tax Considerations” and “Certain Canadian Federal Income Tax Considerations”. See also “Risk Factors”.

Pursuant to the REIT LP’s distribution policy, Unitholders of record as at the close of business on the applicable distribution record date determined by the directors from time to time will have an entitlement to receive distributions on such Distribution Date. Distributions may be adjusted for amounts paid in prior periods if the actual AFFO for the prior periods is greater than or less than the estimates for the prior periods. Under the Second A&R LP Agreement and pursuant to the distribution policy of the REIT LP, where the REIT LP’s cash is not sufficient to make payment of the full amount of a distribution, such payment will, to the extent necessary, be distributed in the form of additional Units. In exercising their discretion to declare a cash distribution on the Units, the directors shall confirm that Subversive OP has or will have sufficient funds to make a corresponding cash distribution on the Exchangeable Units in accordance with their terms. See “Distribution Policy” and “Certain Canadian Federal Income Tax Considerations”.

The first distribution will be for the period from Closing to November 30, 2020 and will be paid on December 15, 2020, in the estimated amount of US\$0.0542 per Unit, assuming Closing occurs in the first half of November 2020.

The ability of the REIT LP to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of the REIT LP and will be subject to various factors including financial performance, obligations under applicable credit facilities and debt instruments and restrictions on payment of distributions thereunder on the occurrence of an event of default, fluctuations in working capital, the sustainability of income derived from the residents of the REIT LP’s properties and any capital expenditure requirements. See “Risk Factors”.

PLAN OF DISTRIBUTION

This prospectus qualifies the distribution of the Debentures and the Debenture Units upon the automatic conversion of the Outstanding Subscription Receipts and the distribution of the Additional Subscription Receipts on the exercise of the Agents’ Option, to the extent applicable, in each of the provinces and territories of Canada. The terms of the Private Placement, including the Offering Price, were determined by an arm’s length negotiation between the REIT LP and the Agents. Compass Point is registered as a broker dealer in the United States, and is not registered to sell securities in any Canadian jurisdiction. Accordingly, Compass Point only issued Outstanding Subscription Receipts, and will only distribute Additional Subscription Receipts, to the extent applicable, in the U.S. pursuant to exemptions from registration requirements in the U.S. and any other jurisdictions where such sales are permissible. The Debentures and Debenture Units will not be registered under the U.S. Securities Act.

The subscribers of the Subscription Receipts will fund the Offering Price, subject to satisfaction of certain funding conditions, on conversion of the Subscription Receipts. The Outstanding Subscription Receipts were sold, and the Additional Subscription Receipts will be sold, to the extent applicable, by the Agents on a “best efforts basis” pursuant to certain exemptions from the prospectus requirements of applicable securities legislation in the Qualifying Jurisdictions and in compliance with laws applicable to each subscriber. There is no market through which the Subscription Receipts may be sold and none is expected to develop.

On Closing, the Subscription Receipts shall convert into US\$40.0 million aggregate principal amount of Debentures of the REIT LP at Offering Price and 137,500 Debenture Units. The subscribers of the Subscription Receipts will fund the Offering Price on conversion of the Subscription Receipts. The REIT LP has also granted the Agents, a non-transferable Agents’ Option to purchase Additional Subscription Receipts. The Private Placement is subject to customary closing conditions, including that the REIT LP has received final listing approval from the Exchange and a receipt for the final non-offering prospectus and has fulfilled certain covenants as further described in the Agency Agreement.

The Agency Agreement also provides that the REIT LP will pay to the Agents the Agents' Fee of US\$1,600,000 (or US\$2,600,000 assuming the Agents' Option is exercised), representing 4.0% of the gross proceeds of the Private Placement in consideration for their services in connection with the Private Placement. The Agents will also receive additional payment for expenses and disbursements incurred in connection with the Private Placement, including legal fees and reasonable out-of-pocket expenses.

There are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder or any other person or company in connection with the Private Placement other than the payments to be made to the Agents in accordance with the terms of the Agency Agreement.

Subject to the terms of the Agency Agreement, the REIT LP has agreed to indemnify the Agents and their subsidiaries and affiliates and each of their directors, directors, officers, employees, shareholders and agents of the Agents against certain liabilities and expenses, or to contribute to any payments the Agents may be required to make in respect thereof.

The REIT LP has provided customary covenants to the Agents including, but not limited to, the REIT LP's existence, business and operations as fully expressed in the Agency Agreement.

The obligations of the Agents under the Agency Agreement are conditional and may be terminated at their discretion pursuant to, among other clauses, the "disaster out", "regulatory out", and "material change out" provisions in the Agency Agreement.

Closing of the Private Placement is expected to take place concurrently with the closing of the Qualifying Transaction. The Private Placement will close subject to all conditions specified in the Agency Agreement for the closing have been satisfied or waived and if the Agents have not exercised any right to terminate the Private Placement.

The completion of the Qualifying Transaction is also conditional upon, among other things, approval by the Exchange. The Exchange has conditionally approved the continued listing of the Limited Partnership Units, including the Limited Partnership Units issuable in connection with the Qualifying Transaction (including, for greater certainty, upon the redemption of the Exchangeable Units), the Debenture Units and the units underlying the Debentures, and the Rights. The Exchange has also conditionally approved the listing of the Debentures under the symbol SVX.DB.U. The REIT LP has applied to list the Contingent Rights on the Exchange under the symbol SVX.RT.C. Continued listing of the Limited Partnership Units and the Rights and the listing of the Debentures and Contingent Rights is subject to the REIT LP fulfilling all of the requirements of the Exchange, which cannot be guaranteed. There can be no assurance that final listing approval will be obtained and even if obtained, that an active and liquid market for the Limited Partnership Units, the Debentures or the Contingent Rights will develop or be maintained and an investor may find it difficult to resell any securities of the REIT LP. See "Risk Factors".

Global certificates representing the aggregate number of Debentures or separate electronic deposits pursuant to the non-certificated inventory system maintained by CDS and global certificates representing the aggregate number of Debenture Units or separate electronic deposits pursuant to the non-certificated inventory system maintained by CDS will be used to evidence the securities issued pursuant to the Private Placement.

ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

Except as set out below, to the knowledge of the REIT LP, on Closing, no securities of any class of securities of the REIT LP will be held in escrow or subject to contractual restrictions on transfer.

In connection with the Private Placement, on Closing, the Sponsor will, pursuant to the terms of the Relinquishment Agreement and the Second A&R LP Agreement, relinquish 42,500 Proportionate Voting Units. In addition, pursuant to the terms of the Second A&R LPA, the holders of the Proportionate Voting Units shall (a) not be entitled to distributions with respect to 5,061.25 Proportionate Voting Units until the earlier of 12 months from Closing or the date on which Unitholders achieve a 20% Total Unitholder Return and (b) not be entitled to distributions with respect to 10,000 Proportionate Voting Units until the earlier of (i) the listing of the REIT LP units on a recognized major U.S. exchange, and (ii) cannabis production and sale becoming federally legal in the United States, and, if no such event occurs within 10 years of Closing, relinquish such Proportionate Voting Units. Proportionate Voting Units will not be convertible into Limited Partnership Units while subject to the foregoing restrictions.

PRINCIPAL UNITHOLDERS

Following the Closing, no persons or companies will own of record, or who, to the knowledge of the REIT LP, will own beneficially, directly or indirectly, more than 10% of any class or series of our voting securities.

INVESTMENT GUIDELINES AND OPERATING POLICIES

Investment Guidelines

The Second A&R LP Agreement provides that the assets of the REIT LP may only be invested, and the REIT LP shall not permit the assets of any subsidiary entity to be invested otherwise than with the approval of the General Partner, in accordance with the following investment guidelines:

- (a) notwithstanding any other provisions of the Second A&R LP Agreement, the REIT LP shall not make any investment, take any action or omit to take any action that would result in the Limited Partnership Units not being a “qualified investment” for investment in Registered Plans;
- (b) notwithstanding any other provisions of the Second A&R LP Agreement, the REIT LP shall not make any investment or take any action or omit to take any action (i) which would cause the REIT LP to be considered to be carrying on business in Canada within the meaning of the Tax Act (or proposed amendments thereto) or to have disposed (or be deemed to have disposed) of any “taxable Canadian property” (as defined in the Tax Act), in either case at any time during a Taxation Year or (ii) if following such investment, action, or failure to take an action, the Limited Partnership Units would be “taxable Canadian property” (as defined in the Tax Act);
- (c) the business of the REIT LP shall be limited to and conducted in such a manner as to permit the REIT at all times to be classified as a Real Estate Investment Trust (as defined in the Code) for U.S. federal income tax purposes, unless the Board has unanimously determined, at its full discretion, that the REIT cease qualifying as a real estate investment trust under the Code;
- (d) except as otherwise permitted in the Second A&R LP Agreement, the REIT LP may only invest in direct and indirect interests (including fee ownership, mortgage interests (which may or may not be first ranking) and leasehold interests) in real estate properties (including, for greater certainty, assets that are used in cannabis industries), assets ancillary thereto necessary for the operation of such real estate and such other activities as are consistent with the other investment guidelines of the REIT LP;
- (e) the REIT LP may directly or indirectly, invest in a joint venture arrangement for the purposes of owning interests or investments otherwise permitted to be held by the REIT LP; provided that such joint venture arrangement contains terms and conditions which, in the opinion of management, are commercially reasonable, including such terms and conditions relating to restrictions on the transfer, acquisition and sale of the REIT LP’s and any joint venturer’s interest in the joint venture arrangement, provisions to provide liquidity to the REIT LP, provisions to limit the liability of the REIT LP and its Unitholders to third parties, and provisions to provide for the participation of the REIT LP in the management of the joint venture arrangement. For purposes of the foregoing, a joint venture arrangement is an arrangement between the REIT LP and one or more other persons pursuant to which the REIT LP, directly or indirectly, conducts an undertaking for one or more of the purposes set out in the investment guidelines of the REIT LP and in respect of which the REIT LP may hold its interest jointly or in common or in another manner with others either directly or through the ownership of securities of a corporation or other entity, including a limited partnership or a limited liability company;
- (f) except for temporary investments held in cash, deposits with a United States or Canadian chartered bank or trust company registered under the laws of a province of Canada or U.S. state, short-term government debt securities and except as otherwise permitted pursuant to the investment guidelines and operating policies of the REIT LP, the REIT LP may not hold securities other than to the extent such securities would constitute an investment in real property (as determined by the Board) and

provided further that, notwithstanding anything contained in the Second A&R LP Agreement to the contrary, but in all events subject to paragraph (a) above, the REIT LP may hold securities of a person: (a) acquired in connection with the carrying on, directly or indirectly, of the REIT LP's activities (including the acquisition of properties or the origination of mortgage loans) or the holding of its assets; or (b) which focuses its activities primarily on the activities described in paragraph (d) above, provided in the case of any proposed investment or acquisition which would result in the beneficial ownership of more than 10% of the outstanding securities of an issuer (the "**Acquired Issuer**"), the investment is made for the purpose of subsequently effecting the merger or combination of the business and assets of the REIT LP and the Acquired Issuer or for otherwise ensuring that the REIT LP will control the business and operations of the Acquired Issuer;

- (g) the REIT LP shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- (h) the REIT LP shall not invest, directly or indirectly, in operating businesses unless: (i) revenue will be principally associated with the ownership, directly or indirectly, of real property; or (ii) it principally involves the ownership, maintenance, development, improvement, leasing or management, directly or indirectly, of a property (in each case as determined by the Board); or (iii) it is an indirect investment and is incidental to a transaction which satisfies (i) or (ii) above;
- (i) the REIT LP shall not invest in raw land for development, except (i) for existing properties with additional development or properties adjacent to existing properties of the REIT LP for the purpose of the renovation or expansion of existing properties, or (ii) the development of new properties which will be capital property of the REIT LP, provided that the aggregate value of the investments of the REIT in raw land, excluding raw land under development, after giving effect to the proposed investment, will not exceed 10% of Gross Book Value; and
- (j) the REIT LP may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any debt incurred or assumed in connection with such investment) up to 10% of the Gross Book Value of the REIT LP in investments which do not comply with one or more of paragraphs (d), (f), (g) and (i).

For the purpose of the foregoing guidelines, the assets, liabilities and transactions of a corporation, trust or other entity wholly or partially owned by the REIT LP will be deemed to be those of the REIT LP on a proportionate consolidation basis. Except as specifically set forth in the Second A&R LP Agreement to the contrary, all of the foregoing prohibitions, limitations or requirements for investment shall be determined as at the date of investment by the REIT LP, subject to REIT LP's investment guidelines and operating policies.

Operating Policies

The operations and affairs of the REIT LP shall be conducted in accordance with the following policies, the whole subject to the investment guidelines above:

- (a) the REIT LP shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof: the term "hedging" shall have the meaning ascribed thereto by National Instrument 81-102 adopted by the Canadian Securities Administrators, as amended from time to time;
- (b) the REIT LP shall not incur or assume any indebtedness if, after giving effect to the incurring or assumption of the indebtedness, the total consolidated indebtedness of the REIT LP would be more than 60% of the Gross Book Value. For the purposes of this paragraph, the term "indebtedness" means any obligation of the REIT LP for borrowed money, including the face amount outstanding under any convertible debentures but excluding any premium in respect of indebtedness assumed by the REIT LP for which the REIT LP has the benefit of an interest rate subsidy, but only to the extent an amount receivable has been excluded in the calculation of Gross Book Value with respect to such interest rate subsidy, provided that:

- (i) an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated statement of financial position of the REIT LP in accordance with IFRS,
 - (ii) indebtedness excludes trade accounts payable, distributions payable to Unitholders, accrued liabilities arising in the ordinary course of business and short term acquisition credit facilities, and
 - (iii) indebtedness excludes any amount shown on the consolidated statement of financial position of the REIT LP in accordance with IFRS in respect of the Exchangeable Units, if they shall be characterized as a liability under IFRS;
- (c) the REIT LP will not directly or indirectly guarantee any indebtedness or liabilities of any kind of any person, except indebtedness or liabilities assumed or incurred by a person in which the REIT LP holds an interest, directly or indirectly, or by an entity jointly-owned by the REIT LP with joint venturers and operated solely for the purpose of holding a particular property or properties where such indebtedness, if granted by the REIT LP directly, would not cause the REIT LP to otherwise contravene the guidelines set out within the Second A&R LP Agreement. The REIT LP is not required but shall use its reasonable best efforts to comply with this requirement if doing so is necessary or desirable in order to further the initiatives of the REIT LP permitted under the Second A&R LP Agreement;
- (d) the REIT LP shall obtain and maintain at all times insurance coverage in respect of potential liabilities of the REIT LP and the accidental loss of value of trust property of the REIT LP from risks, in amounts, with such insurers, and on such terms as the General Partner consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties; and
- (e) the REIT LP shall have obtained an appraisal of each real property that it intends to acquire and an engineering survey with respect to the physical condition thereof, in each case, by an independent and experienced consultant, unless the requirement for such an appraisal or engineering survey is waived by a majority of the independent directors of the General Partner;
- (f) the REIT LP shall obtain or review a Phase I environmental site assessment of each real property to be acquired by it (dated within eighteen months of the date of acquisition) and, if the Phase I environmental site assessment report recommends that a further environmental site assessment be conducted, the REIT shall have conducted such further environmental site assessments, in each case by an independent and experienced environmental consultant and, as a condition to any acquisition, such assessments shall be satisfactory to the Board; and
- (g) the REIT shall not engage in any sales of properties, directly or indirectly, if it would subject the REIT to tax under Section 857 of the Code.

For the purpose of the foregoing policies, the assets, liabilities and transactions of a corporation, trust or other entity wholly or partially owned by the REIT LP will be deemed to be those of the REIT LP on a proportionate consolidated basis. In addition, any references in the foregoing investment restrictions and operating policies to investment in securities (which would otherwise constitute an investment in real property) will be deemed to include an investment in a joint venture. Except as specifically set forth to the contrary in the Second A&R LP Agreement, the foregoing prohibitions, limitations or requirements pursuant to the foregoing policies shall be determined as at the date of investment or other action by the REIT LP, but always subject to its investment guidelines and operating policies and will be constantly monitored for the purposes of the latter provisions.

Amendments to Investment Guidelines and Operating Policies

The investment guidelines set out in the Second A&R LP Agreement and the operating policies set out under the heading “Investment Guidelines and Operating Policies – Operating Policies” may be amended only by Special

Resolution of Unitholders. The remaining operating policies may be amended with the approval of a majority of the votes cast by Unitholders at a meeting called for such purpose.

Application of Investment Guidelines and Operating Policies

With respect to the investment guidelines and operating policies contained in the Second A&R LP Agreement, where any maximum or minimum percentage limitation is specified in any of the guidelines and policies therein contained, such guidelines and policies shall be applied on the basis of the relevant amounts calculated immediately after the making of such investment or the taking of such action. Any subsequent change relative to any percentage limitation which results from a subsequent change in the Gross Book Value will not require divestiture of any investment.

Regulatory Matters

If at any time a government or regulatory authority having jurisdiction over the REIT LP or any property of the REIT LP shall enact any law, regulation or requirement which is in conflict with any investment guideline of the REIT LP then in force (other than the restriction on making any investments, taking action or omitting to take any action that would result in Units not being a “qualified investment”, for investment by Plans), such guideline in conflict shall, if the directors on the advice of legal counsel to the General Partner so resolve, be deemed to have been amended to the extent necessary to resolve any such conflict and, notwithstanding anything to the contrary in the Second A&R LP Agreement, any such resolution of the General Partner shall not require the prior approval of Unitholders.

CAPITAL STRUCTURE

Overview

The rights and obligations of the Unitholders are currently governed by the First A&R LP Agreement, the rights and obligations of the holders of Rights are governed by the Rights Agreement and the rights and obligations of the holders of Contingent Rights are governed by the Contingent Rights Agreement. Following Closing, the rights and obligations of the Unitholders will be governed by the Second A&R LP Agreement.

The REIT LP is currently authorized to issue an unlimited number of Proportionate Voting Units and an unlimited number of Restricted Voting Units. Following Closing, the REIT LP will be authorized to issue an unlimited number of Proportionate Voting Units and an unlimited number of Limited Partnership Units.

In connection with the Qualifying Transaction, each of the holders of Restricted Voting Units will be entitled, provided that they deposit their Restricted Voting Units for redemption prior to the Redemption Election Deadline, to have their Restricted Voting Units redeemed. Subject to applicable law, effective immediately prior to Closing, all Restricted Voting Units validly deposited for redemption shall be redeemed for the Qualifying Acquisition Redemption Price per Restricted Voting Unit redeemed, payable in cash. Upon payment in cash of the Qualifying Acquisition Redemption Price, the holders of the Restricted Voting Units so redeemed will have no further rights in respect of the Restricted Voting Units. Upon the Closing, (a) the class of Restricted Voting Units shall be automatically renamed “Limited Partnership Units” with no action taken on the part of the holders thereof, as set forth in the First A&R LP Agreement, (b) holders of Rights will be entitled to receive, for no additional consideration, one Limited Partnership Unit for every eight Rights held, subject to adjustment under the terms of the Rights Agreement, and (c) the REIT LP shall be authorized to issue two classes of securities: Limited Partnership Units and Proportionate Voting Units. Following Closing, the REIT LP shall distribute the Contingent Rights to the Holders of Record.

Notwithstanding any of the foregoing, no registered or beneficial holder of Restricted Voting Units (other than CDS) that, together with any Affiliate thereof or any person acting jointly or in concert therewith, shall be entitled to require the REIT LP to redeem Restricted Voting Units in excess of the Redemption Limitation. See “The Qualifying Transaction – Redemption Rights”.

After giving effect to the Qualifying Transaction, the conversion of Rights and the issuance of Debenture Units issued upon the conversion of the Subscription Receipts, assuming redemption levels of 0% and 10%, respectively, the following securities are expected to be issued and outstanding: 27,456,813 Limited Partnership Units and 35,063 Proportionate Voting Units, and 21,831,813 Limited Partnership Units and 35,063 Proportionate Voting Units, respectively. These amounts do not reflect the Contingent Rights and assume full exercise of the Agents’ Option with

50% of the Debentures purchased for \$950 per Debenture and 50% of the Debentures purchased for \$1,000 per Debenture.

A summary of the rights, privileges, restrictions and conditions attaching to Restricted Voting Units is contained in the REIT LP's final long form prospectus dated December 23, 2019, which has been filed on SEDAR at www.sedar.com. For a complete description of such securities, and of the Rights and the Contingent Rights, please refer to the First A&R LP Agreement, Rights Agreement and Contingent Rights Agreement, respectively, which have also been filed on SEDAR at www.sedar.com. For a complete description of the Proportionate Voting Units and the Limited Partnership Units, please refer to the Second A&R LP Agreement, which has been or will be filed on SEDAR at www.sedar.com. See also "Summary of the Second A&R LP Agreement" below.

General Description of Units

Except as otherwise stated in this prospectus, the Limited Partnership Units and the Proportionate Voting Units have the same rights, are equal in all respects and are treated by the REIT LP as if they were units of one class only. The following is a general summary of certain material features of those units.

Interests of Unitholders

Each Proportionate Voting Unit and Limited Partnership Unit when issued shall vest indefeasibly in the holder thereof. The interest of each Unitholder shall be determined by the number of Proportionate Voting Units and Limited Partnership Units, as applicable, registered in the name of the Unitholder (with each Proportionate Voting Unit multiplied by 100 for this purpose).

Consideration for Units

No Proportionate Voting Units and Limited Partnership Units shall be issued other than as fully paid and non-assessable. A Unit shall not be fully paid until the consideration therefore has been received in full by or on behalf of the REIT LP. The consideration for any Unit shall be paid in money or in property or in past services that are not less in value than the fair equivalent of the money that the REIT LP would have received if the Proportionate Voting Units and/or Limited Partnership Units had been issued for money. In determining whether property or past services are the fair equivalent of consideration paid in money, the General Partner may take into account reasonable charges and expenses of organization and reorganization and payments for property and past services reasonably expected to benefit the REIT LP.

No Pre-Emptive Rights

Holders of Proportionate Voting Units and Limited Partnership Units will not have any pre-emptive or redemption rights.

Fractional Units

If any person becomes entitled to a fraction of a Proportionate Voting Unit, such person shall not be entitled to receive a certificate therefore. Fractional units shall entitle the holders thereof to notice of or to attend or to vote at, meetings of Unitholders. Subject to the foregoing, such fractional units shall have attached thereto the rights, restrictions, conditions and limitations attaching to whole units in the proportion that they bear to a whole unit.

Allotment and Issue

The General Partner may allot and issue Proportionate Voting Units and Limited Partnership Units at such time or times and in such manner (including, without limitation, pursuant to any plan from time to time in effect relating to reinvestment by Unitholders of distributions of the REIT LP in Units) and for such consideration and to such person or class of persons as the General Partner in its sole discretion shall determine. In the event that Proportionate Voting Units and the Limited Partnership Units are issued in whole or in part for a consideration other than money, the resolution of the General Partner allotting and issuing such units shall express the fair equivalent in money of the other consideration received. The price or value of the consideration for which the respective units may be issued will be

determined by the General Partner in its sole discretion, generally in consultation with investment dealers or brokers who may act as agents or underwriters in connection with offerings of Units.

Transferability

The Limited Partnership Units are freely transferable, except in limited circumstances set forth in the Second A&R LP Agreement. The General Partner shall use all reasonable efforts to obtain and maintain a listing for the Limited Partnership Units on one or more stock exchanges. Restrictions on the transfers of Proportionate Voting Units are as set out below.

Subdivision or Consolidation

The Proportionate Voting Units shall not be consolidated or subdivided unless the Limited Partnership Units are simultaneously consolidated or subdivided utilizing the same divisor or multiplier. The Limited Partnership Units shall not be consolidated or subdivided unless the Proportionate Voting Units are simultaneously consolidated or subdivided utilizing the same divisor or multiplier.

Distribution and Allocation of Income and Losses

Distributions of Distributable Cash

Pursuant to the terms of the Second A&R LP Agreement, the holders of the Proportionate Voting Units shall (a) not be entitled to distributions with respect to 5,061.25 Proportionate Voting Units until the earlier of 12 months from Closing or the date on which Unitholders achieve a 20% Total Unitholder Return, (b) not be entitled to distributions with respect to 10,000 Proportionate Voting Units until the earlier of (i) the listing of the REIT LP units on a recognized major U.S. exchange, and (i) cannabis production and sale becoming federally legal in the United States, and, if no such event occurs within 10 years of Closing, relinquish such Proportionate Voting Units. Proportionate Voting Units will not be convertible into Limited Partnership Units while subject to the foregoing restrictions.

Subject to the foregoing and to the discretion of the General Partner and upon the dissolution of the REIT LP, as provided in the Second A&R LP Agreement, Distributable Cash shall be distributed, as cash flow permits, as follows:

- (a) first, to the General Partner 0.01% of the Distributable Cash to a maximum of \$100 per annum;
- (b) as to the balance:
 - (i) the Limited Partnership Unit Percentage Interest of the balance shall be distributed to the holders of Limited Partnership Units, *pro rata* in accordance with their respective Proportionate Share; and
 - (ii) the Proportionate Voting Unit Percentage Interest of the balance shall be distributed to the holders of Proportionate Voting Units, *pro rata* in accordance with their respective Proportionate Share.

Payment of Distributions

Any distribution shall be made directly by the REIT LP or through the Transfer Agent or through any other person or agent, as approved by the General Partner, to the Unitholders as of the particular record date set for such distribution. Any taxes withheld or paid by the REIT LP or a subsidiary thereof in respect of a Unitholder shall be treated either as a distribution to such Unitholder or as a general expense of the REIT LP, as determined by the General Partner in its sole discretion, and the General Partner shall report to the Unitholders on an annual basis the amount of such taxes withheld or paid. For greater certainty, distributions made shall constitute full payment and satisfaction of the REIT LP's liability in respect of such distribution, regardless of any claim of any person who may have an interest in such distribution by reason of an assignment or otherwise. In the event of any overpayment to a Unitholder, such overpayment will be refunded by such Unitholder to the REIT LP, and any underpayment will be paid by the REIT LP to the Unitholders within 30 days of the final determination of such underpayment or overpayment.

Notwithstanding the foregoing, the General Partner may in its sole and unfettered discretion elect to not make distributions in any period or to reduce the amount of any distributions in whole or in part.

Allocation of Income and Losses

Where Distributable Cash was paid in respect of a Fiscal Year, the Net Income and Taxable Income of the REIT LP in respect of that Fiscal Year shall be allocated among the General Partner and all holders of Limited Partnership Units and holders of the Proportionate Voting Units that were holders of Limited Partnership Units or holders of the Proportionate Voting Units, respectively, at any time in the Fiscal Year on the following basis:

- (a) first, to the General Partner 0.01% of the Net Income and Taxable Income of the REIT LP to a maximum of \$100 per annum;
- (b) as to the balance:
 - (i) to the holders of Limited Partnership Units an amount equal to the balance multiplied by a fraction, the numerator of which is the sum of the distributions received by the holders of Limited Partnership Units in respect of the Fiscal Year and the denominator of which is the total distributions made by the REIT LP in respect of the Fiscal Year and the amount so determined shall be allocated among the holders of Limited Partnership Units *pro rata* based on the sum of distributions received by such holders of Limited Partnership Units with respect to such Fiscal Year relative to the aggregate amount of distributions made to the holders of Limited Partnership Units, as a group with respect to such Fiscal Year; and
 - (ii) to the holders of Proportionate Voting Units, as a class, an amount equal to the balance multiplied by a fraction, the numerator of which is the sum of the distributions received by the holders of the Proportionate Voting Units in respect of the Fiscal Year and the denominator of which is the total distributions made by the REIT LP in respect of the Fiscal Year and the amount so determined shall be allocated among the holders of Proportionate Voting Units *pro rata* based on the sum of distributions received by such holders of Proportionate Voting Units with respect to such Fiscal Year relative to the aggregate amount of distributions made to the holders of Proportionate Voting Units, as a group with respect to such Fiscal Year.

Where no Distributable Cash was paid in respect of a Fiscal Year, Net Income and Taxable Income of the REIT LP in respect of that Fiscal Year shall be allocated among the holders of Limited Partnership Units or Proportionate Voting Units on the following basis:

- (a) first, to the General Partner 0.01% of the Net Income and Taxable Income of the REIT LP to a maximum of \$100 per annum;
- (b) as to the balance:
 - (i) to the holders of the Limited Partnership Units who were holders of units at the end of each month ending in such Fiscal Year, *pro rata* in accordance with their respective Proportionate Share, the Limited Partnership Unit Percentage Interest of the balance divided by 12; and
 - (ii) to the holders of Proportionate Voting Units who were holders of Proportionate Voting Units at the end of each month ending in such Fiscal Year, *pro rata* in accordance with their respective Proportionate Share, the Proportionate Voting Unit Percentage Interest of the balance divided by 12.

Net Loss and Taxable Loss of the REIT LP in respect of that Fiscal Year shall be allocated among the General Partner, and all holders of Limited Partnership Units and holders of the Proportionate Voting Units that were holders of Limited

Partnership Units or holders of Proportionate Voting Units, respectively, at any time in the Fiscal Year on the following basis:

- (c) to the Limited Partnership Units who were holders of the Limited Partnership Units at the end of each month ending in such Fiscal Year, *pro rata* in accordance with their respective Proportionate Share and to the extent of their capital accounts, the Limited Partnership Unit Percentage Interest of the Net Loss or Taxable Loss divided by 12;
- (d) to the holders of the Proportionate Voting Units who were holders of Proportionate Voting Units at the end of each month ending in such Fiscal Year, *pro rata* in accordance with their respective Proportionate Share and to the extent of their capital accounts, the Proportionate Voting Unit Percentage Interest of the Net Loss or Taxable Loss divided by 12; and
- (e) as to the balance, to the General Partner.

The General Partner shall have the discretion, but not the obligation, acting in good faith, to allocate revenue and expenses on a basis which ensures a fair distribution among holders of Limited Partnership Units and Proportionate Voting Units after taking into consideration any matters that may be relevant. Adjustments may be made in respect of revenue earned or expenses incurred prior to the time each holder of Limited Partnership Units or Proportionate Voting Units became a Unitholder of the REIT LP and adjustments may be made in respect of fees paid in years prior to the year in which the partner became a partner. The General Partner shall also have the right, but not the obligation, to allocate revenues and expenses among holders of Limited Partnership Units or Proportionate Voting Units to ensure they are treated equitably taking into account differences that may arise as a result of the acquisition of Limited Partnership Units or Proportionate Voting Units at different times in a year or in different calendar years.

Each holder of Limited Partnership Units and Proportionate Voting Units at any time in each Fiscal Year will be allocated his, her or its share of such Net Income and Net Losses for such Fiscal Year in accordance with the Second A&R LP Agreement. Where a holder of a Limited Partnership Unit or Proportionate Voting Unit assigns a Limited Partnership Unit or Proportionate Voting Unit prior to the end of the Fiscal Year, the portion of Net Income or Net Losses which would have been attributed to such assigning partner shall continue to be so allocable in accordance with the Second A&R LP Agreement, instead of being allocated to the assignee who holds the Limited Partnership Units or Proportionate Voting Units at the end of the Fiscal Year. For greater certainty, any Person who was a holder of Limited Partnership Units or Proportionate Voting Units at any time during a Fiscal Year but who has transferred all of such Person's Limited Partnership Units or Proportionate Voting Units, as the case may be, before the last day of such Fiscal Year may be deemed to be a partner of the REIT LP on the last day of such Fiscal Year for the purposes of subsection 96(1) of the Tax Act. Where a Limited Partnership Unit or Proportionate Voting Unit was initially subscribed for after the beginning of the Fiscal Year, income and losses for the entire Fiscal Year will be allocated to the holder thereof in accordance with the mechanics of the provisions of the Second A&R LP Agreement on account of the portion of the Fiscal Year that the person was a holder of Limited Partnership Units or Proportionate Voting Units.

If any holder of Limited Partnership Units or Proportionate Voting Units has a negative balance in his, her or its capital account, the General Partner shall have the right to allocate Net Income to that Unitholder in priority to other Unitholders to the extent of the negative balance. The General Partner shall not allocate Net Losses to a holder of Limited Partnership Units or Proportionate Voting Units to the extent that such allocation results in a negative balance in his, her or its capital account.

The General Partner has been designated as the tax matters partner for all Canadian federal income tax purposes and provincial equivalents. The General Partner, acting as tax matters partner, in its reasonable discretion and from time to time may modify the manner in which Net Income, Taxable Income, Net Loss and Taxable Loss are allocated to or among the holders of Limited Partnership Units and Proportionate Voting Units and their capital accounts for tax purposes in order that in the reasonable judgment of the General Partner, and in its sole discretion, such allocations will reasonably reflect the purpose of the Second A&R LP Agreement and the intention of the parties; provided, however, that no such modification shall materially and adversely affect the amounts distributable to the General Partner or any holder of Limited Partnership Units or Proportionate Voting Units.

Specific Description of Units

Limited Partnership Units

Pursuant to the terms of the Second A&R LP Agreement, each Limited Partnership Unit shall confer the right to one vote, and the holders of Limited Partnership Units shall be entitled to receive notice of, and to attend and vote at all meetings of, the Unitholders of the REIT LP (except where solely the holders of one or more other specified classes of units (other than the Limited Partnership Units) shall be entitled to vote at a meeting, in which case, only such holders shall be entitled to receive notice of, and attend and vote at, such meeting).

A holder of Limited Partnership Units may at any time, at the option of the holder and with the consent of the REIT LP, convert such Limited Partnership Units into Proportionate Voting Units on the basis of 100 Limited Partnership Units for one Proportionate Voting Unit.

Proportionate Voting Units

Conversion Rights and Transfers

Issued and outstanding Proportionate Voting Units, including fractions thereof, may at any time following the Closing, subject to the FPI Condition (as defined below), at the option of the holder, be converted into Limited Partnership Units at a ratio of 100 Limited Partnership Units per Proportionate Voting Unit with fractional Proportionate Voting Units convertible into Limited Partnership Units at the same ratio. Further, the General Partner's board of directors may determine at any time following the Closing that it is no longer advisable to maintain the Proportionate Voting Units as a separate class of units and may cause all of the issued and outstanding Proportionate Voting Units to be converted into Limited Partnership Units at a ratio of 100 Limited Partnership Units per Proportionate Voting Unit with fractional Proportionate Voting Units convertible into Limited Partnership Units at the same ratio and the General Partner's board of directors shall not be entitled to issue any more Proportionate Voting Units under the Second A&R LP Agreement thereafter.

The Proportionate Voting Units are not transferrable without approval of the General Partner's board of directors, except to Permitted Holders and in compliance with U.S. securities laws.

Conversion Conditions

The right of the Proportionate Voting Units to convert into Limited Partnership Units is subject to certain conditions in order to maintain the REIT LP's status as a "foreign private issuer" under U.S. securities laws. Unless otherwise waived by the board of directors of the General Partner, the right to convert the Proportionate Voting Units is subject to the condition that the aggregate number of Limited Partnership Units and Proportionate Voting Units (calculated as a single class) held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 and 12g3-2(a) under the Securities Exchange Act of 1934, as amended) may not exceed forty percent (40%) of the aggregate number of Limited Partnership Units and Proportionate Voting Units issued and outstanding after giving effect to such conversions (calculated as a single class) (the "**FPI Condition**").

A holder of Limited Partnership Units may at any time following the close of the Qualifying Transaction, at the option of the holder and with the consent of the General Partner, convert such Limited Partnership Units into Proportionate Voting Units on the basis of 100 Limited Partnership Units for one Proportionate Voting Unit.

No fractional Limited Partnership Units will be issued on any conversion of any Proportionate Voting Units and any fractional Limited Partnership Units will be rounded down to the nearest whole number. For the purposes of the foregoing:

"**Affiliate**" means, with respect to any specified Person, any other Person which directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with such specified Person.

"**Permitted Holders**" means (a) the initial holders of Proportionate Voting Units, as applicable, on Closing; and (b) any Affiliate or Person controlled, directly or indirectly, by one or more of the Persons referred to in clause (a) above.

“Person” means any individual, partnership, corporation, company, association, trust, joint venture or limited liability company. A Person is “controlled” by another Person or other Persons if: (a) in the case of a company or other body corporate wherever or however incorporated: (i) securities entitled to vote in the election of directors carrying in the aggregate at least a majority of the votes for the election of directors and representing in the aggregate at least a majority of the participating (equity) securities are held, other than by way of security only, directly or indirectly, by or solely for the benefit of the other Person or Persons; and (ii) the votes carried in the aggregate by such securities are entitled, if exercised, to elect a majority of the board of directors of such company or other body corporate; or (b) in the case of a Person that is not a company or other body corporate, at least a majority of the participating (equity) and voting units of such Person are held, directly or indirectly, by or solely for the benefit of the other Person or Persons; and “controls”, “controlling” and “under common control with” shall be interpreted accordingly.

Voting Rights

All holders of Proportionate Voting Units and Limited Partnership Units will be entitled to receive notice of any meeting of Unitholders of the REIT LP, and to attend, vote and speak at such meetings, except those meetings at which only holders of a specific class of units are entitled to vote separately as a class under the Second A&R LP Agreement. A quorum for the transaction of business at a meeting of Unitholders is present if Unitholders who, together, hold not fewer than 25% of the votes attaching to the outstanding voting units entitled to vote at the meeting are present in person or represented by proxy.

On all matters upon which holders of Proportionate Voting Units and Limited Partnership Units are entitled to vote each Proportionate Voting Unit is entitled to 100 votes per Proportionate Voting Unit, and each fraction of a Proportionate Voting Unit is entitled to the number of votes calculated by multiplying the fraction by 100.

The number of votes represented by fractional Proportionate Voting Units will be rounded down to the nearest whole number. Unless a different majority is required by law or the Second A&R LP Agreement, resolutions to be approved by holders of Limited Partnership Unit and Proportionate Voting Units require approval by a simple majority of the total number of votes of all Limited Partnership Unit and Proportionate Voting Units cast at a meeting of Unitholders at which a quorum is present based on the voting entitlements of each class of Units described above.

Issuance of Additional Proportionate Voting Units

The REIT LP may issue additional Proportionate Voting Units upon the approval of the board of directors of the General Partner. Approval of the holders of Proportionate Voting Units and Limited Partnership Units is not required in connection with a subdivision or consolidation on a *pro rata* basis as between the Limited Partnership Units and the Proportionate Voting Units.

Take-Over Bid Protection

If an offer is being made for Proportionate Voting Units (a “**PVU Offer**”) where: (a) by reason of applicable securities legislation or stock exchange requirements, the offer must be made to all holders of the class of Proportionate Voting Units; and (b) no equivalent offer is made for the Limited Partnership Units, the holders of Limited Partnership Units have the right, pursuant to the Second A&R LP Agreement, at their option, to convert their Limited Partnership Units into Proportionate Voting Units for the purpose of allowing the holders of the Limited Partnership Units to tender to such PVU Offer, provided that such conversion into Proportionate Voting Units will be solely for the purpose of tendering the Proportionate Voting Units to the PVU Offer in question and that any Proportionate Voting Units that are tendered to the PVU Offer but that are not, for any reason, taken up and paid for by the offeror will automatically be reconverted into the Limited Partnership Units that existed prior to such conversion.

In the event that holders of Limited Partnership Units are entitled to convert their Limited Partnership Units into Proportionate Voting Units in connection with a PVU Offer pursuant to (b) above, holders of an aggregate of Limited Partnership Units of less than 100 (an “**Odd Lot**”) will be entitled to convert all but not less than all of such Odd Lot of Limited Partnership Units into an applicable fraction of one Proportionate Voting Unit, provided that such conversion into a fractional Proportionate Voting Unit will be solely for the purpose of tendering the fractional Proportionate Voting Unit to the PVU Offer in question and that any fraction of a Proportionate Voting Unit that is tendered to the PVU Offer but that is not, for any reason, taken up and paid for by the offeror will automatically be reconverted into the Limited Partnership Units that existed prior to such conversion.

Rights Agreement

Holders of Rights will be entitled to receive, for no additional consideration, one Limited Partnership Unit for every eight Rights held, subject to adjustment under the terms of the Rights Agreement. In order to effect such a conversion, the holder of a Right must surrender to the Rights Agent the certificate or electronic position representing each such Right held by the holder, together with a duly completed conversion form in a form and manner satisfactory to the Rights Agent pursuant to the terms of the Rights Agreement.

Rights will only be converted for a whole number of units. No fractional units will be issued upon conversion of the Rights. If, upon conversion of the Rights, a holder would be entitled to receive a fractional interest in a Limited Partnership Unit, we will, upon conversion, round down to the nearest whole number of units to be issued to the Rights holder. As a result, holders must hold Rights in multiples of eight in order to receive Limited Partnership Units for all of his, her or its Rights following the Closing.

The Rights will expire if the Qualifying Transaction does not occur within the required timeframe. The Rights will not possess any redemption or distribution rights. The Rights will expire and be worthless if the REIT LP fails to consummate the Qualifying Transaction. Any Right that has not been converted with two years after the completion of the Qualifying Transaction shall be null and void.

The Rights Agreement provides that the number of Limited Partnership Units issuable on conversion of the Rights may be adjusted in certain circumstances, including in the event of a recapitalization, reorganization, merger, amalgamation or consolidation. The Rights Agreement also provides the mechanism pursuant to which holders of Rights, including beneficial holders of Rights held through CDS, or its nominee, may convert his, her or its Rights following the Closing.

The Rights holders do not have the rights or privileges of holders of Units or any voting rights until the Rights are converted following the Closing and such holders receive corresponding Limited Partnership Units. After the issuance of the corresponding Limited Partnership Units upon conversion of the Rights, each holder is expected to be entitled to one vote for each Limited Partnership Unit held of record on all matters to be voted on by Unitholders.

The Rights Agent shall, on receipt of a written request of the REIT LP or holders of not less than 25% of the aggregate number of Rights then outstanding convene a meeting of holders of Rights upon at least 21 calendar days' written notice to holders of Rights. Every such meeting shall be held in Toronto, Ontario or at such other place as may be approved or determined by the Rights Agent. A quorum at meetings of holders of Rights shall be two persons present in person or represented by proxy holding or representing more than 20% of the aggregate number of Rights then outstanding.

From time to time, the REIT LP and the Rights Agent, without the consent of the holders of Rights, may amend or supplement the Rights Agreement for certain purposes including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holders of Rights. Any amendment or supplement to the Rights Agreement that adversely affects the interests of the holders of Rights may only be made by an "extraordinary resolution", which is defined in the Rights Agreement as a resolution either (i) passed at a meeting of the holders of Rights by the affirmative vote of holders of Rights representing not less than two-thirds of the aggregate number of the then outstanding Rights represented at the meeting and voted on such resolution, or (ii) adopted by an instrument in writing signed by the holders of Rights representing not less than two-thirds of the aggregate number of the then outstanding Rights.

A U.S. person may only convert Rights if the U.S. person is a Qualified Institutional Buyer or an accredited investor or where the REIT LP has otherwise availed itself of an exemption from registration under the U.S. Securities Act.

Contingent Rights Agreement

Holders of the Contingent Rights will be entitled to receive, for no consideration, one Limited Partnership Unit for every five Contingent Rights held, subject to adjustment as described below. The Contingent Rights will be automatically exercised by the holders thereof upon the earlier of (a) the listing of the REIT LP units on a recognized major U.S. exchange, or (b) cannabis production and sale becoming federally legal in the United States. The Contingent Rights will not, subject to certain exceptions, otherwise be exercisable.

Contingent Rights will only be exercised for a whole number of Limited Partnership Units. No fractional units will be issued upon the automatic exercise of the Contingent Rights. If, upon the exercise of the Contingent Rights, a holder would be entitled to receive a fractional interest in a Limited Partnership Unit, we will, upon such exercise, round down to the nearest whole number of units to be issued to the Contingent Rights holder. As a result, holders must hold Contingent Rights in multiples of five in order to receive Limited Partnership Units for all of his, her or its Contingent Rights following the Closing.

The Contingent Rights will not possess any redemption or distribution rights. The Contingent Rights will expire and be worthless if they do not convert upon their terms prior to the 10th anniversary of the Closing.

The Contingent Rights Agreement provides that the number of Limited Partnership Units issuable upon the automatic exercise of the Contingent Rights may be adjusted in certain circumstances, including in the event of a recapitalization, reorganization, merger, amalgamation or consolidation. The Contingent Rights Agreement also provides that, in the event of a change of control transaction whereby the consideration received by the holders of Limited Partnership Units is (a) not in the form of publicly listed securities of an entity, or (b) in the form of publicly listed securities of an entity which are listed on a recognized major U.S. exchange, the Contingent Rights will be automatically exercised by the holders thereof in accordance with their terms.

The Contingent Rights holders do not have the rights or privileges of holders of Units or any voting rights until the Contingent Rights are automatically exercised for Limited Partnership Units. After the issuance of the corresponding Limited Partnership Units upon the automatic exercise of the Contingent Rights, each holder is expected to be entitled to one vote for each Limited Partnership Unit held of record on all matters to be voted on by Unitholders.

The Rights Agent shall, on receipt of a written request of the REIT LP or holders of not less than 25% of the aggregate number of Contingent Rights then outstanding, convene a meeting of holders of Contingent Rights upon at least 21 calendar days' written notice to holders of Contingent Rights. Every such meeting shall be held in Toronto, Ontario or at such other place as may be approved or determined by the Rights Agent. A quorum at meetings of holders of Contingent Rights shall be two persons present in person or represented by proxy holding or representing more than 20% of the aggregate number of Contingent Rights then outstanding.

From time to time, the REIT LP and the Rights Agent, without the consent of the holders of Contingent Rights, may amend or supplement the Contingent Rights Agreement for certain purposes including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holders of Contingent Rights. Any amendment or supplement to the Contingent Rights Agreement that adversely affects the interests of the holders of Contingent Rights may only be made by an "extraordinary resolution", which is defined in the Rights Agreement as a resolution either (i) passed at a meeting of the holders of Contingent Rights by the affirmative vote of holders of Rights representing not less than two-thirds of the aggregate number of the then outstanding Contingent Rights represented at the meeting and voted on such resolution, or (ii) adopted by an instrument in writing signed by the holders of Contingent Rights representing not less than two-thirds of the aggregate number of the then outstanding Contingent Rights.

SUMMARY OF THE SECOND A&R LP AGREEMENT

General

The rights and obligations of the Unitholders are currently governed by the First A&R LP Agreement, the rights and obligations of the holders of Rights are governed by the Rights Agreement and the rights and obligations of the holders of Contingent Rights are governed by the Contingent Rights Agreement. Following Closing, the rights and obligations of the Unitholders will be governed by the Second A&R LP Agreement.

The following is a summary of certain material provisions of the Second A&R LP Agreement. This summary does not purport to be complete and reference should be to the Second A&R LP Agreement itself, a copy of which is or will be available from the General Partner and on SEDAR at www.sedar.com. For a description of the capital structure of the REIT LP and the rights and obligations attaching to each class of Units, see "Capital Structure" above.

Capitalized terms in this summary which are not defined in this prospectus are defined in the Second A&R LP Agreement.

The General Partner

Subversive Real Estate Acquisition REIT GP Inc., the General Partner of the REIT LP, was incorporated under the laws of British Columbia on November 5, 2019. The General Partner's head office is located at 135 Grand Street, 2nd Floor, New York, New York 10013 and its registered office is located at 700 West Georgia Street, Suite 2500, Vancouver, British Columbia V7Y 1B3.

As required by law, the Second A&R LP Agreement provides for the management and control of the REIT LP by a general partner rather than a board of directors and officers. The General Partner is the governing general partner of the REIT LP. Major decisions relating to the operation and business of the REIT LP will therefore be governed exclusively by the General Partner, which will have sole responsibility and authority for the governance of the REIT LP. The General Partner is not permitted to act in any other capacity, to hold assets or assume liabilities, other than in connection with its responsibilities as general partner of the REIT LP. The General Partner has a board of directors consisting of seven directors. See "Directors and Officers" below.

The General Partner will exercise its powers and discharge its duties honestly, in good faith, and in the best interests of the Unitholders.

Liability of the General Partner

The Second A&R LP Agreement contains customary provisions limiting the liability of the General Partner. The General Partner is not liable for the return of any capital contribution made by a limited partner to the REIT LP. Moreover, notwithstanding anything else contained in the Second A&R LP Agreement, but subject to certain sections of the Second A&R LP Agreement, neither the General Partner nor any Affiliates thereof nor their respective officers, directors, shareholders, employees or agents are liable, responsible for or accountable in damages or otherwise to the REIT LP or a limited partner for an action taken or failure to act on behalf of the REIT LP within the scope of the authority conferred on the General Partner by the Second A&R LP Agreement or by law, provided the General Partner has acted in good faith, in a manner which the General Partner believed to be in, or not opposed to, the best interests of the REIT LP.

Voting Agreement

Pursuant to the Voting Agreement, Subversive Sponsor, which owns 100% of the outstanding shares of the General Partner, has:

- agreed to relinquish and give over to the REIT LP the sole and exclusive right to exercise the voting rights allocated in respect of the outstanding shares of the General Partner with respect to the election of directors of the General Partner and such other matters relating to the General Partner as may be voted upon by the Unitholders entitled to vote in respect of such matters pursuant to the Second A&R LP Agreement; and
- agreed and acknowledged that it will take all steps as the sole shareholder of the General Partner to cause the matters relating to the election of directors of the General Partner set out in the Second A&R LP Agreement to be effected as directed by the REIT LP and the Unitholders entitled to vote in respect of such matters and that it will not do anything which is in its control which would result in the breach or violation of any such provision.

In addition, pursuant to the Voting Agreement, Subversive Sponsor has agreed that it will not exercise its right to remove the General Partner as general partner of the REIT LP, except with the prior approval of the Unitholders in accordance with the Second A&R LP Agreement.

The Voting Agreement also contains restrictions on transfers of the shares of the General Partner, except that Subversive Sponsor may transfer shares of the General Partner to any of its Affiliates.

Conflict of Interest Restrictions and Provisions

The Second A&R LP Agreement contains “conflict of interest” provisions similar to those applicable to corporations under Section 120 of the CBCA which serve to protect Unitholders without creating undue limitations on the REIT LP. For further detail, see “Directors and Officers – Conflicts of Interest”.

Annual Meeting

There shall be an annual meeting of the Unitholders at such time and place as the General Partner shall prescribe for the purpose of electing directors of the General Partner, receiving audited financial statements, appointing or removing the auditor of the REIT LP and transacting such other business as the General Partner may determine or as may properly be brought before the meeting. The annual meeting shall be held after delivery to the Unitholders of the annual report and, in any event, within 15 months of the date of the REIT LP’s prior annual meeting.

Other Meetings

The General Partner shall have power at any time to call special meetings of the Unitholders at such time and place as the General Partner may determine. Unitholders holding in the aggregate not less than 30% of the votes of the REIT LP may requisition the General Partner in writing to call a special meeting of the Unitholders for the purposes stated in the requisition.

Nomination of Directors

Nominations of persons for election to the Board of Directors may be made at any annual meeting of Unitholders, or at any special meeting of Unitholders, if one of the purposes for which the special meeting was called was the election of Directors: (i) by or at the direction of the Board of Directors, including pursuant to a notice of meeting; or (ii) by any person (a “**Nominating Unitholder**”) who: (A) at the close of business on the date of the giving of the notice provided for in the Second A&R LP Agreement and on the record date for notice of such meeting, is entered in the Register as a holder of one or more Units carrying the right to vote at such meeting or who beneficially owns Units that are entitled to be voted at such meeting; and (B) who complies with the notice procedures in the Second A&R LP Agreement. Such notice procedures include that for a nomination to be made by a Nominating Unitholder, the Nominating Unitholder must have given notice thereof to the Directors: (i) in the case of an annual meeting of Unitholders, not less than 30 days nor more than 50 days prior to the date of such annual meeting; and (ii) in the case of a special meeting of Unitholders which is not also an annual meeting called for the purpose of electing Directors (whether or not called for other purposes), not later than the 15th day following the day on such meeting was announced, provided that, in either instance, if notice-and-access (as defined in National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer*) is used for delivery of proxy related materials in respect of a meeting described above, and the notice date in respect of the meeting is not fewer than 50 days prior to the date of the applicable meeting, the notice must be received not later than the close of business on the 40th day before the applicable meeting.

Notice of Meeting

Notice of all meetings of the Unitholders shall be mailed or delivered by the Transfer Agent of the REIT LP to the Unitholders, respectively, each Director and to the auditor of the REIT LP not less than 21 nor more than 60 days (or within such other number of days as required by law or relevant stock exchange) before the meeting. Such notice shall specify the time when, and the place where, such meeting is to be held and shall state briefly the general nature of the business to be transacted at such meeting and shall otherwise include such information as would be provided to shareholders of a corporation governed by the CBCA in connection with a meeting of shareholders. Any adjourned meeting, other than a meeting adjourned for lack of a quorum, may be held as adjourned without further notice. Notwithstanding the foregoing, a meeting of Unitholders may be held at any time without notice if all the Unitholders are present or represented thereat or those not so present or represented have waived notice. Any Unitholder (or a duly appointed proxy thereof) may waive any notice required to be given under the Second A&R LP Agreement, and such waiver, whether given before or after the meeting, shall cure any default in the giving of such notice. At any meeting at which a quorum is not present within 30 minutes after the time fixed for the holding of such meeting, the meeting, if convened upon the request of the Unitholders, shall be dissolved, but in any other case, the meeting will stand adjourned to a day not less than seven days later and to a place and time as chosen by the chair of a meeting, and if at

such adjourned meeting a quorum is not present, the Unitholders present either in person or by proxy shall be deemed to constitute a quorum. Attendance at a meeting of Unitholders shall constitute a waiver of notice unless the Unitholder or other person attends the meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not properly called.

Chairperson

The chair of any annual or special meeting shall be the Chair of the General Partner or any other Director specified by resolutions of the General Partner or, in the absence of any Director, any person appointed as chairperson of the meeting by the Unitholders present.

Quorum

A quorum for any meeting of Unitholders shall be individuals present not being less than two in number and being Unitholders or representing by proxy Unitholders who hold in the aggregate not less in aggregate than 25% of the total number of outstanding Units provided that if the REIT LP has only one Unitholder, the Unitholder present in person or by proxy constitutes a meeting and a quorum for such meeting. If a quorum is present at the opening of a meeting, the Unitholders may proceed with the business of the meeting, notwithstanding that a quorum is not present throughout the meeting. The Chair of any meeting at which a quorum of Unitholders is present may, with the consent of the majority of the votes cast by Unitholders present in person or by proxy, adjourn at such meeting and no notice of any such adjournment need be given. In the event of such quorum not being present at the appointed place on the date for which the meeting is called within 30 minutes after the time fixed for the holding of such meeting, the meeting, if called by request of Unitholders, shall be terminated and, if otherwise called, shall stand adjourned to such day being not less than seven days later and to such place and time as may be appointed by the chair of the meeting. If at such adjourned meeting a quorum as above defined is not present, the Unitholders present either personally or by proxy shall form a quorum, and any business may be brought before or dealt with at such an adjourned meeting which might have been brought before or dealt with at the original meeting in accordance with the notice calling the same.

Matters on which Unitholders Shall Vote

None of the following shall occur unless the same has been duly approved by the Unitholders at a meeting duly called and held:

- (a) except as provided in the Second A&R LP Agreement, the appointment, election or removal of a Director;
- (b) except as provided in the Second A&R LP Agreement, the appointment or removal of the Auditor;
- (c) any amendment to the Second A&R LP Agreement (except for amendments which may be made at the discretion of the General Partner as described below);
- (d) any sale of or transfer of the assets of the REIT LP as an entirety or substantially as an entirety (other than as a part of an internal reorganization of the assets of the REIT LP as approved by the General Partner);
- (e) any decision to amend the investment guidelines or operating policies of the REIT LP, or certain matters which require the approval of Unitholders under the Second A&R LP Agreement; or
- (f) the termination of the REIT LP.

Nothing in the Second A&R LP Agreement shall prevent the General Partner from submitting to a vote of Unitholders any matter which it deems appropriate.

Amendments by the General Partner

The General Partner may make the following amendments to the Second A&R LP Agreement in its sole discretion and without the approval of Unitholders:

- (a) amendments aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the General Partner or over the REIT LP;
- (b) amendments which, in the opinion of the General Partner, provide additional protection for Unitholders;
- (c) amendments to remove any conflicts or inconsistencies in the Second A&R LP Agreement or to make minor corrections which are, in the opinion of the General Partner, necessary or desirable and not prejudicial to the Unitholders;
- (d) amendments of a minor or clerical nature or to correct typographical mistakes, ambiguities or manifest omissions or errors, which amendments, in the opinion of the General Partner, are necessary or desirable and not prejudicial to the Unitholders;
- (e) amendments which, in the opinion of the General Partner, are necessary or desirable as a result of changes in taxation or other laws;
- (f) amendments which in the opinion of the General Partner are necessary or desirable to enable the REIT LP to issue Units for which the purchase price is payable on an installment basis or to implement a Unit option, purchase or rights plan;
- (g) amendments to create one or more additional classes of Units solely to provide voting rights to holders of shares, units or other securities that are exchangeable for Units entitling the holder thereof to a number of votes not exceeding the, number of Units into which the exchangeable shares, units or other securities are exchangeable or convertible but that do not otherwise entitle the holder thereof to any rights with respect to the REIT LP's property or income other than a return of capital;
- (h) amendments which, in the opinion of the General Partner, are necessary or desirable as a result of changes from time to time in accounting standards applicable to the REIT LP as a reporting issuer which may affect the REIT LP or the Unitholders; and
- (i) amendments for any purpose (except one in respect of which a Unitholder vote is specifically otherwise required) which, in the opinion of the General Partner are not prejudicial to Unitholders and are necessary or desirable.

but notwithstanding the foregoing, no such amendment shall modify the right to vote attached to any Unit or reduce the equal undivided interest in the property of the REIT LP or the entitlement to distributions from the REIT LP provided hereunder represented by any Unit without the consent of the holder of such Unit.

Matters which must be approved by Special Resolution

None of the following shall occur unless the same has been duly approved by Special Resolution:

- (a) any amendment to the provisions of the Second A&R LP Agreement dealing with amendments to the Second A&R LP Agreement;
- (b) any exchange, reclassification or cancellation of all or part of the Units;
- (c) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Units, including:
 - (i) the removal or change of rights to distributions;
 - (ii) the addition or removal of or change to conversion privileges, options, voting, transfer or pre-emptive rights; or

- (iii) the reduction or removal of a distribution preference or liquidation preference;
- (d) any constraint of the issue, transfer or ownership of Units or the change or removal of such constraint, except as provided in the Second A&R LP Agreement;
- (e) any amendment to increase the maximum number of Directors (to more than 20) or to decrease the minimum number of Directors (to less than three);
- (f) any distribution of the REIT LP's property upon its termination;
- (g) any amendment relating to the powers, duties, obligations, liabilities or indemnification of the General Partner;
- (h) any sale or transfer of the assets of the REIT LP as an entirety or substantially as an entirety (other than as part of an internal reorganization of assets of the REIT LP as approved by the General Partner);
- (i) the termination of the REIT LP;
- (j) any amendment to the investment guidelines or and operating policies of the REIT LP, except for any amendments aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the General Partner or over the REIT LP; or
- (k) any matter required to be passed by a Special Resolution under the Second A&R LP Agreement, as may be amended and restated from time to time.

Limitation on Authority of Unitholders

A Unitholder may from time to time inquire as to the state and progress of the business of the REIT LP and may provide comment as to its management; however, no Unitholder shall take part in the control or management of the business of the REIT LP, execute any document which binds or purports to bind the REIT LP, the General Partner or any other Unitholder as such, have any authority to undertake any obligation or responsibility on behalf of the REIT LP (except that the General Partner may act on behalf of the REIT LP notwithstanding that it may also be a Unitholder), or bring any action for partition or sale in connection with the REIT LP's interest in the assets of the REIT LP, whether real or personal, or register or permit any lien or charge in respect of the Units of such Unitholder to be filed or registered or remain undischarged against the REIT LP's interest in its assets or in respect of such Unitholder's interest in the REIT LP.

Liability of Unitholders

The General Partner has unlimited liability for the debts, liabilities, losses and obligations of the REIT LP. Subject to the applicable law and any specific assumption of liability, the liability of each Unitholder for the debts, liabilities, losses and obligations of the REIT LP is limited to the amount of the capital contributed or agreed to be contributed to the REIT LP by him, her or it in respect of his, her or its Unit(s) plus his, her or its share of any undistributed income of the REIT LP.

Unitholder Protections, Rights and Remedies

A Unitholder has all of the material protections, rights and remedies a shareholder would have under the *Canada Business Corporations Act* ("CBCA") except the following:

- Unitholders cannot bring oppression or derivative actions;
- as a limited partnership, the REIT LP may not be able to benefit from or utilize Canadian insolvency or restructuring legislation, including the *Companies' Creditors Arrangement Act (Canada)*, to the same extent as if the REIT LP were a corporation.;

- the unavailability of the statutory rights referenced above, may reduce the ability of Unitholders to seek legal remedies against other parties on the REIT LP's behalf;
- Unitholders do not have the ability to dissent to certain fundamental transactions and be paid by the REIT LP the fair value of the units held by such Unitholder;
- Unitholders may not be protected from liabilities of the REIT LP to the same extent that a shareholder is protected from liabilities of a corporation; and
- Unitholders cannot submit proposals on any matter related to the business or affairs of the REIT LP for discussion at a meeting of Unitholders.

The protections, rights and remedies available to a Unitholder are contained in the Second A&R LP Agreement.

Restrictions on Ownership and Transfer

REIT Qualification

In order for the REIT LP to qualify as a real estate investment trust for U.S. federal income tax purposes, the Units must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of the outstanding Units (treating certain options and, under certain circumstances, securities convertible into Units as Units) may be owned, directly or through certain constructive ownership rules, by five or fewer individuals (as defined for this purpose in the Code to include certain entities such as private foundations) at any time during the last half of a taxable year.

The Second A&R LP Agreement contains restrictions on the ownership and transfer of the Units that are intended to assist the REIT LP in complying with these requirements to qualify as a real estate investment trust. The relevant sections of the Second A&R LP Agreement provide that, subject to the exceptions described below, no person or entity may actually or beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than 9.8% of the Units, excluding any Units that are not treated as outstanding for U.S. federal income tax purposes. Each of these restrictions, as well as the restrictions described below under "Summary of the Second A&R LP Agreement – FIRPTA", is referred to as an "ownership limit" and collectively as the "ownership limits." An individual or entity that would have acquired actual, beneficial or constructive ownership of the Units but for the application of the ownership limits or any of the other restrictions on ownership and transfer of the Units is a "prohibited owner."

The applicable constructive ownership rules under the Code are complex and may cause Units owned actually or constructively by a group of related individuals and/or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than 9.8% of the Units (or the acquisition of an interest in an entity that owns, actually or constructively, the Units) by an individual or entity could, nevertheless, cause that individual or entity, or another individual or entity, to own constructively in excess of 9.8% of the Units and thereby violate the applicable ownership limit.

The Second A&R LP Agreement provides that the Board, subject to certain limits including any applicable fiduciary duties, may prospectively exempt a person from the ownership limits and, if necessary, establish a different limit on ownership for such person if it determines that such exemption could not cause or permit:

- five or fewer individuals (as defined for this purpose in the Code to include certain entities such as private foundations) to actually or beneficially own more than 49% in value of the outstanding Units (treating certain options and, under certain circumstances, securities convertible into Units as Units); or
- the REIT LP to own, actually or constructively, an interest in a tenant of the REIT LP (or a tenant of any entity owned in whole or in part by the REIT LP).

As a condition of the exception, the Board may require an opinion of counsel or an IRS ruling, in either case in form and substance satisfactory to the Board, in its sole and absolute discretion, in order to determine or ensure the REIT

LP's status for U.S. federal income tax purposes, and such representations, covenants and/or undertakings as are necessary or prudent to make the determinations above. Notwithstanding the receipt of any ruling or opinion, the Board may impose such conditions or restrictions as it deems appropriate in connection with such an exception.

In connection with a waiver of an ownership limit or at any other time, the may, in its sole and absolute discretion, increase or decrease Unit ownership limits for one or more persons, except that a decreased ownership limit will not be effective for any person whose actual, beneficial or constructive ownership of the Units exceeds the decreased ownership limit at the time of the decrease until the person's actual, beneficial or constructive ownership of the Units equals or falls below the decreased ownership limit, although any further acquisition of the Units will violate the decreased ownership limit. The Board may not increase or decrease any ownership limit if the new ownership limit would allow five or fewer persons (as defined for this purpose in the Code to include certain entities such as private foundations) to actually or beneficially own more than 49% of the Units (treating certain options and, under certain circumstances, securities convertible into Units as Units).

The Second A&R LP Agreement further prohibits:

- any person from actually, beneficially or constructively owning Units that could result in the REIT LP being "closely held" under Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise cause the REIT LP to fail to qualify as a real estate investment trust (including, but not limited to, actual, beneficial or constructive ownership of Units that could result in the REIT LP owning (actually or constructively) an interest in a tenant that is described in Section 856(d)(2)(b) of the Code if the income the REIT derives from such tenant, taking into account the REIT LP's other income that would not qualify under the gross income requirements of Section 856(c) of the Code, would cause the REIT LP to fail to satisfy any of the gross income requirements imposed on real estate investment trusts); and
- any person from transferring Units if such transfer would result in the Units being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution).

Any person who acquires or attempts or intends to acquire actual, beneficial or constructive ownership of Units that will or may violate the ownership limits or any of the other restrictions on ownership and transfer of the Units described above must give written notice immediately to the REIT LP or, in the case of a proposed or attempted transaction, provide us at least 15 days prior written notice, and provide the REIT LP with such other information as the REIT LP may request in order to determine the effect of such transfer on the REIT LP's status for U.S. federal income tax purposes.

The ownership limits and other restrictions on ownership and transfer of the Units described above will not apply if the Board determines that it is no longer in the REIT LP's best interests to continue to qualify as a real estate investment trust or that compliance is no longer required in order for the REIT LP to qualify as a real estate investment trust.

Every owner of 5% or more (or such lower percentage as required by the Code or the Treasury regulations promulgated thereunder) of the outstanding Units, within 30 days after the end of each taxable year, must give written notice to the REIT LP stating the name and address of such owner, the number of Units that the owner actually or beneficially owns and a description of the manner in which the Units are held. Each such owner also must provide the REIT LP with any additional information that the REIT LP requests in order to determine the effect, if any, of the person's actual or beneficial ownership on the REIT LP's status for U.S. federal income tax purposes and to ensure compliance with the ownership limits and the other restrictions on ownership and transfer of the Units set forth in the Second A&R LP Agreement. In addition, any person that is an actual, beneficial or constructive owner of Units and any person (including the Unitholder of record) who is holding Units for an actual, beneficial or constructive owner must, on request, disclose to the REIT LP in writing such information as the REIT LP may request in good faith in order to determine the REIT LP's status for U.S. federal income tax purposes and to comply with requirements of any taxing authority or governmental authority or to determine such compliance.

FIRPTA

Under the Foreign Investment in Real Property Tax Act of 1980, as amended ("**FIRPTA**"), if any non-U.S. person holds, actually or constructively, more than 10% of the outstanding Units, the REIT LP will be required to withhold

15% on distributions in excess of the REIT LP's current and accumulated earnings and profits (as determined for U.S. federal income tax purposes), and to withhold 21% (or less to the extent provided in applicable Treasury Regulations) of any distribution to such non-U.S. person that could be designated by the REIT LP as a capital gain dividend. Any such withheld amount is creditable against such non-U.S. person's FIRPTA tax liability.

In order for the REIT LP to comply with its withholding obligations under FIRPTA (and certain other regulatory requirements), the Units are subject to notice requirements and transfer restrictions. Non-U.S. persons holding Units are required to provide the REIT LP with such information as the REIT LP may request. Furthermore, any non-U.S. person that would be treated as having acquired sufficient Units to be treated as owning more than 5% of the Units is required to notify the REIT LP by the close of the business day prior to the date of the transfer that would cause the non-U.S. person to own more than 5% of the Units.

The applicable constructive ownership rules under the Code are complex and may cause Units owned actually or constructively by a group of related individuals and/or entities to be owned constructively by one individual or entity. As a result, the acquisition of 10% or less of the Units (or the acquisition of an interest in an entity that owns, actually or constructively, the Units) by an individual or entity could, nevertheless, cause that individual or entity, or another individual or entity, to own constructively in excess of 10% of the Units and thereby become subject to the notice requirement. Under these rules of constructive ownership, Units can be attributed (i) among family members, (ii) to non-U.S. persons from entities that own Units, to the extent that such non-U.S. persons own interests in such entities and (iii) to entities from non-U.S. persons that own interests in such entities. Under these attribution rules, Units of related entities (including related investment funds) may be aggregated to the extent of overlapping ownership.

If any non-U.S. person that would otherwise be treated as having acquired sufficient Units to be treated as owning more than 10% of the Units fails to comply with the FIRPTA notice provisions described above, the excess Units (*i.e.*, the excess of the number of Units it would be treated as owning over an amount equal to 10% of the outstanding Units) will be sold, through the mechanism described below under "Summary of the Second A&R LP Agreement – Excess Units", with such non-U.S. person receiving the lesser of (i) its original purchase price for the excess Units and (ii) the sale price of the excess Units (net of commissions and other expenses of sale). Non-U.S. persons holding Units are strongly advised to monitor their actual and constructive ownership of Units.

Excess Units

Pursuant to the Second A&R LP Agreement, if any purported transfer of the Units or any other event would otherwise result in any person violating the ownership limits described above under "Summary of the Second A&R LP Agreement – REIT Qualification" or such other limit established by the Board or otherwise failing to qualify as a real estate investment trust, or if a non-U.S. person would otherwise be treated as owning more than 5% of the Units and has not complied with the notice provisions described under "Summary of the Second A&R LP Agreement – FIRPTA," then the number of Units that exceeds the applicable ownership limit (rounded up to the nearest whole Unit) will be automatically transferred to, and held by, a charitable trust for the exclusive benefit of one or more charitable beneficiaries selected by the REIT LP. The prohibited owner will have no rights in Units held by the charitable trustee. The automatic transfer will be effective as of the close of business on the business day prior to the date of the violative transfer or other event that results in the transfer to the charitable trust. Any dividend or other distribution paid to the prohibited owner, prior to the REIT LP's discovery that the Units had been automatically transferred to a charitable trust, must be repaid to the charitable trustee upon demand. If the transfer to the charitable trust as described above is not automatically effective, for any reason, to prevent violation of the applicable restriction on ownership and transfer of the Units, then the transfer of the number of Units that otherwise would cause any person to violate the above restrictions will be void and of no force or effect and the intended transferee will acquire no rights in the Units. If any transfer of the Units would result in Units being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution), then any such purported transfer will be void and of no force or effect and the intended transferee will acquire no rights in the Units.

Units transferred to the charitable trustee are deemed offered for sale to the REIT LP, or the REIT LP's designee (subject to the approval of such designee by the Exchange), at a price per Unit equal to the lesser of (i) the price per Unit in the transaction that resulted in the transfer of the Units to the charitable trust (or, in the event of a gift, devise or other such transaction, the last sale price reported on the Exchange on the day of the transfer or other event that resulted in the transfer of such Units to the charitable trust) and (ii) the last sale price reported on the Exchange on the date the REIT LP accepts, or the REIT LP's designee accepts, such offer. The REIT LP must reduce the amount

payable to the prohibited owner by the amount of dividends and distributions paid to the prohibited owner and owed by the prohibited owner to the charitable trustee and pay the amount of such reduction to the charitable trustee for the benefit of the charitable beneficiary. The REIT LP has the right to accept such offer until the charitable trustee has sold the Units held in the charitable trust. Upon a sale to the REIT LP, the interest of the charitable beneficiary in the Units sold terminates and the charitable trustee must distribute the net proceeds of the sale to the prohibited owner and any dividends or other distributions held by the charitable trustee with respect to such Units will be paid to the charitable beneficiary.

If the REIT LP does not buy the Units, the charitable trustee must, within 20 days of receiving notice from the REIT LP of the transfer of Units to the charitable trust, sell the Units to a person or persons designated by the charitable trustee who could own the Units without violating the ownership limits or other restrictions on ownership and transfer of the Units. Upon such sale, the charitable trustee must distribute to the prohibited owner an amount equal to the lesser of the price paid by the prohibited owner for the Units (or, if the prohibited owner did not give value in connection with the transfer or other event that resulted in the transfer to the charitable trust (e.g., a gift, devise or other such transaction), the last sale price reported on the Exchange on the day of the transfer or other event that resulted in the transfer of such Units to the charitable trust) and (ii) the sales proceeds (net of commissions and other expenses of sale) received by the charitable trustee for the Units. The charitable trustee must reduce the amount payable to the prohibited owner by the amount of dividends and other distributions paid to the prohibited owner and owed by the prohibited owner to the charitable trustee. Any net sales proceeds in excess of the amount payable to the prohibited owner will be immediately paid to the charitable beneficiary, together with any dividends or other distributions thereon. In addition, if prior to discovery by the REIT LP that Units have been transferred to the charitable trustee, such Units are sold by a prohibited owner, then such Units shall be deemed to have been sold on behalf of the charitable trust and, to the extent that the prohibited owner received an amount for or in respect of such Units that exceeds the amount that such prohibited owner was entitled to receive, such excess amount shall be paid to the charitable trustee upon demand.

The charitable trustee will be designated by the REIT LP and will be unaffiliated with the REIT LP and with any prohibited owner. Prior to the sale of any Units by the charitable trust, the charitable trustee will receive, in trust for the beneficiary, all dividends and other distributions paid by the REIT LP with respect to such Units, and may exercise all voting rights with respect to such Units for the exclusive benefit of the charitable beneficiary.

Subject to Ontario law, effective as of the date that the Units have been transferred to the charitable trust, the charitable trustee may, at the charitable trustee's sole discretion:

- rescind as void any vote cast by a prohibited owner prior to the REIT LP's discovery that the Units have been transferred to the charitable trust; and
- recast the vote in accordance with the desires of the charitable trustee acting for the benefit of the beneficiary of the charitable trust.

However, if the REIT LP has already taken irreversible corporate action, then the trustee may not rescind and recast the vote.

If the Board determines in good faith that a proposed transfer or other event has taken place that violates the restrictions on ownership and transfer of the Units set forth in the Second A&R LP Agreement, the may take such action as it deems advisable in its sole discretion to refuse to give effect to or to prevent such transfer, including, but not limited to, causing the REIT LP to redeem Units, refusing to give effect to the transfer on the REIT LP's books or instituting proceedings to enjoin the transfer.

The Units are subject to the restrictions on ownership and transfer of the Units described herein under "Summary of the Second A&R LP Agreement – Restrictions on Ownership and Transfer." These restrictions on ownership and transfer could delay, defer or prevent a transaction or a change of control of the REIT LP that might involve a premium price for the Units that the Unitholders believe to be in their best interest.

DIRECTORS AND OFFICERS

Name, Address, Occupation and Security Holding

The REIT LP has no directors or executive officers. Rather, the Second A&R LP Agreement provides for the governance and control of the REIT LP by the General Partner. The following are the names and municipalities of residence of the General Partner's directors and officers, their positions and offices with the General Partner and corresponding start dates, and their principal occupations during the last five years:

Name and municipality of residence	Office held with the General Partner	Director and/or Officer Since	Present principal occupation and positions held⁽¹⁾
Michael B. Auerbach New York, NY	Executive Chairman, Director	November 3, 2019	General Partner of Subversive Capital
Richard Acosta Los Angeles, California	Chief Executive Officer, Director	December 20, 2019	Chief Executive Officer of the General Partner ⁽²⁾
Michael Miller Los Angeles, California	Chief Financial Officer	December 20, 2019	Chief Financial Officer of the General Partner ⁽³⁾
Eric Clarke Los Angeles, California	Chief Operating Officer	December 20, 2019	Chief Operating Officer of the General Partner ⁽⁴⁾
Leland Hensch⁽⁵⁾ New York, NY	Director	December 20, 2019	Private Investor
Scott Baker Bedford, Massachusetts	Director	December 20, 2019	Vice President at New England Development LLC ⁽⁶⁾
Octavio Boccalandro New York, NY	Director	December 20, 2019	Founder of Andina Capital Inc.
Omar Mangalji London, England	Director	December 20, 2019	Founder and Advisor of Cap-Meridian Ventures
Craig Hatkoff New York, NY	Director	December 20, 2019	Non-executive director of Colony Capital, Inc.
Anne Sullivan⁽⁷⁾ Darien, Connecticut	Director	December 20, 2019	Chief Operating Officer for Saddle Point Management, L.P. ⁽⁸⁾

(1) Each of the persons has held these positions for five years other than as described below.

(2) Mr. Acosta was previously the Chief Financial Officer of SBEEG Holdings, LLC from 2014-2017.

(3) Mr. Miller was previously the Project & Acquisitions Manager at Thomas Safran & Associates from 2014-2018.

(4) Mr. Clarke was previously the founder and CEO of Fashion Insights, LLC from 2010-2017.

(5) Mr. Hensch will resign from the Board on Closing. The Board will conduct a search for a director to replace Mr. Hensch following Closing.

(6) Mr. Baker has held the position as Vice President at New England Development LLC since 2015.

(7) Ms. Sullivan was previously partner at Marcato Capital Management from 2013-2017.

(8) Ms. Sullivan was previously partner at Marcato Capital Management from 2013-2017.

Subversive Sponsor and Inception Sponsor are controlled by certain officers and directors of the General Partner.

As a group, the General Partner's directors and officers beneficially own, or control or direct, directly or indirectly, 2,326 Proportionate Voting Units.

All directors are elected on an annual basis, and unless re-elected, the term of office of the directors will expire at each annual meeting of Unitholders. As of the Closing Date, the Board will be comprised of seven directors. The directors and officers will devote such time and expertise as is required by the REIT LP. Time actually spent may vary according to the REIT LP's needs.

The following are brief biographies of the directors and officers of the General Partner.

Overview of the Directors and Officers

Michael B. Auerbach

Mr. Auerbach is an entrepreneur, investor, business consultant, media producer, and private diplomat. He is the Founder of Subversive Capital LLC, which is dedicated to investing in radical companies whose core missions subvert the status quo and require sophisticated government and regulatory strategies for success. He is also General Partner of Subversive Capital LLC's venture platform and Opportunity Fund, and Chairman of the REIT LP and Subversive Capital Acquisition Corp. He sits on the board of directors of Tilray, Inc. – the first Nasdaq-listed global cannabis company – and holds several directorships with companies that Subversive Capital LLC invests in. In his capacity as a private diplomat, Mr. Auerbach serves as a Senior Vice President at Albright Stonebridge Group, the global consulting firm chaired by former Secretary of State Madeleine Albright. Michael also founded and then sold a risk consulting firm to Control Risks – a leading global risk consulting firm. Mr. Auerbach presently sits on the boards of the Theodore C. Sorensen Center for International Peace and Justice, The KiDS Board of NYU's Hassenfeld Children's Hospital, Next for Autism, which produces Night of Too Many Stars, and Sophie Gerson Healthy Youth Foundation. Mr. Auerbach received a M.A. in International Relations from Columbia University and a B.A. in Critical Theory from the New School for Social Research.

Richard Acosta

Richard Acosta serves as Chief Executive Officer and director of the General Partner. Mr. Acosta is also the Chief Executive Officer and a member of the board of directors of Inception REIT, Inc. Mr. Acosta is an experienced real estate executive and private equity investor with 15 years of real estate investment and portfolio management experience across various commercial real estate asset types and investment structures having originated, underwritten or managed over \$9 billion worth of direct real estate assets and real estate operating company investments. Prior to forming Inception REIT, he served as Chief Financial Officer of SBE Entertainment Group, LLC ("**SBE**"), a global lifestyle hospitality company best known for the SLS and Mondrian hotel brands, where he also sat on the company's executive and investment committees. Mr. Acosta was responsible for SBE's global financial, portfolio management and capital markets activities. Prior to SBE, he spent nearly a decade with Colony Capital, Inc. ("**Colony Capital**"), a global real estate private equity firm, where he last served as a Director. During his tenure at Colony Capital, Richard was involved in or responsible for the sourcing, underwriting and execution of equity and related structured investments, complex operations and financial restructurings on behalf of Colony Capital's real estate opportunity funds with a focus on operationally intensive real estate, including hospitality and gaming. Mr. Acosta also spent several years developing Colony Capital's deal sourcing and capital raising functions in the Middle East. He began his career in the Real Estate Merchant Banking Group at Wells Fargo Bank. He is a member of the Urban Land Institute (ULI) and is involved with various philanthropic causes including Vista Del Mar Child & Family Services where he serves as a member of its board of directors. Mr. Acosta is a graduate of the Marshall School of Business at the University of Southern California where he earned a B.S. in Business Administration with a concentration in real estate finance.

Michael Miller

Michael Miller serves as the Chief Financial Officer of the General Partner. Mr. Miller is a Vice President at Inception REIT and is an adept real estate professional with over a decade of industry experience spanning acquisitions, finance, development and asset management. He began his career in New York City at Lehman Brothers Holdings Inc. and Barclays PLC, where he worked in the Investment Banking and Global Debt Capital Markets ("**DCM**") divisions. Mr. Miller co-led the DCM Real Estate and Industrials investment grade bond origination business units, underwriting over \$40 billion in financing for clients, while also identifying strategies to optimize client balance sheets and enhance corporate credit profiles. Following his tenure on Wall Street, he attended the University of California, Los Angeles' Anderson School of Management ("**Anderson**") Master of Business Administration program where he was a

Consortium Fellow and a member of the Anderson Real Estate Association, the University of Texas at Austin Real Estate Case Competition Team and an undergraduate real estate teaching assistant. While at Anderson, Mr. Miller worked with the Brookfield Office Properties Inc. asset management team, facilitating the lease-up of the firm's former MPG Office Trust, Inc. portfolio in downtown Los Angeles. From 2014-2018 he served as acquisitions and project manager at Thomas Safran & Associates Development, Inc. ("**TSA**"), an established affordable housing developer in Los Angeles, where he began in 2014. At TSA, Mr. Miller managed the acquisition, design, entitlement, finance and construction process of projects in development, while garnering considerable experience in cultivating public-private partnerships and complex deal structuring that use Low-Income Housing Tax Credits and/or Tax-Exempt bonds. Mr. Miller is a graduate of Stanford University where he earned a B.A. in International Relations and an M.A. in Sociology.

Eric Clarke

Eric Clarke serves as Chief Operating Officer of the General Partner. Mr. Clarke is a Vice President at Inception REIT and heads up its business development and operations and has a unique combination of business development, organizational management, and commercial real estate experience, including acquisitions, property management and development. He began his career at IDS Real Estate Group where he focused primarily on the \$1 billion Metropolis mixed-use development in downtown Los Angeles, while also managing nearly 1 million square feet of industrial and office space in southern California. In addition to responsibilities encompassing underwriting and acquisitions, Mr. Clarke was the firm's in-house "green building" expert as a LEED Accredited Professional. He was most recently a Director at TokenVault LLC ("**TokenVault**"), an innovative financial services company utilizing blockchain technology based in San Francisco backed by Franklin Templeton Investments Corp. While at TokenVault, Mr. Clarke led the initial international fundraising initiative which capitalized the business, and was also responsible for brand strategy and business development. Prior to TokenVault and from April 2010 to July 2017, he successfully built and Fashion Insights, LLC, which conducted business under the name "LVR Fashion" ("**LVR**"), an ethical and eco-friendly lifestyle apparel brand which he founded in 2010. At LVR, Mr. Clarke managed all business operations and directed marketing covering distribution to over 1,000 retailers globally, and was in charge of all real estate aspects of the business. He is involved in various non-profit organizations, including as a volunteer for US-based event fundraising for ARCAS Wildlife Rescue and Conservation Association, a Guatemalan wildlife rescue center and refuge. Mr. Clarke is a graduate of the Marshall School of Business at the University of Southern California where he earned a B.S. in Business Administration with a concentration in real estate finance.

Leland Hensch

Mr. Hensch is a private investor and a general partner of a private investment fund focused on investing primarily in publicly listed securities of issuers in the cannabis industry which are in the initial stages of raising funds. Mr. Hensch began his career in 1992 with Hull Trading Company, LLC as an equity derivatives trader on the Chicago Board Options Exchange, Inc. His first trading assignment was in the Frankfurt, Germany office from 1994 to 1998 where he traded on the Deutsche Borse AG. Mr. Hensch was hired by The Goldman Sachs Group, Inc. ("**Goldman Sachs**") in London in 2001 to head the UK Derivatives desk. In 2004, he relocated to New York to run the Macro Derivatives Trading desk. In 2009, Mr. Hensch started Goldman Sachs' Emerging Markets equity trading team in Sao Paulo and was later promoted to Head of Americas Equity trading in 2013. Mr. Hensch was named partner in 2012 and retired in 2016. Since leaving Goldman Sachs, Mr. Hensch has made a number of investments across cannabis, real estate, hospitality, media, and technology businesses. He has been an active investor/owner in the hospitality and media businesses. Mr. Hensch sits on the investment board of The Foundry Mezzanine Opportunity Fund LP and is still active in equity market trading. Mr. Hensch has a B.S. in Finance from The Kelley School at Indiana University.

Scott Baker

Scott Baker is a Vice President at New England Development, a corporation focused on delivering and sustaining value through a creative, entrepreneurial approach to real estate development and management services across the United States. Mr. Baker joined New England Development in 2015 with a primary role of overseeing all investment activities that fall outside the firm's core real estate business, which has included several years of diligence and investing in businesses with operations in cannabis industries. In addition to investment into cannabis operating businesses, Mr. Baker has overseen the firm's investment and diligence into real estate related to the cannabis industry, to include both single property and larger portfolio acquisition opportunities. Prior to joining New England Development, Mr. Baker spent almost 10 years at Athena Capital Advisors LLC ("**Athena**"), serving a variety of

functions, including as a Vice President working directly with ultra-high net worth families and institutions with a primary focus on designing and implementing customized strategic and tactical asset allocations. Prior to Mr. Baker's role as a Vice President, he was an Analyst in Athena's research group with responsibilities including private equity, private real estate, and hedge fund due diligence. Prior to joining Athena, Mr. Baker was with the State Board of Administration of Florida (Pension Board) where he was a Transaction Analyst within their Alternative Investments group. In addition to board level positions within the cannabis industry, Mr. Baker currently holds several board level positions for private companies and organizations operating within real estate, hospitality, retail, and venture capital industries. Mr. Baker received a B.S. in Finance and Entrepreneurship/Small Business Management from Florida State University. In 2008, Mr. Baker received the Chartered Alternative Investment Analyst designation and previously held the Series 65 license.

Octavio Boccalandro

Mr. Boccalandro is an entrepreneur, advisor and investor. In 2007, he founded Andina Capital Inc., an asset management firm based and licensed in Panama, and currently sits on the board. He founded PUNTO PAGO Inc., a digital payment system in Miami, and acted as its President until 2002 when the company was successfully sold to Emida Technologies Inc. From 2005-2010, he was President of Equitas Casa de Bolsa C.A., a brokerage house founded by him in Venezuela. From 2007-2014, Mr. Boccalandro served as board member of Bancamiga Banco Universal C.A., a micro-lending bank he founded in Venezuela, until it was sold in 2014. He currently serves as an advisor to Ben Oldman Loan Partners, an award winning hedge fund based in Luxembourg, Suma Financiera S.A., a micro-lending institution in Panama, Signafire Technologies, Inc., a large data company based in New York City, and Bodegas Convento de las Claras, S.L., an award-winning wine maker, and is a board member of Holler Technologies, Inc., an artificial intelligence communications platform based in New York City. Mr. Boccalandro has a Bachelor of Science in Business Administration from Universidad Metropolitana and a Masters of Business Administration from New York University.

Omar Mangalji

Omar R. Mangalji serves as a director on the General Partner's board. He is a Founding Partner of The Inception Companies, a private opportunistic investment firm based in Los Angeles and London, with holdings in a variety of asset classes, including real-estate, consumer retail and business services, technology and legal cannabis. Founded in 2015, The Inception Companies has emerged as a leading investor in the legal cannabis space, with robust market intelligence, a deep network of industry relationships, and a portfolio of direct investments totaling well over \$5 billion in aggregated enterprise value. The Inception Companies has generally taken a hands-on approach with its investments through board representation, corporate strategy and operational oversight roles. The firm's broad holdings include cultivation and manufacturing operations, retail and e-commerce platforms, consumer brands, vaporization technology and other ancillary strategic data aggregation investments. In 2013 and prior to The Inception Companies, Mr. Mangalji founded Cap-Meridian Ventures LTD ("**Cap-Meridian Ventures**"), a global private investment vehicle with a focus on innovation and a disciplined approach to find disruptive technologies and superior operations teams with which to partner. Cap-Meridian Ventures has actively invested in various-stage companies across verticals in North America, Europe, Africa, India and Brazil and Mr. Mangalji acts as an advisor. As a Mangalji family member, Mr. Mangalji remains involved in various parts of the family's global multi-industry holding company, The Westmont Group, in both commercial and philanthropic endeavors. From 2014, he has been actively involved with the expansion of Westmont Industrials Group, leading the development of its South American steel assets.

Craig M. Hatkoff

Craig M. Hatkoff is a non-executive director of Colony Capital, Inc. Previously, Mr. Hatkoff founded and was the managing partner of Victor Capital Group, L.P. ("**Victor Capital**") from 1989 until its acquisition by Capital Trust Group Limited in 1997. Prior to his service at Victor Capital, Mr. Hatkoff served as the Co-Head of the Real Estate Investment Banking Unit of Chemical Bank, where he was a pioneer in commercial mortgage securitization. Since 2011, Mr. Hatkoff currently serves as a member of the board of directors of SL Green Realty Corp., where he is the chair of the nominating and corporate governance committee and sits on the audit committee and as a member of the board of directors of Colony Capital, Inc. Mr. Hatkoff is also the Chairman of Turtle Pond Publications LLC, which is active in children's publishing and entertainment. Previously, Mr. Hatkoff served as a director of Taubman Centers, Inc. from 2004 to 2019 and Capital Trust, Inc. ("**Capital Trust**") from 1997 to 2010 and the Vice Chairman of Capital Trust from 1997 to 2010. Mr. Hatkoff also served as a Trustee of the New York City School Construction Authority

from 2002 to 2005. Mr. Hatkoff has previously sat on the board of directors of the following publicly listed real estate investment companies: Blackstone Mortgage Trust, Inc. (formerly Capital Trust, Inc.) and Taubman Centers, Inc. Mr. Hatkoff received a Bachelor of Arts in Computer Science, Sociology and Anthropology from Colgate University in 1976 and an MBA from Columbia Business School in 1978.

Anne Sullivan

Since October 2018, Anne Sullivan has served as Chief Operating Officer for Saddle Point Management, L.P., a registered investment advisory firm. Prior, Ms. Sullivan was Chief Operating Officer at Lanternback Capital Management, L.P. Between 2013-2017, she was a Partner at Marcato Capital Management, LP (“**Marcato**”), a long/short equity hedge fund, where she oversaw the firm’s non-investment side of the business. She was charged with developing infrastructure, implementing best practices, and managing third party relationships across the enterprise. Prior to Marcato, Ms. Sullivan was a Senior Analyst at Mesirow Advanced Strategies, Inc. (“**Mesirow**”), a multi-billion dollar fund of funds. At Mesirow, she was focused on evaluating the operational viability of hedge fund managers. Prior to Mesirow, she was a Manager at Deloitte Touche Tohmatsu Limited overseeing audit engagements of financial services companies and publicly traded consumer businesses. Ms. Sullivan graduated *Magna Cum Laude* with a Bachelor of Science in Accounting from Bradley University and is also a Certified Public Accountant.

Majority Voting Policy

Following Closing, the REIT LP will adopt a majority voting policy. Pursuant to the policy, Unitholders will vote for the election of individual directors of the General Partner at each annual meeting of Unitholders, rather than for a fixed slate of directors. Further, in an uncontested election of directors at an applicable meeting of Unitholders, the votes cast in favour of the election of a director nominee will be required to represent a majority of the votes cast for Units voted and withheld for the election of the director. If that is not the case, that director must tender his or her resignation to the Chair. The Corporate Governance and Nominating Committee will promptly consider such tendered resignation and recommend to the Board the action to be taken with respect to such tendered resignation, and the Board shall accept the resignation absent exceptional circumstances and it must promptly disclose its decision via press release.

Conflicts of Interest

Certain of our directors and executive officers are officers and directors of, or are associated with, other public and private companies. Such associations may give rise to conflicts of interest with the REIT LP from time to time. Specifically, Omar Mangalji and Richard Acosta are indirect owners of Inception REIT, owning approximately 2.1% of Inception REIT in the aggregate. As a result of these relationships, the acquisition of Inception REIT by the REIT LP constitutes a “related party transactions” under MI 61-101. See “The Qualifying Transaction – Related Party Interests”. In addition, Mr. Baker is currently the Vice President of New England Development. Mr. Baker has an obligation to present and evaluate opportunities on New England Development’s behalf prior to presenting them to the REIT LP.

The Second A&R LP Agreement contains “conflict of interest” provisions similar to those applicable to corporations under Section 120 of the CBCA which serve to protect Unitholders without creating undue limitations on the REIT LP. The Second A&R LP Agreement requires each of the General Partner and its directors and officers to disclose to the REIT LP if he or she is a party to a material contract or transaction or proposed material contract or transaction with the REIT LP or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT LP. Disclosure is required to be made by each of the General Partner’s directors or officers as soon as the director or officer becomes aware that a contract or transaction or proposed contract or transaction is to be, or has been, considered by the General Partner, as soon as the director or officer becomes aware of his or her interest in a contract or transaction or, if not currently a director or officer, as soon as such person becomes a director or officer. In the event that a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by General Partner or Unitholders, that director or officer is required to disclose in writing to the General Partner or request to have entered into the minutes of the meeting of the General Partner the nature and extent of his or her interest forthwith after the director or officer becomes aware of the contract or transaction or proposed contract or transaction. In any case, a director who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless, among other things, the contract or transaction is one relating

primarily to his or her remuneration for serving as the General Partner's director, officer, employee or agent, or one for indemnity under the indemnity provisions of the Second A&R LP Agreement or the purchase of liability insurance. Certain directors or officers of the General Partner directors may have conflicts of interest as a result of their current full-time positions and these conflicts will be expressly acknowledged. See "Risk Factors".

Indemnification and Insurance

The REIT LP maintains a director and officer insurance program to limit the REIT LP's exposure to claims against, and to protect, the General Partner's directors and officers. In addition, the REIT LP has entered into indemnification agreements with each of its directors and officers. The indemnification agreements generally require that the REIT LP indemnify and hold the indemnitees harmless to the greatest extent permitted by law for liabilities arising out of the indemnitees' service to the REIT LP as directors and officers of the General Partner, provided that the indemnitees acted honestly and in good faith and in a manner the indemnitees reasonably believed to be in, or not opposed to, the REIT LP's best interests and, with respect to criminal and administrative actions or proceedings that are enforced by monetary penalty, the indemnitees had no reasonable grounds to believe that his or her conduct was unlawful. The indemnification agreements also provide for the advancement of defence expenses to the indemnitees by the REIT LP. Statutory indemnification rights also apply.

Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as disclosed below, to the REIT LP's knowledge, none of the General Partner's directors and officers is, or within 10 years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company (including the REIT LP) that (i) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued while the director or officer was acting in the capacity as director, chief executive officer or chief financial officer, or (ii) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that was issued after the director or officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer. Mr. Auerbach was a director of CybAero AB ("**CybAero**") which was suspended from trading on the Nasdaq First North Nordic on February 15, 2018 until it was subsequently delisted on June 19, 2018.

Except as disclosed below, to the REIT LP's knowledge, none of the General Partner's directors and officers (i) is, or within 10 years prior to the date hereof has been, a director or executive officer of any company (including the REIT LP) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (ii) has, within ten years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer. Mr. Auerbach was a director of CybAero when it filed bankruptcy papers with the Linköpings District Court in Sweden on June 18, 2018.

None of the General Partner's directors and officers has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to invest in the REIT LP.

Agent for Service of Process

Each of Michael Auerbach, Leland Hensch, Richard Acosta, Michael Miller, Omar Mangalji, Scott Baker, Octavio Boccalandro, Craig Hatkoff and Anne Sullivan, who are directors and/or officers of the General Partner, as well as Subversive Sponsor and Inception Sponsor, reside or is otherwise organized outside of Canada. Each of the foregoing has appointed GODA Incorporators, Inc., located at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7 as their agent for service of process. Investors are advised that it may not be possible to enforce judgments obtained in Canada

against any person that resides or is otherwise organized outside of Canada even if the party has appointed an agent for service of process.

DIRECTOR AND OFFICER COMPENSATION

Executive Officer Compensation

An issuer's "named executive officers" are comprised of its Chief Executive Officer and Chief Financial Officer (or individuals who serve in similar capacities), and its three most highly compensated executive officers, other than the Chief Executive Officer and Chief Financial Officer, whose total compensation is, individually, more than \$150,000. Following Closing, it is expected that the "named executive officers" of the General Partner will be the following:

Michael B. Auerbach, Executive Chairman

Richard Acosta, Chief Executive Officer

Michael Miller, Chief Financial Officer

Eric Clarke, Chief Operating Officer

Formal executive compensation arrangements for the executive officers of the REIT LP have not yet been settled. It is anticipated that, following Closing, the executive officers' compensation will include the following major elements: (a) base salary; (b) short-term incentives; (c) long-term equity incentives granted from time-to-time under an Equity Compensation Plan; and (d) a customary benefits program.

When established, the REIT LP's compensation practices will be designed to retain, motivate and reward its executive officers for their performance and contribution to its long-term success. The Board will seek to compensate the General Partner's executive officers by combining short-term and long-term cash and equity incentives to reward the achievement of corporate and individual performance objectives, and to align its executive officers' incentives with the REIT LP's performance. The REIT LP will seek to tie individual goals to the area of the General Partner's executive officer's primary responsibility. These goals may include the achievement of specific financial, operational and/or business development goals. The REIT LP's performance goals will be based on its financial performance during the applicable period. The REIT LP's philosophy will be to pay fair, reasonable and competitive compensation with a significant equity-based component in order to align the interest of the General Partner's executive officers with those of its Unitholders.

Director Compensation

The Board, through the Compensation Committee, will be responsible for reviewing and approving the directors' compensation arrangements and any changes to those arrangements. Following Closing, it is expected that the non-employee directors and committee members will be paid the following annual retainers:

Position	Type of Fee	Amount Per Year
Member of the Board	Cash Retainer	US\$40,000
	Equity Retainer	US\$40,000
Audit Committee Chair	Cash Retainer	US\$5,000
Compensation Committee Chair	Cash Retainer	US\$2,500
Corporate Governance and Nominating Committee	Cash Retainer	US\$2,500

The cash retainer and the equity retainer, which will be paid in the form of RUs pursuant to Equity Incentive Plan, are payable quarterly. Each director may also elect to receive up to 100% of their cash retainer in the form of RUs.

It is expected that the directors will be reimbursed for their reasonable out-of-pocket expenses incurred in serving as directors. In addition, it is expected that directors will be entitled to receive remuneration for services rendered to the REIT LP in any other capacity, except in respect of their service as directors of any of the REIT LP's subsidiaries. Directors who are employees of and who receive a salary from the REIT LP or one of its Affiliates or subsidiaries will not be entitled to receive any remuneration for serving as directors, but will be entitled to reimbursement of their reasonable out-of-pocket expenses incurred in serving as directors.

Equity Incentive Plan

There are no outstanding options to purchase our Restricted Voting Units or Proportionate Voting Units under the Equity Incentive Plan. Subject to adjustment as provided in the Equity Incentive Plan, the aggregate number of units that may be issued under all awards under the Equity Incentive Plan is 12% of the fully-diluted units of the REIT LP from time to time. However, the REIT LP will not issue equity compensation awards under the Equity Incentive Plan until the Qualifying Transaction has been completed. The Equity Incentive Plan will be filed on SEDAR at www.sedar.com prior to the Qualifying Transaction being completed.

Summary of Equity Incentive Plan

Purpose

The purpose of the Equity Incentive Plan is to enable the REIT LP to: (i) attract and retain employees, officers, consultants, advisors and non-employee directors of the General Partner capable of assuring the future success of the REIT LP, (ii) offer such persons incentives to put forth maximum efforts for the success of the REIT LP's business, (iii) compensate such persons through various equity-based arrangements and provide them with opportunities for equity ownership in the REIT LP, thereby aligning the interests of such persons with the REIT LP's Unitholders.

The Equity Incentive Plan permits the grant of (i) Options, (ii) restricted units ("**RUs**"), (iii) performance compensation awards, and (iv) unrestricted unit bonuses or purchases, which are referred to herein collectively as "**Awards**", all as more fully described below.

The Board has the power to manage the Equity Incentive Plan and may delegate such power at its discretion to any committee of the Board.

Eligibility

Any non-employee director of the General Partner or any employee, officer, director, consultant, independent contractor or advisor providing services to the REIT LP or any Affiliate, or any such person to whom an offer of employment or engagement with the REIT LP, the General Partner or any Affiliate is extended, are eligible to participate in the Equity Incentive Plan if selected by the Board (the "**Participants**"). The basis of participation of an individual under the Equity Incentive Plan, and the type and amount of any Award that an individual is entitled to receive under the Equity Incentive Plan, is determined by the Board based on its judgment as to the best interests of the REIT LP, and therefore cannot be determined in advance.

The maximum number of Limited Partnership Units that may be issued under the Equity Incentive Plan is fixed by the Board to be 12% of the Limited Partnership Units outstanding, from time to time, subject to adjustment in the Equity Incentive Plan. 10% of such Limited Partnership Units, subject to adjustment in accordance with the Equity Incentive Plan, are available for time-based vested Awards. In addition, 2% of such Limited Partnership Units, subject to adjustment in the Equity Incentive Plan, are available for performance-based Awards.

The maximum number of Limited Partnership Units that may be issued under the Equity Incentive Plan to any one Related Person, or the number of securities that may be issuable on exercise of the Options granted to any one Related Person, as compensation within any one-year period, excluding performance-based Awards, shall not exceed 5% of the outstanding Limited Partnership Units, at the time of grant, subject to adjustment in the Equity Incentive Plan. The maximum number of Limited Partnership Units that may be issued under the Equity Incentive Plan to the General Partner's non-executive directors, as a whole, or the number of securities that may be issuable on exercise of the Awards granted to the General Partner's non-executive directors, as a whole, as compensation within any one-year period, shall not exceed 1% of the outstanding Limited Partnership Units. The Board will not grant Options to any

one non-executive director in which the aggregate fair market value (determined as of the time the Options are granted) of such Options during any calendar year (under the Equity Incentive Plan and all other plans of the REIT LP, its subsidiaries and its Affiliates) shall exceed \$100,000, or will not grant Awards in which the aggregate fair market value (determined as of the time the Awards are granted) of the Limited Partnership Units in respect to which the Awards are exercisable by such non-executive director during any calendar year (under the Equity Incentive Plan and all other plans of the REIT LP, its subsidiaries and its Affiliates) shall exceed \$150,000.

Any units subject to an Award under the Equity Incentive Plan that are not issued or are forfeited, cancelled, expire unexercised, are settled in cash, or are used or withheld to satisfy tax withholding obligations of a Participant shall again be available for Awards under the Equity Incentive Plan. Financial assistance or support agreements may be provided by the REIT LP, the General Partner or any Affiliate thereof or related entity to Participants in connection with grants under the Equity Incentive Plan, including full, partial or non-recourse loans if approved by the Board (with interested persons abstaining, if applicable).

In the event of any distribution (other than a regular cash distribution) and whether in the form of cash, units, other securities or other property), recapitalization, forward unit split, reverse unit split, reorganization, plan of arrangement, merger, amalgamation, consolidation, split-up, spin-off, combination, repurchase or exchange of Limited Partnership Units or other securities of the REIT LP, issuance of warrants or other rights to acquire Limited Partnership Units or other securities of the REIT LP, or other similar transaction or event which affects the Limited Partnership Units or unusual or nonrecurring events affecting the REIT LP or the financial statements of the REIT LP, or changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange or inter-dealer quotation system, accounting principles or law, the Board may, subject to any required regulatory or Exchange approvals, make such adjustment which it deems appropriate in its discretion in order to prevent dilution or enlargement of the rights of Participants under the Equity Incentive Plan, to (i) the number and kind of Limited Partnership Units (or other securities or other property) that may thereafter be issued in connection with Awards, (ii) the number and kind of Limited Partnership Units (or other securities or other property) subject to outstanding Awards, (iii) the purchase price or exercise price relating to any Award or, if deemed appropriate, make provision for a cash payment with respect to any outstanding Award, and/or (iv) any unit limit set forth in the Equity Incentive Plan.

Awards

Options

The Board is authorized to grant Options that are not intended to satisfy the requirements of Section 422 of the Code). Options granted under the Equity Incentive Plan are subject to such terms, including the exercise price and the conditions and timing of exercise, as may be determined by the Board and specified in the applicable award agreement. The maximum term of an Option granted under the Equity Incentive Plan is ten years from the date of grant. Payment in respect of the exercise of an Option may be made in cash or by check, by surrender of other securities or property (at their fair market value on the date of exercise) or by such other method as the Board may determine to be appropriate.

RUs

RUs are granted in reference to a specified number of Limited Partnership Units and entitle the holder to receive, on achievement of specific performance goals established by the Board or after a period of continued service with the REIT LP, the General Partner or any Affiliate thereof or any combination of the above as set forth in the applicable award agreement, one Limited Partnership Unit for each such Limited Partnership Unit covered by the RU; provided, that the Board may elect to pay cash, or part cash and part Limited Partnership Units in lieu of delivering only Limited Partnership Units. The Board may, in its discretion, accelerate the vesting of RUs. Unless otherwise provided in the applicable award agreement or as may be determined by the Board upon a Participant's termination of employment or service or resignation or removal as a director, the unvested portion of the RUs will be forfeited and cancelled at no cost.

Unrestricted Unit Bonuses or Purchases

The Board is authorized to grant an award of unrestricted unit bonuses under which the Participant shall be entitled to receive Limited Partnership Units on such terms and conditions as the Board Shall determine.

Distribution Equivalents

As part of any Award granted under the Equity Incentive Plan, the Board is authorized to grant distribution equivalents, under which the holder shall be entitled to receive payments (in cash, Limited Partnership Units, other securities or other property, as determined by the Resulting Issuer Board) in respect of cash distributions paid by the REIT LP to holders of Limited Partnership Units on such terms and conditions at such times as the Board shall determine. Subject to the terms of the Equity Incentive Plan and any applicable award agreement, such distribution equivalents may have such terms and conditions as the Board shall determine. Notwithstanding the foregoing, the Board may not grant distribution equivalents to Participants in connection with grants of Options or other Awards, the value of which is based solely on an increase in the value of the Limited Partnership Units after the date of grant of such Award.

Performance Awards

The Board is authorized to grant performance-based awards under which the Participant shall be entitled to receive Limited Partnership Units upon the achievement of performance targets and subject to such other terms and conditions as the Board shall determine.

General

The maximum term of the Awards to be granted under the Equity Incentive Plan is 10 years.

The Board may impose restrictions on the vesting, exercise or payment of an Award as it determines appropriate. Generally, no Awards granted under the Equity Incentive Plan shall be transferable except by will or by the laws of descent and distribution. No Participant shall have any rights as a Unitholder with respect to Limited Partnership Units covered by an Award or RUs, unless and until such Award is settled in Limited Partnership Units.

No Option shall be exercisable, no Limited Partnership Units shall be issued, no certificates, registration statements or electronic positions for Limited Partnership Units shall be delivered and no payment shall be made under the Equity Incentive Plan except in compliance with all applicable laws and the Exchange and any other regulatory requirements.

The Board may amend, alter, suspend, discontinue or terminate the Equity Incentive Plan and the Board may amend any outstanding Award at anytime; provided that (i) such amendment, alteration, suspension, discontinuation, or termination shall be subject to the approval of the Unitholders if such approval is necessary to comply with any tax, regulatory or Exchange requirement applicable to the Equity Incentive Plan (including, without limitation, as necessary to comply with the policies of the Exchange or any rules or requirements of any applicable securities exchange), and (ii) subject to the next following paragraph, no such amendment or termination may materially and adversely alter or impair the Awards then outstanding without the Award holder's written consent. The Board may, without prior approval of the Unitholders, correct any defect, supply any omission or reconcile any inconsistency in the Equity Incentive Plan or in any Award or award agreement in the manner and to the extent it shall deem desirable to implement or maintain the effectiveness of the Equity Incentive Plan. The Equity Incentive Plan also provides for the issuance of Limited Partnership Units in lieu of bonuses.

In the event of any reorganization, merger, amalgamation, consolidation, split-up, spin-off, combination, plan of arrangement, take-over bid or tender offer, repurchase or exchange of Limited Partnership Units or other securities of the REIT LP or any other similar transaction or event involving the change of control of the REIT LP (or if the REIT LP shall enter into a written agreement to undergo such a transaction or event), the Board may, in its sole discretion, take such measures or make such adjustments in regards to any securities granted pursuant to the Equity Incentive Plan, as it deems appropriate, as further described in the Equity Incentive Plan, and shall have no obligation to treat Participants uniformly. Notwithstanding the foregoing, upon a transaction or event involving the change of control of the REIT LP, all securities granted pursuant to the Equity Incentive Plan shall immediately vest.

Awards granted to U.S. persons under the Equity Incentive Plan will not be registered under the U.S. Securities Act of 1933, as amended, and will be issued under an exemption from registration therefrom. Such securities may be subject to transfer restrictions and a holding period imposed by applicable U.S. securities laws.

Tax Withholding

The REIT LP may take such action as it deems appropriate to ensure that all applicable federal, state, provincial, local and/or foreign payroll, withholding, income or other taxes, which are the sole and absolute responsibility of a Participant, are withheld or collected from such Participant.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

Except as described in this prospectus, none of the directors, executive officers, employees, former directors, former executive officers or former employees of the REIT LP, its General Partner or any of their respective subsidiaries, and none of their respective associates, is or has within 30 days before the date of this prospectus or at any time since the beginning of the most recently completed financial year been indebted to the REIT LP, its General Partner or any of their respective subsidiaries or another entity whose indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar agreement or understanding provided by the REIT LP, the General Partner or any of their respective subsidiaries.

CORPORATE GOVERNANCE AND BOARD COMMITTEES

The REIT LP recognizes that good corporate governance will play an important role in its overall success and in enhancing Unitholder value. Accordingly, following Closing, the REIT LP intends to adopt certain corporate governance policies and practices. Unless otherwise indicated, the following disclosure is based on the present expectations of the REIT LP in respect of its corporate governance practices and the formal establishment of committees of the Board described below (without changes to the proposed composition) and the ratification and adoption of their respective proposed charters (without any material modifications) will occur following the Closing. However, such disclosure remains subject to revision prior or subsequent to the Closing. See “Notice to Readers” in this prospectus.

Statement of Corporate Governance Practices

The REIT LP’s corporate governance disclosure obligations are set out in the Canadian Securities Administrators’ NI 52-110, National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“**NI 58-101**”) and National Policy 58-201 – *Corporate Governance Guidelines*. These instruments set out a series of guidelines and requirements for effective corporate governance (collectively, the “**Guidelines**”). The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of Board members. NI 58-101 requires the disclosure by each listed corporation of its approach to corporate governance with reference to the Guidelines.

Set out below is a description of the REIT LP’s anticipated approach to corporate governance in relation to the Guidelines.

Board Composition

Board of Directors

As of the Closing, it is expected that the Board will be comprised of seven directors: Michael B. Auerbach, Richard Acosta, Leland Hensch, Scott Baker, Octavio Boccalandro, Craig Hatkoff and Anne Sullivan.

The primary function of the Board will be to supervise the management of the business and affairs of the REIT LP, including the responsibility for the strategic planning process, assessing the performance of and overseeing the REIT LP’s management, the issuance of securities, succession planning, ensuring effective and adequate communication with Unitholders, other stakeholders and the public, oversight of the REIT LP’s internal control and management information systems, corporate governance, director compensation and assessment and approving material transactions and contracts. The Board will also be responsible for reviewing the succession plans for the REIT LP, including appointing, training and monitoring senior management to ensure that the Board and management have appropriate skills and experience. The Board has appointed an Audit Committee, and expect to appoint a Compensation Committee and a Corporate Governance and Nominating Committee. See below under “Committees

of the Board”. The Board has delegated to the applicable committee those duties and responsibilities set out in each committee’s charter.

The Board has a majority voting policy for the election of directors. For a description of the policy, see “Directors and Officers – Majority Voting Policy” in this prospectus.

Independence of the Board

NI 58-101 defines an “independent director” as a director who has no direct or indirect material relationship with the REIT LP. A “material relationship” is in turn defined as a relationship which could, in the view of the Board, be reasonably expected to interfere with such member’s independent judgment. In determining whether a particular director is an “independent director” or a “non-independent director”, the Board considers the factual circumstances of each director in the context of the Guidelines.

As of Closing, it is expected that the Board will be comprised of seven members, four of whom are “independent directors” within the meaning of NI 58-101. As Michael B. Auerbach, Richard Acosta and Leland Hensch are not considered independent for the purposes of NI 58-101.

Meeting in-camera

The Board and committees will meet without management and non-independent directors at meetings of the Board, if considered necessary. These discussions will generally form part of the committee chairs’ reports to the Board. The Chair will chair the meetings and encourage open and candid discussions among the independent directors by providing them with an opportunity to express their views on key topics before decisions are taken.

Succession planning

It is expected that the Corporate Governance and Nominating Committee will provide primary oversight of succession planning for senior management, the performance assessment of the General Partner’s officers, and the Chief Executive Officer’s assessments of the other senior officers. From time to time, as appropriate, the Corporate Governance and Nominating Committee may conduct in-depth reviews of succession options relating to senior management positions and, when appropriate, may approve the rotation of senior officers into new roles to broaden their responsibilities and experiences and deepen the pool of internal candidates for senior management positions. The independent directors may participate in the assessment of the officers’ performance every year. The Board will approve all appointments of executive officers.

Charters and Position Descriptions

The Board will be responsible for the overall stewardship of the REIT LP. The Board will discharge this responsibility directly and through delegation of specific responsibilities to committees of the Board, the Chair, and officers of the General Partner, all as more particularly described in the Board’s charter that will be adopted by the Board following Closing. The committee charter for the Audit Committee described below under “Committees of the Board – Audit Committee”. The charters of the Compensation Committee and the Corporate Governance and Nominating Committee, once adopted, will set out in writing the responsibilities of the committees vis-à-vis the Board and management of the REIT LP.

The Board also has, or will have, written position descriptions for the Executive Chairman, chairs of each of the committees of the Board and the Chief Executive Officer. Each position description will set out, without limitation, the requirements and responsibilities of each such position.

Diversity

The REIT LP recognizes the importance of diversity at the Board and executive officer levels and intends to engage in an ongoing discussion of the representation of women on the Board and in executive officer positions with the General Partner. Written policies and specific targets or quotas for gender or other diversity representation have not been adopted for the Board or for executive officer positions with the General Partner due to the small size of these groups and the need to consider a balance of criteria in each individual appointment. It is important that each

appointment to the Board and as an executive officer be made, and be perceived as being made, on the merits of the individual and the needs of the REIT LP at the relevant time. In addition, targets or quotas based on specific criteria could limit the Board's ability to ensure that the overall composition of the Board and executive officers meets the needs of the REIT LP and its Unitholders.

Currently, as to gender, the Board has appointed one woman as a director and none as an executive officer.

Orientation and Continuing Education

It is expected that the Corporate Governance and Nominating Committee will oversee an appropriate orientation for new Board members in order to familiarize them with the REIT LP and its business (including the REIT LP's reporting and organizational structure, strategic plans, significant financial, accounting and risk issues, compliance programs and policies, management and the external auditors), the role of the Board and its committees and the contribution that an individual director is expected to make to the Board, its committees (as applicable) and the REIT LP.

In addition, Board members are expected to keep themselves current with industry trends and developments and will be encouraged to communicate with the REIT LP's officers and, where applicable, auditors, advisors and other consultants of the REIT LP. Board members have access to the REIT LP's in-house and external legal counsel in the event of any questions or matters relating to the Board members' corporate and director responsibilities and to keep themselves current with changes in legislation. Board members have full access to the REIT LP's records.

Nomination of Directors

It is expected that the Corporate Governance and Nominating Committee will be responsible for recommending to the Board candidates for election as directors and candidates for appointment to Board committees.

Ethical Business Conduct

The Board expects to adopt a Code of Business Conduct and Ethics for the REIT LP's directors, officers and employees following Closing, that will set out the Board's expectations for the conduct of such persons in their dealings on behalf of the REIT LP.

Insider Trading Policy

The Board expects to adopt a policy relating to the trading in securities of the REIT LP by directors, executive officers, employees and other insiders of the REIT LP and its subsidiaries following Closing.

Committees of the Board

Audit Committee

The audit committee (the "**Audit Committee**") currently consists of Anne Sullivan, Octavio Boccalandro and Scott Baker, each of whom is and must at all times be financially literate within the meaning of NI 52-110. The relevant education and experience of each member of the Audit Committee is described as part of their respective biographies above under "Overview of the Directors and Officers".

The Board has adopted a written charter for the Audit Committee (the "**Charter of the Audit Committee**"), which sets out the Audit Committee's responsibility in reviewing and approving the financial statements of the REIT LP and public disclosure documents containing financial information and reporting on such review to the Board, ensuring that adequate procedures are in place for the reviewing of the REIT LP's public disclosure documents that contain financial information, overseeing the work and reviewing the independence of the external auditors. The text of the Charter of the Audit Committee that has been adopted is attached as CD of this Prospectus.

External Audit Service Fees

The fees billed to the REIT LP by its auditor for the financial year ended December 31, 2019 were as follows:

<u>Year</u>	<u>Audit Fees</u>	<u>Audit-Related Fees</u>	<u>Tax Fees</u>	<u>All Other Fees</u>
2019	Nil	Nil	Nil	Nil

Notes:

- (1) Audit-related fees include fees paid to the REIT LP's auditors for statutory audits, attestation services, quarterly reviews and due diligence services.
- (2) Tax fees include fees paid for preparation of the REIT LP's annual tax return.
- (3) All other fees include fees incurred in connection with an initial review of the REIT LP and its operations and administrative expenses.

Compensation Committee

It is expected that the Compensation Committee will be formed following Closing and will be comprised of directors that are considered to be "independent" as defined in NI 58-101. A charter for the Compensation Committee will be adopted following Closing.

Corporate Governance and Nominating Committee

It is expected that the Corporate Governance and Nominating Committee will be formed following Closing and will be comprised of directors that are considered to be "independent" as defined in NI 58-101. A charter for the Corporate Governance and Nominating Committee will be adopted following Closing.

REGULATORY APPROVALS

The completion of the Qualifying Transaction is conditional upon, among other things, approval by the Exchange. The Exchange has conditionally approved the continued listing of the Limited Partnership Units, including the Limited Partnership Units issuable in connection with the Qualifying Transaction (including, for greater certainty, upon the redemption of the Exchangeable Units), the Debenture Units and the units underlying the Debentures, and the Rights. The Exchange has also conditionally approved the listing of the Debentures under the symbol SVX.DB.U. The REIT LP has applied to list the Contingent Rights on the Exchange under the symbol SVX.RT.C. Continued listing of the Limited Partnership Units and the Rights and the listing of the Debentures and Contingent Rights is subject to the REIT LP fulfilling all of the requirements of the Exchange.

RISK FACTORS

Unitholders should be aware that there are various known and unknown risk factors in connection with the Qualifying Transaction. Unitholders should carefully consider the risks identified in this prospectus under the heading "Caution Regarding Forward-Looking Statements" and "Risk Factors" before deciding whether or not to approve the Qualifying Transaction.

Risk Factors Related to the Real Estate Industry

There are significant risks involved in real property ownership beyond the control of the REIT LP.

Investing in real estate will expose the REIT LP to a high degree of risk. There is no assurance that the operations of the REIT LP will be profitable or that cash from operations will be available to make distributions to Unitholders. Because real estate, like many other types of long-term investments, experiences significant fluctuations and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of the REIT LP's portfolio. Further, the REIT LP may buy and/or sell properties at less than optimal times. By specializing in a particular type of real estate, the REIT LP is exposed to adverse effects on that segment of the real estate market and does not benefit from a diversification of its portfolio by property type. The REIT LP's revenues as well as the marketability and value of the portfolio will depend on many factors beyond the control of the REIT LP, including, without limitation: (a) changes in general economic conditions (such as the availability, terms and cost of mortgage financings

and other types of credit); (b) local economic conditions (such as business layoffs, industry slowdowns, changing demographics, neighbourhood characteristics and other factors); (c) local real estate conditions (such as an oversupply of properties or a reduction in demand for real estate in the area); (d) changes in occupancy; (e) the attractiveness of properties to potential tenants or purchasers; (f) competition with other landlords with similar available space and competition from prospective buyers for, and sellers of, other similar properties; (g) the promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions, environmental protection and occupational safety; (h) changes in governmental rules and fiscal policies; (i) the financial condition of tenants, buyers and sellers of property; (j) changes in interest rates and in the availability, cost and terms of financing; (k) energy and supply shortages; (l) various uninsured or uninsurable risks; (m) civil unrest; (n) acts of God and natural disasters; and (o) acts of war or terrorism. In the event that any of the REIT LP's properties experience any of the foregoing events or occurrences, the value of, and return on, such investments would be negatively impacted.

There can be no assurance of profitable operations due to the costs of operating a real estate portfolio, including debt service, may exceed gross income therefrom, particularly since certain expenses related to real estate tend to increase even if there is a decrease in the REIT LP's income from such investments. There is also no assurance that there will be a ready market for the sale of the REIT LP's portfolio because, as outlined below, investments in real estate generally are not liquid.

The success of the REIT LP will depend on the availability of, and the degree of competition for, attractive investments. The REIT LP's operating results will depend on the availability of, as well as the ability of management to identify, consummate, manage and realize, attractive real estate investment opportunities. It may take considerable time for the REIT LP to identify and consummate appropriate investments. No assurance can be given that the REIT LP will be successful in identifying and consummating future investments which satisfy the REIT LP's rate of return objective or that such investments, once consummated, will perform as expected. The REIT LP will be engaged in a competitive business and will be competing for attractive investments with existing real estate investment funds and other funds formed in the future with similar investment objectives. These factors may affect the REIT LP's ability to make investments in the future.

The REIT LP is not guaranteed regular cash flow through leasing its properties.

Upon the expiry of any lease for a property the REIT LP acquires, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than an existing lease. The REIT LP's cash flows and financial position would be materially adversely affected if its tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the REIT LP's properties was not able to be leased on economically favorable lease terms. In the event of default by a tenant, the REIT LP may experience delays or limitations in enforcing its rights as lessor and incur substantial costs in protecting its investment. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease by the resident and, thereby, cause a reduction in the REIT LP's cash flows, financial condition and results of operations and its ability to make distributions to Unitholders.

Competition for the acquisition of properties suitable for the retail sale, cultivation or production of Regulated Cannabis and alternative financing sources for licensed operators may impede the REIT LP's ability to make acquisitions or increase the cost of these acquisitions, which could adversely affect the REIT LP's operating results and financial condition.

The REIT LP competes for the acquisition of properties suitable for the retail sale, cultivation, production or processing of Regulated Cannabis with other entities engaged in retail, agricultural and real estate investment activities, including corporate agriculture companies, cultivators and producers of Regulated Cannabis, private equity investors, and other real estate investors (including public and private REIT LPs). The REIT LP also competes as a provider of capital to Regulated Cannabis operators with alternative financing sources to these companies, including both equity and debt financing alternatives. These competitors may prevent the REIT LP from acquiring desirable properties in the future, may cause an increase in the price the REIT LP must pay for properties or may result in the REIT LP having to lease its properties on less favorable terms than the REIT LP expects. The REIT LP's competitors may have greater financial and operational resources than the REIT LP does and may be willing to pay more for certain assets or may be willing to accept more risk than the REIT LP believes can be prudently managed. In particular, larger companies may enjoy significant competitive advantages that result from, among other things, a lower cost of

capital and enhanced operating efficiencies. The REIT LP's competitors may also adopt transaction structures similar to its structure, which would decrease the REIT LP's competitive advantage in offering flexible transaction terms. In addition, due to a number of factors, including but not limited to potential greater clarity of the laws and regulations governing Regulated Cannabis by state and federal governments, the number of entities and the amount of funds competing for suitable investment properties may increase, resulting in increased demand and increased prices paid for these properties. If the REIT LP pays higher prices for properties or enters into leases for such properties on less favorable terms than the REIT LP expects, the REIT LP's profitability and ability to generate cash flow and make distributions to its Unitholders may decrease.

Increased competition for properties may also preclude the REIT LP from acquiring those properties that would generate attractive returns to the REIT LP.

By way of example, several proposed bills have been introduced in the United States Congress focused on the regulated cannabis industry, including the Marijuana Opportunity Reinvestment and Expungement Act (the "**MORE Act**") and the Secure and Fair Enforcement (SAFE) Banking Act of 2019 (the "**SAFE Banking Act**"). If it became law, the MORE Act, introduced by U.S. Senator Kamala Harris and U.S. Representative Jerrold Nadler in July 2019, would, among other things, remove cannabis as a Schedule I controlled substance under the CSA and make available U.S. Small Business Administration funding for regulated cannabis operators. If it became law, the SAFE Banking Act would, among other things, provide protection from federal prosecution to banks and other financial institutions that provide financial services to state-licensed, compliant Regulated Cannabis operators, which may include the provision of loans by financial institutions to such operators. It is highly unlikely that these bills will pass Congress and be signed into law this year; however, there is a likelihood that they will be reintroduced at the beginning of the next Congress in 2021. Depending on the political winds and the outcome of federal elections, there is a possibility that these bills will become law in the next couple years. Should that happen, there would be further increased competition for the acquisition of properties that can be leased to licensed Medical-Use Cannabis operators, and such operators would have greater access to alternative financing sources with lower costs of capital. These factors may reduce the number of operators that wish to enter into lease transactions with the REIT LP or renew leases with the REIT LP, or may result in the REIT LP having to enter into leases on less favorable terms with tenants, each of which may significantly adversely impact the REIT LP's profitability and ability to generate cash flow and make distributions to its Unitholders.

Changes in laws governing the REIT LP's activities may adversely impact the REIT LP.

The REIT LP is subject to laws and regulations governing the ownership and leasing of real property, zoning, building standards, landlord-tenant relationships, employment standards, environmental matters, taxes and other matters. It is possible that future changes in applicable federal, provincial, state, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the REIT LP (including with retroactive effect). Any changes in the laws to which the REIT LP is subject could materially adversely affect the REIT LP's rights and title to its assets. It is not possible to predict whether there will be any further changes in the regulatory regimes to which the REIT LP is subject or the effect of any such changes on its investments.

In addition, the REIT LP will be required to comply with certain Canadian securities law, income tax law and the Exchange and other legal and regulatory requirements. Compliance with, and monitoring of, such laws and regulations may be difficult, time consuming and costly. Those laws and regulations and their interpretation and application also may change from time to time and those changes could have a material adverse effect on the REIT LP's business, assets, investments and results of operations. A failure to comply with applicable laws or regulations, as interpreted and applied, could have a material adverse effect on the REIT LP's business, assets, investments and results of operations.

Lower revenue growth or significant unanticipated expenditures may result from the REIT LP's need to comply with changes in applicable laws or the enactment of new laws, including: (a) laws imposing environmental remedial requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions; (b) commercial landlord/tenant laws; or (c) other governmental rules and regulations or enforcement policies affecting the development, use and operation of the REIT LP's properties, including changes to building codes and fire and life-safety codes.

The REIT LP will be subject to various U.S. federal, state and municipal laws relating to environmental matters that may adversely affect its operations.

As the REIT LP's Initial Portfolio (including the Contingent Properties) consists of assets in the United States, the REIT LP will be subject to various U.S. federal, state and municipal environmental laws. Principal areas of possible exposure could arise from (1) releases of hazardous substances at the real property it acquires, or (2) tenants' non-fulfillment of their environmental regulatory compliance obligations during their tenancy. If the REIT LP were to become liable for contamination or other environmental conditions at its properties, it could negatively affect the REIT LP's financial condition and results of operations and decrease the amount of cash available for distribution.

Subject to certain defenses, U.S. environmental law makes real property owners strictly liable for releases of hazardous substances on property they own, regardless of whether they caused (or even knew about) the release. With respect to the REIT LP, the releases could have occurred either before the REIT LP acquired the property or during its ownership, for example, from a tenant's operations or from a neighboring property owner.

Management believes the REIT LP has taken commercially reasonable precautions to address these potential risks. First, with respect to hazardous substances releases at, on, or under the real property the REIT LP acquires, it is the REIT LP's policy to obtain a Phase I Report prior to acquiring a property. See "Assessment and Valuation of the Initial Portfolio and Contingent Properties – Environmental Site Assessments". Management believes that, through this practice, it has laid the predicate for a potential defense to liability for pre-existing conditions. Second, where commercially appropriate and feasible, the REIT LP's lease agreements will require tenants to covenant compliance with their regulatory obligations and to indemnify the REIT LP for any losses that might arise from tenants' noncompliance. See "Regulatory Environment – Environmental, Health and Safety Matters."

Despite these precautions, the discovery of contamination, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for lease reductions or termination of leases for cause, for damages and other claims against the REIT LP. The presence of contamination or the failure to remediate contamination may adversely affect the REIT LP's ability to sell affected property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in claims against the REIT LP by public or private parties. The remediation of any contamination and the related additional measures the REIT LP would have to undertake could involve considerable cost and could have a materially adverse effect on the REIT LP.

The REIT LP intends to make the necessary capital and operating expenditures to assure the properties it acquires can operate in compliance with environmental and health and safety laws. Management believes the REIT LP's tenants will shoulder principal regulatory compliance obligations. See "Regulatory Environment – Environmental, Health and Safety Matters". Nonetheless, should tenants fail to live up to their obligations, or to indemnify the REIT LP for their failures, costs to the REIT LP may have an adverse effect on the REIT LP's financial condition, results of operations, and decrease the amount of cash available for distribution to Unitholders.

Finally, environmental, health and safety laws also govern the maintenance and removal of asbestos containing materials in the event of damage, demolition or renovation of a property and also govern emissions of and exposure to asbestos fibers in the air. Certain properties comprising the Initial Portfolio and Contingent Properties might contain asbestos containing materials, mold or other hazardous substances above the allowable or recommended thresholds, or other environmental risks could be associated with the buildings. The costs of investigation, removal and remediation of such substances or properties, if any that the REIT LP cannot recoup from its tenants, may be substantial and could adversely affect the REIT LP's financial condition results of operations, and decrease the amount of cash available for distribution to Unitholders.

The REIT LP's operating policy is to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have Phase II environmental site assessment work completed where recommended in a Phase I environmental site assessment. Although such environmental site assessments would provide the REIT LP with some level of assurance about the condition of the property, the REIT LP may become subject to liability for undetected contamination or other environmental conditions at its properties, which could negatively impact the REIT LP's financial condition and results of operations and decrease the amount of cash available for distribution. See "Assessment and Valuation of the Initial Portfolio and Contingent Properties – Environmental Site Assessments".

Phase II ESA Reports have been ordered for two of the properties comprising the Initial Portfolio and Contingent Properties. Although the REIT LP has mitigated the potential negative impact of the presence of an environmental concern at one or both of these two properties (by obtaining remediation cost estimates from environmental specialists, structuring hold backs equal to the probable cost estimates for remediation and obtaining indemnities from the vendors of the properties), the results of these Phase II ESA Reports are not yet known and there can be no assurance that any environmental concerns identified in the Phase II ESA Reports when completed, if any, will be able to be adequately rectified. The failure to remove or otherwise address such environmental concerns in respect of one or both of the two properties for which a Phase II ESA Report has been ordered, may materially adversely affect the REIT LP's ability to sell either such property in the future, maximize the value of either such property or borrow using either such property as collateral security, and could potentially result in claims or other proceedings against the REIT LP.

The REIT LP intends to make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters that may have a material adverse effect on the REIT LP's business, financial condition or results of operation and decrease the amount of cash available for distribution. Furthermore, environmental laws can change and the REIT LP may become subject to even more stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have an adverse effect on the REIT LP's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

Possible terrorist attacks in the markets where the REIT LP's properties are located may negatively impact the REIT LP's business.

Possible terrorist attacks in the markets where the REIT LP's properties are located may result in declining economic activity, which could reduce the demand for space at the REIT LP's properties and reduce the value of the REIT LP's properties. Additionally, terrorist activities could directly affect the value of the REIT LP's properties through damage, destruction or loss. The REIT LP's insurance may not cover some losses due to terrorism or such insurance may not be obtainable at commercially reasonable rates. Terrorism may have a material and adverse effect on the REIT LP's business, cash flows, financial condition, results of operations and ability to make distributions to Unitholders.

The properties comprising the Initial Portfolio and Contingent Properties could sustain damage as a result of natural disasters.

Certain of the properties comprising the Initial Portfolio and Contingent Properties may be located in areas which have sustained significant storm damage in the past and where buildings are susceptible to sustaining storm damage. While the REIT LP has insurance to cover a substantial portion of the cost of such events, the REIT LP's insurance includes deductible amounts and certain items may not be covered by insurance. Future hurricanes, floods or other natural disasters may significantly affect the REIT LP's operations and properties and, more specifically, may cause the REIT LP to experience reduced rental revenue (including from increased vacancy), incur clean-up costs or otherwise incur costs in connection with such events. Any of these events may have a material adverse effect on the REIT LP's business, cash flows, financial condition, results of operations and ability to make distributions to Unitholders. Further, to the extent the REIT LP must pay unexpectedly large amounts for insurance, it could suffer reduced earnings that would result in lower distributions to Unitholders.

Accidental death or severe injuries on the REIT LP's properties could have a material adverse effect on the REIT LP's reputation, business and results of operations.

The accidental death or severe injuries to persons on the REIT LP's properties due to fire, natural disasters or other hazards could have a material adverse effect on the REIT LP's reputation, business and results of operations. The REIT LP's insurance coverage may not cover all losses associated with such events, and the REIT LP may experience difficulty marketing communities where any such events have occurred, which could have a material adverse effect on the REIT LP's reputation, business and results of operations.

An investment in real estate is relatively illiquid, which may limit the REIT LP's ability to vary its portfolio.

An investment in real estate is relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the REIT LP's ability to vary its portfolio of properties promptly in response to changing economic, investment or other conditions. If the REIT LP were to be required to quickly liquidate its real property investments, the proceeds to the REIT LP might be significantly less than the aggregate carrying or Net Asset Value of its properties or less than what would be expected to be received under normal circumstances which could have an adverse effect on the REIT LP's financial condition and results of operations and decrease the amount of cash available for distribution. Illiquidity may result from the absence of an established market for real property investments, as well as from legal or contractual restrictions on their resale. In addition, in recessionary times, it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable, and during an economic recession, the REIT LP may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the REIT LP to dispose of properties at lower prices in order to generate sufficient cash for operations and making distributions. There can be no assurance that the fair market value of any properties held by the REIT LP will not decrease in the future.

The REIT LP's operations are subject to changes in the economic environment.

The REIT LP is subject to risks involving the economy in general, including inflation, deflation or stagflation, unemployment and geopolitical issues. Poor economic conditions could adversely affect the REIT LP's ability to generate revenues, thereby reducing its operating income and earnings. Such conditions could also have an adverse impact on the ability of the REIT LP to maintain occupancy rates which could harm the REIT LP's financial condition. In weak economic environments, the REIT LP's tenants may be unable to meet their lease payments and other obligations due to the REIT LP, which could have a material and adverse effect on the REIT LP. In addition, fluctuation in interest rates or other financial market volatility may restrict the availability of financing for future prospective purchasers of the REIT LP's investments and could potentially reduce the value of such investments. A significant component of the REIT LP's ability to successfully operate relates to certain external factors that are beyond the REIT LP's control, particularly interest rates and capital markets conditions. It is possible that Capitalization Rates within the real estate sector in which the REIT LP operates could expand in the future due to external market factors, which tend to put downward pressure on the market values of publicly traded real estate companies or entities.

Political uncertainty may have an adverse impact on the REIT LP's operating performance and results of operations.

General political uncertainty may have an adverse impact on the REIT LP's operating performance and results of operations. In particular, the United States continues to experience significant political events that cast uncertainty on global financial and economic markets, including the ongoing presidential campaign. It is presently unclear exactly what actions a new administration in the United States, if elected, will implement, and if implemented, how these actions may impact the cannabis industry in Canada and the United States. Any actions taken by a new United States administration may have a negative impact on the Canadian and United States economies and on the businesses, financial conditions, results of operations and the valuation of Canadian and United States cannabis and real estate companies, including the REIT LP.

The REIT LP faces significant risks associated with the development and redevelopment of properties that the REIT LP acquires.

The REIT LP may engage in development or redevelopment of properties that it acquires. Development and redevelopment activities entail risks that could adversely impact the REIT LP's financial condition and results of operations, including:

- construction costs, which may exceed the REIT LP or its tenant's original estimates due to increases in materials, labor or other costs, which could make the project less profitable for the REIT LP's tenant, require the REIT LP or its tenant to commit additional funds to complete the project and adversely impact the REIT LP tenant's business and prospects as a result;

- permitting or construction delays, which may result in increased project costs, as well as deferred revenue and delayed commencement of operations by the REIT LP's tenant;
- unavailability of raw materials when needed, which may result in project delays, stoppages or interruptions, which could make the project less profitable;
- claims for warranty, product liability and construction defects after a property has been built;
- health and safety incidents and site accidents;
- poor performance or nonperformance by, or disputes with, any of the REIT LP contractors, subcontractors or other third parties on whom the REIT LP relies;
- unforeseen engineering, environmental or geological problems, which may result in delays or increased costs;
- labor stoppages, slowdowns or interruptions;
- a health pandemic, including COVID-19;
- liabilities, expenses or project delays, stoppages or interruptions as a result of challenges by third parties in legal proceedings; and
- weather-related and geological interference, including hurricanes, landslides, earthquakes, floods, drought, wildfires and other events, which may result in delays or increased costs.

If certain of properties' access to adequate water and power supplies is interrupted, it could harm the REIT LP's ability to lease the properties for cannabis cultivation and production, thereby adversely affecting the REIT LP's ability to generate returns on its properties.

In order to lease certain of the properties that the REIT LP acquires, these properties require access to sufficient water and power to make them suitable for the cultivation and production of Medical-Use Cannabis. Although the REIT LP expects to acquire properties with sufficient access to water, should the need arise for additional wells from which to obtain water, the REIT LP would be required to obtain permits prior to drilling such wells. Permits for drilling water wells are required by state and county regulations, and such permits may be difficult to obtain due to the limited supply of water in areas where the REIT LP acquires properties. Similarly, the REIT LP's properties may be subject to governmental regulations relating to the quality and disposition of rainwater runoff or other water to be used for irrigation. In such case, the REIT LP could incur costs necessary in order to retain this water. If the REIT LP is unable to obtain or maintain sufficient water supply for its properties, the REIT LP's ability to lease them for the cultivation and production of Medical-Use Cannabis would be significantly impaired, which would have a material adverse impact on the value of the REIT LP's assets and its results of operations.

Historically, states that have legalized Medical-Use Cannabis cultivation have typically required that such cultivation take place indoors. Indoor cultivation of Medical-Use Cannabis requires significant power for growing lights and ventilation and air conditioning to remove the hot air generated by the growing lights. While outdoor cultivation is gaining acceptance in many states with favorable climates for such growth, the REIT LP expects that a number of its properties will utilize indoor cultivation methods. Any extended interruption of the power supply to the REIT LP's properties, particularly those using indoor cultivation methods, would likely harm the REIT LP's tenants' crops, which could result in their inability to make lease payments to the REIT LP for its properties. Any lease payment defaults by a tenant could adversely affect the REIT LP's cash flows and cause the REIT LP to reduce the amount of distributions to Unitholders.

Risk Factors Related to the Business of the REIT LP

The REIT LP has a limited operating history, and may be unable to operate its business successfully or generate sufficient cash flow to sustain distributions to its Unitholders.

The REIT LP completed its initial public offering in January 2020, has not commenced real estate operations, and has a limited operating history. The REIT LP is subject to many of the business risks and uncertainties associated with any new business enterprise. The REIT LP cannot assure you that it will be able to operate its business successfully or profitably or find additional suitable investments upon successful completion of the Qualifying Transaction. The REIT LP's ability to provide attractive risk-adjusted returns to its Unitholders over the long term is dependent on its ability both to generate sufficient cash flow to pay an attractive dividend and to achieve capital appreciation, and the REIT LP cannot assure you that it will do either. There can be no assurance that the REIT LP will be able to continue to generate sufficient revenue from operations to pay its operating expenses and make distributions to Unitholders. The results of the REIT LP's operations and the execution on its business plan depends on several factors, including the availability of additional opportunities for investment, the performance of its existing properties and tenants, the availability of adequate equity and debt financing, the federal and state regulatory environment relating to the regulated cannabis industry, conditions in the financial markets and economic conditions.

There are a number of uncertainties involved with the REIT LP's acquisition of future properties.

The REIT LP's business plan will include, among other things, growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and leasing such properties upon successful completion of the Qualifying Transaction. While the REIT LP initially intends to compete for new acquisitions in the United States, with near term focus within its existing markets, the REIT LP could take advantage of other acquisition opportunities (regardless of location or specific asset type) if the Board considers it to be in the best interests of the REIT LP to do so. The acquisition of properties entails risks that investments will fail to perform in accordance with expectations, including risks that the properties will not achieve anticipated occupancy levels and that estimates of the costs of improvements to bring an acquired property up to standards established for the market position intended for that property may prove inaccurate. If the REIT LP is unable to make accretive acquisitions or otherwise manage its growth effectively, it could adversely impact the REIT LP's financial position and results of operations and decrease the cash available for distribution. There can be no assurance as to the pace of growth through property acquisitions or that the REIT LP will be able to acquire assets on an accretive basis and, as such, there can be no assurance that distributions to Unitholders will increase in the future.

Acquired properties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of the REIT LP. Representations and warranties given by third parties to the REIT LP may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Furthermore, it is not always possible to obtain from the seller the records and documents that are required in order to fully verify that the buildings to be acquired are constructed in accordance with and that their use complies with, planning laws and building code requirements. Accordingly, in the course of acquiring a property, specific risks might not be or might not have been recognized or correctly evaluated.

These circumstances could lead to additional costs and could have a material adverse effect on revenues from the relevant properties. The REIT LP's ability to acquire properties in the future on satisfactory terms and successfully integrate and operate them is subject to the following additional risks: (a) the REIT LP may be unable to acquire desired properties because of competition from other real estate investors with more capital, including other real estate operating companies, real estate investment trusts and investment funds; (b) the REIT LP may acquire properties that are not accretive to results upon acquisition, and the REIT LP may not successfully manage and lease those properties to meet its expectations; (c) competition from other potential acquirers may significantly increase the purchase price of a desired property; (d) the REIT LP may be unable to generate sufficient cash from operations, or obtain the necessary debt or equity financing to consummate an acquisition or, if obtainable, financing may not be on satisfactory terms; (e) the REIT LP may need to spend more than budgeted amounts to make necessary improvements or renovations to acquired properties; (f) agreements for the acquisition of properties are typically subject to customary conditions to closing, including satisfactory completion of due diligence investigations, and the REIT LP may spend significant time and money on potential acquisitions that the REIT LP does not consummate; (g) the REIT LP may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into

existing operations; (h) the REIT LP may acquire properties without any recourse, or with only limited recourse, for liabilities, whether known or unknown, such as clean-up of environmental contamination, claims by residents, vendors or other persons against the former owners of the properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties; (i) the effort of acquiring or pursuing the acquisition of a new property may divert the attention of the REIT LP's management team from existing business operations; and (j) market conditions may result in higher than expected vacancy rates and lower than expected rental rates. If the REIT LP cannot complete property acquisitions on favorable terms, or operate acquired properties to meet the REIT LP's goals or expectations, the REIT LP's business, financial condition, results of operations and cash flow, the per Unit trading price and the REIT LP's ability to satisfy debt service obligations and to make distributions to its Unitholders could be materially and adversely affected.

Upon the Closing, the REIT LP will compete for acquisitions with both public and private acquirers. Other public acquirers may have access to lower cost capital, which private acquirers may be able to use greater leverage and higher proportion of lower coupon floating rate debt.

The REIT LP cannot assure that it will recover amounts for a breach of a representation and warranty under a purchase and sale agreement.

When acquiring assets, the REIT LP will endeavour to obtain certain representations and warranties with respect to the assets being acquired. Such representations and warranties, to the extent obtained, are subject to limitations, and generally represent unsecured contractual rights. Notwithstanding the foregoing, when acquiring assets, the REIT LP will endeavour to negotiate holdbacks from the aggregate purchase price, which holdback amounts are deposited into escrow at the closing of an acquisition, and are held and released in accordance with, and subject to, the terms of the relevant purchase and sale agreement and a separate holdback escrow agreement. Holdback amounts are used to satisfy the indemnification obligations of the sellers of the assets acquired by the REIT LP with respect to the representations and warranties provided by the sellers under the purchase and sale agreements pursuant to which the assets are acquired.

There can be no assurance of recovery by the REIT LP for any breach of the representations and warranties provided under any of the purchase and sale agreements pursuant to which it will acquire properties, as there can be no assurance that the holdback amounts, if any, or assets of the sellers of the properties will be sufficient to satisfy such obligations. The REIT LP may not be able to successfully enforce applicable indemnities contained in the purchase and sale agreements pursuant to which the REIT LP will acquire properties and such indemnities may not be sufficient to fully indemnify the REIT LP from third party claims. Only the REIT LP (or its subsidiaries) will be entitled to bring a claim or action for misrepresentation or breach of contract under such purchase and sale agreements and Unitholders will not have any contractual rights or remedies under such agreements.

The REIT LP will be subject to fluctuations in Capitalization Rates.

As interest rates fluctuate in the lending market, generally so too do Capitalization Rates which affect the underlying value of real estate. As such, when interest rates rise, generally Capitalization Rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these Capitalization Rates.

The REIT LP may, directly or indirectly, invest in a joint venture arrangement, thereby acquiring a non-controlling interest in certain investments.

In certain situations, the REIT LP may, directly or indirectly, invest in a joint venture arrangement, thereby acquiring a non-controlling interest in certain investments. Although the REIT LP may not have control over these investments and therefore, may have a limited ability to protect its position therein, such joint venture arrangements will contain terms and conditions which, in the opinion of the Board, are commercially reasonable, including without limitation, such terms and conditions relating to restrictions on the transfer, acquisition and sale of the REIT LP's and any joint venturer's interest in the joint venture arrangement, provisions to provide liquidity to the REIT LP, provisions to limit the liability of the REIT LP and its Unitholders to third parties and provisions to provide for the participation of the REIT LP in the management of the joint venture arrangements. Nevertheless, such investments may involve risks not present in investments where a third party is not involved, including without limitation (a) the possibility that a co-venturer may have financial difficulties resulting in a negative impact on such investment; (b) the possibility that a

co-venturer may have economic or business interests or goals which are inconsistent with those of the REIT LP (including relating to the sale of properties held in the joint venture or the timing of the termination and liquidation of such joint venture); (c) the risk that a co-venturer may be in a position to take action contrary to the REIT LP's investment objectives; (d) the risk that a co-venturer may, through its activities on behalf of or in the name of the joint venture or partnership, expose or subject the REIT LP to liability; or (e) the need to obtain a co-venturer's consent with respect to major decisions or the inability to have any decision making authority. In addition, the sale or transfer of interests in certain of the joint ventures may be subject to certain requirements, such as rights of first refusal, rights of first offer or drag-along rights, and certain of the joint venture agreements may provide for buy-sell or similar arrangements. Such rights may limit the REIT LP's ability to sell an interest in a property or a joint venture within the time frame or otherwise on the basis the REIT LP desires. Additionally, drag-along rights may be triggered at a time when the REIT LP may not intend to sell a property and the REIT LP may be forced to do so at a time when it would not otherwise be in the REIT LP's best interest.

The REIT LP may explore acquisitions of properties in new markets in the future.

If the opportunity arises, the REIT LP may explore acquisitions of properties in new markets in the future. Each of the risks applicable to the REIT LP's ability to acquire and successfully integrate and operate properties in the markets in which the properties comprising the Initial Portfolio and Contingent Properties are located is also applicable to its ability to acquire and successfully integrate and operate properties in new markets. In addition to these risks, the REIT LP may not possess the same level of familiarity with the dynamics and market conditions of any new markets, which could adversely affect its ability to expand into or operate in those markets. The REIT LP may be unable to achieve a desired return on its investments in new markets. If the REIT LP is unsuccessful in expanding into new markets, that could adversely affect the REIT LP's business, financial condition, results of operations and cash flow, the per Unit trading price and ability to satisfy debt service obligations and to make distributions to Unitholders.

The directors of the General Partner may develop conflicts of interest.

The directors of the General Partner may, from time to time, in their individual capacities, deal with parties with whom the REIT LP may be dealing, or may be seeking investments similar to those desired by the REIT LP. The interest of these persons could conflict with those of the REIT LP. The Second A&R LP Agreement contains conflict of interest provisions requiring Board members to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. In addition, certain decisions regarding matters that may give rise to a conflict of interest must be made by a majority of the Independent Directors only. See "Directors and Officers – Conflicts of Interest".

The properties comprising the Initial Portfolio and Contingent Properties are subject to various easement and building setback requirements.

The properties comprising the Initial Portfolio and Contingent Properties are subject to various easements including, without limitation, utility, sewer and drainage easements. The REIT LP has identified that in some instances, buildings and other improvements located on the properties encroach onto these easements and, in some isolated instances, improvements on the properties encroach onto adjacent properties. Where such encroachments exist, the REIT LP may be required to grant or obtain additional easement area and could be responsible for the cost of moving existing infrastructure. In the event that the owner of an easement damages an improvement while working within the easement, the REIT LP could be responsible for the cost of repairs.

Certain of the properties comprising the Initial Portfolio and Contingent Properties may not comply fully with current building setback requirements, although many may qualify as permitted non-conforming uses. While the REIT LP could be forced to seek variances for certain properties comprising the Initial Portfolio and Contingent Properties that are not in conformity with setback requirements, there is no assurance that these variances would be granted. In the event that the REIT LP renovates or redevelops any of the properties comprising the Initial Portfolio and Contingent Properties that currently do not comply with current setback requirements, such renovation or redevelopment may require the REIT LP to first secure a variance. This could result in increased costs to the REIT LP and/or reduced space within which to redevelop the property.

The REIT LP may face restrictions on its ability to sell property.

The REIT LP may be required to expend funds to correct defects or to make improvements before a property can be sold. No assurance can be given that the REIT LP will have funds available to correct such defects or to make such improvements. In acquiring a property, the REIT LP may agree to lock-out provisions that materially restrict it from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property or debt or other contracts that are not prepayable or terminable and must be assumed by a buyer. These provisions would restrict the REIT LP's ability to sell a property. These factors and any others that would impede the REIT LP's ability to respond to adverse changes in the performance of its properties could significantly affect the REIT LP's financial condition and operating results and decrease the amount of cash available for distribution to Unitholders.

Adverse changes to the financial condition of a mortgagor with respect to a mortgage held by the REIT LP could have an adverse impact on the REIT LP's ability to make distributions to Unitholders and in the value of that investment.

The REIT LP will hold direct or indirect investments in mortgages and mortgage bonds (including participating or convertible mortgages). Adverse changes to the financial condition of a mortgagor with respect to a mortgage held directly or indirectly by the REIT LP could have an adverse impact on the REIT LP's ability to collect principal and interest payments from such mortgagor and therefore, cause a reduction in the REIT LP's ability to make distributions to Unitholders and in the value of that investment.

Based upon applicable laws governing the REIT LP's investment in debt instruments and the loans underlying the REIT LP's debt securities, the REIT LP's investments in debt may also be adversely affected by: (a) the operation of applicable laws regarding the ability to foreclose mortgage loans or to exercise other creditors' rights provided in the underlying loan documents; (b) lender liability with respect to the negotiation, administration, collection or foreclosure of mortgage loans; (c) penalties for violations of applicable usury limitations; and (d) the impact of bankruptcy or insolvency laws.

Further, the REIT LP will not know whether the values of the properties securing the mortgage loans will remain at the levels existing on the dates of origination of those mortgage loans. If the values of the underlying properties fall, the risk to the REIT LP will increase because of the lower value of the security associated with such loans.

There is no guarantee that the REIT LP's investments in troubled assets will be realized or that there will be any cash available for distribution to Unitholders.

The REIT LP may make future investments in non-performing or other troubled assets that involve a high degree of financial risk and there can be no assurance that the REIT LP's investment objectives will be realized or that there will be any cash available for distribution to its Unitholders. Furthermore, investments in properties operating in work-out modes or under bankruptcy protection laws may, in certain circumstances, be subject to additional potential liabilities that could exceed the value of the REIT LP's original investment. In addition, under certain circumstances, payments to the REIT LP and distributions by the REIT LP to its Unitholders may be reclaimed if any such payments or distributions are later determined to have been fraudulent conveyances or preferential payments under applicable law.

The REIT LP's ongoing and future investment in less marketable assets involve higher degrees of uncertainty.

Less marketable assets may be more difficult to value due to the unavailability of reliable comparables. The sale of less marketable assets may require more time and result in lower prices, due to higher brokerage charges and other selling expenses, than the sale of more marketable assets. Although the REIT LP believes the assets forming the Initial Portfolio and Contingent properties are currently in an attractive marketable position, the ongoing and future marketability of the portfolio will be dependent on numerous other factors, including interest rates, competition from other residential properties and general economic conditions. There can be no assurance that the REIT LP will be able to sell one or more of the properties in the portfolio at the time that it may be in the best interests of the REIT LP to sell.

The REIT LP may have difficulty locating suitable investment opportunities.

The REIT LP may be unable to find a sufficient number of attractive opportunities to meet its long-term investment objectives.

There can be no assurance that the REIT LP will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals.

The expiry of leases for the REIT LP's properties will occur from time to time over the short and long-term. No assurance can be provided that the REIT LP will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact the REIT LP's financial condition and results of operations and decrease the amount of cash available for distribution.

There are restrictions on the REIT LP's activities to ensure compliance with the Tax Act and Code.

Several of the REIT LP's constating documents and material contracts (including, without limitation, the Second A&R LP Agreement, the Operating Agreement and constating documents of US Holdco) contain restrictions that limit the activities of the REIT LP to ensure the REIT LP complies with certain provisions of the Tax Act and Code. See "Summary of the Second A&R LP Agreement", "Investment Guidelines and Operating Policies", "Certain Canadian Federal Income Tax Considerations", "Certain United States Federal Income Tax Considerations" and "Risk Factors". Compliance with these restrictions may limit the flexibility of the REIT LP in terms of the nature and scope of its investments and activities and thereby may adversely affect the REIT LP's economic performance, including its ability to grow.

The REIT LP is subject to privacy and information security risks.

The protection of employee, and company data is critically important to the REIT LP. The REIT LP's business requires it, including some of its vendors, to use and store personally identifiable and other sensitive information of its employees. The collection and use of personally identifiable information is governed by U.S. federal and state laws and regulations. Privacy and information security laws continue to evolve and may be inconsistent from one jurisdiction to another. Compliance with all such laws and regulations may increase the REIT LP's operating costs and adversely impact the REIT LP's ability to market the REIT LP's properties and services.

The security measures put in place by the REIT LP, and such vendors, cannot provide absolute security, and the REIT LP and its vendors' information technology infrastructure may be vulnerable to criminal cyber-attacks or data security incidents, including, ransom of data, such as, without limitation, employee information, due to employee error, malfeasance, or other vulnerabilities. Any such incident could compromise the REIT LP's or such vendors' networks, and the information stored by the REIT LP or such vendors could be accessed, misused, publicly disclosed, corrupted, lost, or stolen, resulting in fraud, including wire fraud related to REIT LP assets, or other harm. Moreover, if a data security incident or breach affects the REIT LP's systems or such vendors' systems or results in the unauthorized release of personally identifiable information, the REIT LP's reputation and brand could be materially damaged and the REIT LP may be exposed to a risk of loss or litigation and possible liability, including, without limitation, loss related to the fact that agreements with such vendors, or such vendors' financial condition, may not allow the REIT LP to recover all costs related to a cyber-breach for which they alone or they and the REIT LP should be jointly responsible for, which could result in a material adverse effect on the REIT LP's business, results of operations and financial condition.

Privacy and information security risks have generally increased in recent years because of the proliferation of new technologies, such as ransomware, and the increased sophistication and activities of perpetrators of cyber-attacks. In the future, the REIT LP may expend additional resources to continue to enhance the REIT LP's information security measures and/or to investigate and remediate any information security vulnerabilities. Despite these steps, there can be no assurance that the REIT LP will not suffer a data security incident in the future, that unauthorized parties will not gain access to sensitive data stored on the REIT LP's systems, or that any such incident will be discovered in a timely manner. Further, the techniques used by criminals to obtain unauthorized access to sensitive data, such as phishing and other forms of human engineering, are increasing in sophistication and are often novel or change

frequently; accordingly, the REIT LP may be unable to anticipate these techniques or implement adequate preventative measures.

If the REIT LP does not allocate and effectively manage the resources necessary to build and sustain reliable information technology infrastructure, fails to timely identify or appropriately respond to cybersecurity incidents, or the REIT LP's or its third-party vendors' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, the REIT LP's business could be disrupted and the REIT LP could, among other things, be subject to: the loss of or failure to attract new employees; the loss of revenue; the loss or unauthorized access to confidential information or other assets; the loss of or damage to trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs.

Because the REIT LP will lease its properties to a limited number of tenants, and to the extent the REIT LP depends on a limited number of tenants in the future, the inability of any single tenant to make its lease payments could adversely affect the REIT LP's business and its ability to make distributions to its Unitholders.

Following Closing, the REIT LP will own 10 total properties. With respect to tenant concentration, no single tenant or portfolio will represent more than 20% of NOI generated by the Initial Portfolio (including the Contingent Properties) in the fourth quarter of 2020 (excluding additional acquisition opportunities and purchase options, but taking into account earn-outs and year one funding commitments). Regardless, lease payment defaults by any of the REIT LP's tenants or a significant decline in the value of any single property could materially adversely affect the REIT LP's business, financial position and results of operations, including the REIT LP's ability to make distributions to its Unitholders. A lack of diversification also increases the potential that a single underperforming investment or tenant could have a material adverse effect on the REIT LP's cash flows and the price the REIT LP could realize from the sale of its properties. Any adverse change in the financial condition of any of the REIT LP's tenants, including but not limited to the state cannabis markets not developing and growing in ways that the REIT LP or the REIT LP's tenants projected, or any adverse change in the political climate regarding cannabis where the REIT LP's properties are located, could subject the REIT LP to a significant risk of loss.

In addition, failure by any of the REIT LP's tenants to comply with the terms of its lease agreement with the REIT LP could require the REIT LP to find another lessee for the applicable property. The REIT LP may experience delays in enforcing its rights as landlord and may incur substantial costs in protecting its investment and re-leasing that property. Furthermore, the REIT LP cannot assure you that it will be able to re-lease that property for the rental amount the REIT LP currently receives, or at all, or that a lease termination would not result in the REIT LP having to sell the property at a loss. The result of any of the foregoing risks could materially and adversely affect the REIT LP's business, financial condition and results of operations and the REIT LP's ability to make distributions to its Unitholders.

Upon completion of the Qualifying Transaction, the REIT LP's tenants may be unable to renew or otherwise maintain their licenses or other requisite authorizations for their cannabis operations, which may result in such tenants not being able to operate their businesses and defaulting on their lease payments to the REIT LP.

Most states where the REIT LP will own properties upon the completion of the Qualifying Transaction issue licenses for cannabis operations for a limited period. The REIT LP will rely on its tenants to renew or otherwise maintain the requisite state and local cannabis licenses and other authorizations on a continuous basis. If one or more of the REIT LP's tenants are unable to renew or otherwise maintain its licenses or other state and local authorizations necessary to continue its cannabis operations, such tenants may default on their lease payments to the REIT LP.

Any such noncompliance by the REIT LP's tenants of state and local laws, rules and regulations may also subject the REIT LP, as the owner of such properties, to potential penalties, fines or other liabilities.

Any lease payment defaults by a tenant or additional liability on the REIT LP could adversely affect its cash flows and cause it to reduce the amount of distributions to Unitholders. In the event of a default by a tenant, the REIT LP may also experience delays in enforcing its rights as landlord and may incur substantial costs in protecting its investment and re-leasing its property as operators of cannabis cultivation and production facilities are generally subject to extensive state licensing requirements.

In the future, the REIT LP expects to acquire other properties, “as-is,” which increases the risk of an investment that requires the REIT LP to remedy defects or costs without recourse to the prior owner.

In the future, the REIT LP expects to acquire other real estate properties, “as is” with only limited representations and warranties from the property seller regarding matters affecting the condition, use and ownership of the property. There may also be environmental conditions associated with properties the REIT LP acquires of which the REIT LP is unaware despite the REIT LP’s diligence efforts. If environmental contamination exists on properties the REIT LP acquires or develops after an acquisition, the REIT LP could become subject to liability for the contamination. As a result, if defects in the property (including any building on the property) or other matters adversely affecting the property are discovered, including but not limited to environmental matters, the REIT LP may not be able to pursue a claim for any or all damages against the property seller. Such a situation could harm the REIT LP’s business, financial condition, liquidity and results of operations.

If the REIT LP’s cash from operations is insufficient to meet its current or future operating needs, expenditures and debt service obligations, its business, financial condition and results of operations may be materially and adversely affected.

The REIT LP may require additional cash resources due to changing business conditions or other future developments, including any marketing initiatives, investments or acquisitions. To the extent it is unable to generate sufficient cash flow, the REIT LP may be forced to cancel, reduce or delay these activities. Alternatively, if the REIT LP’s sources of funding are insufficient to satisfy its cash requirements, it may seek to obtain a credit facility or sell equity or debt securities. The sale of equity securities would result in dilution of the REIT LP’s existing Unitholders. The incurrence of indebtedness would result in increased debt service obligations and operating and financing covenants that could restrict the REIT LP’s operations.

The REIT LP’s ability to generate cash to meet its operating needs, expenditures and debt service obligations will depend on its future performance and financial condition, which will be affected by financial, business, economic, legislative, regulatory and other factors, including potential changes in costs, pricing, the success of product innovation and marketing, competitive pressure and customer preferences. If the REIT LP’s cash flows and capital resources are insufficient to fund its debt service obligations and other cash needs, it could face substantial liquidity problems and could be forced to forego growth opportunities, reduce or delay investments and capital expenditures, dispose of material assets or operations, seek additional debt or equity capital, or restructure or refinance its indebtedness.

Furthermore, it is uncertain whether financing will be available in amounts or on terms acceptable to the REIT LP, if at all, which could have a material adverse effect on its business, financial condition and results of operations.

The REIT LP is subject to financial reporting and other public company requirements. Failure to maintain adequate financial and management processes and controls could lead to errors in the REIT LP’s financial reporting, which could harm its business and cause a decline in the price of its securities.

The REIT LP is subject to reporting and other obligations under applicable Canadian securities laws and rules of the Exchange, and any other stock exchange on which the REIT LP’s securities are then-listed, including National Instrument 52-109 — *Certification of Disclosure in Issuers’ Annual and Interim Filings* (“NI 52-109”). These reporting and other obligations will place significant demands on the REIT LP’s management, administrative, operational and accounting resources. If the REIT LP is unable to accomplish any such necessary objectives in a timely and effective manner, its ability to comply with its financial reporting obligations and other rules applicable to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause the REIT LP to fail to satisfy its reporting obligations or result in material misstatements in its financial statements.

The REIT LP does not expect that its disclosure controls and procedures and internal controls over financial reporting will prevent all error or fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by

management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. If the REIT LP cannot provide reliable financial reports or prevent fraud, the REIT LP's reputation and operating results could be materially adversely affected which could also cause investors to lose confidence in the REIT LP's reported financial information, which could result in a reduction in the trading price of the Limited Partnership Units.

The REIT LP is subject to insurance-related risks including as a result of the REIT LP's involvement in cannabis industries and/or those closely associated with cannabis.

The REIT LP maintains or will maintain certain insurance, including director and officer insurance, liability insurance, workers compensation insurance, professional liability insurance and property insurance. The REIT LP's insurance coverage includes deductibles, premiums and similar provisions. However, there is no guarantee that the REIT LP's insurance coverage will be sufficient, or that insurance proceeds will be paid in a timely manner to the REIT LP. In addition, there are types of losses the REIT LP may incur but against which the REIT LP cannot be insured or which it believes are not economically reasonable to insure, such as losses due to acts of war or certain natural disasters. If the REIT LP incurs these losses and they are material, the REIT LP's business, operating results and financial condition may be adversely affected. Also, certain material events may result in sizable losses for the insurance industry and may materially adversely impact the availability of adequate insurance coverage or result in significant premium increases. Accordingly, the REIT LP may elect to self-insure, accept higher deductibles or reduce the amount of coverage in response to such market changes.

Moreover, insurance that is otherwise readily available, such as workers' compensation, general liability, and directors' and officers' insurance, may be more difficult for the REIT LP to find and more expensive, because the REIT LP may lease the properties comprising the Initial Portfolio and Contingent Properties to companies that operate in cannabis industries and/or those closely associated with cannabis. There are no guarantees that the REIT LP will be able to find such insurances, or that the cost will be affordable to the REIT LP. If the REIT LP is forced to go without such insurances, it may prevent the REIT LP from entering into certain business sectors, may inhibit the REIT LP's growth, and may expose the REIT LP to additional risk and financial liabilities.

Parties with whom the REIT LP will do business with may be subject to insolvency risks or may otherwise become unable or unwilling to perform their obligations to the REIT LP.

The REIT LP will be party to contracts, transactions and business relationships with various third parties, notably tenants. If any of these third parties were to become subject to bankruptcy, receivership or similar proceedings, the REIT LP's rights and benefits in relation to its contracts, transactions and business relationships with such third parties could be terminated, modified in a manner adverse to the REIT LP or otherwise impaired. The REIT LP cannot make any assurances that it would be able to arrange for alternate or replacement contracts, transactions or business relationships on terms as favorable as its existing contracts, transactions or business relationships, if at all. Any inability on the REIT LP's part to do so could have a material adverse effect on its business and results of operations.

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect the REIT LP's reported financial results or financial condition.

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to the REIT LP's business, including but not limited to revenue recognition, impairment of goodwill and intangible assets, inventory, income taxes and litigation, are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation, or changes in underlying assumptions, estimates or judgments, could significantly change the REIT LP's reported financial performance or financial condition in accordance with generally accepted accounting principles.

The market price for Limited Partnership Units may be volatile and could decline in value.

The market price of Limited Partnership Units could be subject to significant fluctuations after Closing. Some of the factors that may cause the market price of Limited Partnership Units to fluctuate include:

- volatility in the market price and trading volume of comparable companies;
- actual or anticipated changes or fluctuations in operating results or in the expectations of market analysts;
- adverse market reactions to any indebtedness the REIT LP may incur or securities it may issue in the future;
- short sales, hedging and other derivative transactions in Limited Partnership Units;
- litigation or regulatory action against the REIT LP;
- investors' general perception of the REIT LP and the public's reaction to the REIT LP's press releases, the REIT LP's other public announcements and the REIT LP's filings with Canadian securities regulators, including its financial statements;
- publication of research reports or news stories about the REIT LP, its competitors or its industry;
- positive or negative recommendations or withdrawal of research coverage by securities analysts;
- changes in general political, economic, industry and market conditions and trends;
- sales of Limited Partnership Units by existing Unitholders;
- recruitment or departure of key personnel;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the REIT LP or its competitors; and
- the other risk factors described in this section of this prospectus.

Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses to the REIT LP. As well, certain institutional investors may base their investment decisions on consideration of the REIT LP's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to satisfy such criteria, may result in limited or no investment in Limited Partnership Units by those institutions, which could materially adversely affect the trading price of the Limited Partnership Units. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, the REIT LP's operations and the trading price of Limited Partnership Units may be materially adversely effected.

In addition, broad market and industry factors may harm the market price of Limited Partnership Units. Hence, the price of Limited Partnership Units could fluctuate based upon factors that have little or nothing to do with the REIT LP, and these fluctuations could materially reduce the price of Limited Partnership Units regardless of the REIT LP's operating performance. In the past, following a significant decline in the market price of a company's securities, there have been instances of securities class action litigation having been instituted against that company. If the REIT LP were involved in any similar litigation, the REIT LP could incur substantial costs, its management's attention and resources could be diverted and it could harm the REIT LP's business, operating results and financial condition.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about the REIT LP or its business, the Limited Partnership Unit trading price and volume could decline.

The trading market for Limited Partnership Units will depend in part on the research and reports that securities or industry analysts publish about the REIT LP or its business. If no securities or industry analysts commence covering the REIT LP, the trading price for Limited Partnership Units would be negatively impacted. If the REIT LP obtains securities or industry analyst coverage and if one or more of the analysts who cover the REIT LP downgrade Limited Partnership Units or publish inaccurate or unfavorable research about the REIT LP's business, the REIT LP's trading price may decline. If one or more of these analysts cease coverage of the REIT LP or fail to publish reports on the REIT LP regularly, demand for Limited Partnership Units could decrease, which could cause the Limited Partnership Units trading price and volume to decline.

The REIT LP's equity compensation plan may adversely impact its financial results.

The REIT LP's Equity Incentive Plan permits the grant of options, restricted units, performance compensation awards and unrestricted unit bonuses or purchases, which, with the exception of performance compensation awards, may also be settled in cash. Under applicable accounting standards, the REIT LP may be required to record a liability and a related expense in its financial statements for potential future cash settlement of equity compensation awards. The recording of this liability could have an adverse impact on and create volatility in its financial results and, in turn, could adversely impact the trading price of Limited Partnership Units.

There is a potential for the limited partners to lose their limited liability status.

Limited partners may lose their limited liability status in certain circumstances, including by taking part in the control of the REIT LP's business. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province, but carrying on business in another jurisdiction, have not been authoritatively established. If limited liability is lost, there is a risk that limited partners may be liable beyond their contribution and share of the REIT LP's undistributed net income in the event of judgment on a claim in an amount exceeding the sum of the General Partner's net assets and the REIT LP's net assets. A transferee of a unit will become a limited partner and shall be subject to the obligations and entitled to the rights of limited partners under the Second A&R LP Agreement on the date on which the General Partner amends the REIT LP's record of limited partners to reflect that the transferee is a limited partner.

Unitholders do not have all of the statutory rights normally associated with ownership of shares of a company.

Unitholders do not have all of the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring "oppression" or "derivative" actions against the REIT LP. The units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* and are not insured under the provisions of that Act or any other legislation. Furthermore, the REIT LP is not a trust company and, accordingly, is not registered under any trust and loan company legislation as the REIT LP does not carry on or intend to carry on the business of a trust company.

The REIT LP expects that many of its future tenants will be, independent businesses or start-up businesses and may be unable to pay rent with funds from operations or at all, which could adversely affect the REIT LP's operations or cash available to make distributions to its Unitholders.

The success of the REIT LP's investments will be materially dependent on the financial stability of its tenants. It is possible that some or all of the REIT LP's tenants will be independent businesses operating in cannabis industries and/or those closely associated with cannabis about which there is generally little or no publicly available operating and financial information. In such event, the REIT LP will rely on its management team to perform due diligence investigations of their tenants and their properties, operations and prospects. The REIT LP may not learn all of the material information it needs to know regarding these businesses through its investigations. As a result, it is possible that the REIT LP could enter into a sale-leaseback arrangement with tenants or otherwise lease properties to tenants that ultimately are unable to pay rent to the REIT LP, which could adversely impact the REIT LP's cash available for distributions.

It is possible that some or all of the REIT LP's tenants will be start-up businesses that have little or no revenue when they enter leasing arrangements with the REIT LP and therefore, may be unable to pay rent with funds from operations. The REIT LP expects that such tenants will make initial rent payments to the REIT LP from proceeds from the sale of the property, in the case of sale-leaseback transactions, or other cash on hand. In addition, in general, as start-up businesses, the REIT LP expects such tenants will be more vulnerable to adverse conditions resulting from federal, state and provincial regulations affecting their businesses or industries and may have limited access to traditional forms of financing.

Some of the REIT LP's tenants may have also been recently restructured using leverage acquired in a leveraged transaction or may otherwise be subject to significant debt obligations. Tenants that are subject to significant debt obligations may be unable to make their rent payments if there are adverse changes in their business plans or prospects, the regulatory environment in which they operate or in general economic conditions. Tenants that have experienced leveraged restructurings or acquisitions will generally have substantially greater debt and substantially lower net worth than they had prior to the leveraged transaction. In addition, the payment of rent and debt service may reduce the working capital available to leverage entities and prevent them from devoting the resources necessary to move from the start-up phase of their business into actual operations and profitability. Furthermore, the REIT LP may be unable to monitor and evaluate tenant credit quality on an on-going basis.

Any lease payment defaults by a tenant could adversely affect the REIT LP's cash flows and cause it to reduce the amount of distributions to Unitholders. As noted previously, in the event of a default by a tenant, the REIT LP may also experience delays in enforcing its rights as landlord and may incur substantial costs in protecting its investment and re-leasing its property as operators in cannabis industries and/or those closely associated with cannabis are generally subject to extensive federal, state or provincial licensing requirements. Furthermore, the REIT LP will not operate any of the facilities that it purchases.

The REIT LP's Initial Portfolio (including the Contingent Properties) is concentrated in a limited number of properties, which may subject the REIT LP to an increased risk of significant loss if any property declines in value or if the REIT LP is unable to lease a property.

The REIT LP's Initial Portfolio (including the Contingent Properties) is concentrated in a limited number of properties. One consequence of a limited number of investments is that the aggregate returns the REIT LP realizes may be substantially adversely affected by the unfavorable performance of a small number of leases or a significant decline in the value of any single property. Lack of diversification increases the potential that a single underperforming investment could have a material adverse effect on the REIT LP's cash flows and the price the REIT LP could realize from the sale of its properties.

The properties comprising the REIT LP's Initial Portfolio and Contingent Properties are expected to continue to be, geographically concentrated in states that permit Medical-Use Cannabis and Adult-Use Cannabis cultivation, and the REIT LP will be subject to social, political and economic risks of doing business in these states and any other state in which the REIT LP may own property.

Following Closing, the REIT LP will own properties in nine states, and the REIT LP expects that the properties that it acquires will be geographically concentrated in these states and other states that have established cannabis programs. Circumstances and developments related to operations in these markets that could negatively affect the REIT LP's business, financial condition, liquidity and results of operations include, but are not limited to, the following factors:

- the responsibility of complying with multiple and likely conflicting federal, state or provincial laws, including with respect to cannabis industries and/or those closely associated with cannabis, licensing, banking and insurance;
- difficulties and costs of staffing and managing operations;
- unexpected changes in regulatory requirements and other laws;
- potentially adverse tax consequences;
- the impact of regional or state specific business cycles and economic instability; and

- access to capital may be more restricted, or unavailable on favorable terms or at all in certain locations.

Some of the REIT LP's tenants could be susceptible to bankruptcy, which would affect the REIT LP's ability to generate rents from them and therefore negatively affect its results of operations.

In addition to the risk of tenants being unable to make regular rent payments, certain of our tenants may depend on debt, which could make them especially susceptible to bankruptcy in the event that their cash flows are insufficient to satisfy their debt. Because Regulated Cannabis remains illegal under federal law, there is no assurance that federal bankruptcy courts will provide relief for parties who engage in Regulated Cannabis-related businesses. Recent bankruptcy court rulings have denied bankruptcy relief for certain Regulated Cannabis businesses on the basis that businesses cannot violate federal law and then claim the benefits of federal bankruptcy for such activity and on the basis that courts cannot ask a bankruptcy trustee to take possession of, and distribute Regulated Cannabis assets, as such action would violate the CSA. Any inability of our tenants to seek bankruptcy protection may impact their ability to secure financing for their operations and prevent our tenants from utilizing the benefits of reorganization of their businesses under bankruptcy protection to operate in a financially sustainable way, thereby reducing the probability that such a tenant would be able to honor its lease obligations with us.

Generally, under bankruptcy law, a tenant who is the subject of bankruptcy proceedings may continue ("assume") or give up ("reject") any unexpired lease of non-residential real property. If a bankrupt tenant decides to reject a lease, any claim for breach of the lease is treated as a general unsecured claim in the tenant's bankruptcy case, subject to certain exceptions for collateral and guarantees. In the event one of our tenants is permitted to seek bankruptcy protection in the U.S., our general unsecured claim would likely be capped at the amount the tenant owed us for unpaid rent prior to the bankruptcy unrelated to the termination, plus the greater of one year of lease payments or 15% of the lease payments payable under the remaining term of the lease, but in no case more than three years of lease payments. In addition to the cap on our damages for breach of the lease, even if our claim is timely submitted to the bankruptcy court, there is no guaranty that the tenant's bankruptcy estate would have sufficient funds to satisfy the claims of general unsecured creditors. Finally, a bankruptcy court could re-characterize a net lease transaction as a disguised secured lending transaction. Were that to occur, we would not be treated as the owner of the property, but might have additional rights as a secured creditor. This would mean our claim in bankruptcy court could be limited to the amount we paid for the property, which could adversely impact our financial condition. Any bankruptcy, if allowed, of one of our tenants would result in a loss of lease payments to us, as well as an increase in our costs to carry the property.

The REIT LP's future real estate investments may consist of primarily industrial properties suitable for cultivation and production of cannabis, which may be difficult to sell or re-lease upon tenant defaults or early lease terminations, either of which would adversely affect returns to Unitholders.

While the REIT LP's business objectives consist of principally acquiring and deriving rental income from its Initial Portfolio and the Contingent Properties, the REIT LP expects that at times the REIT LP will deem it appropriate or desirable to sell or otherwise dispose of certain of the properties the REIT LP acquires. Industrial properties may be relatively illiquid compared to other types of real estate and financial assets. This illiquidity could limit the REIT LP's ability to quickly dispose of properties in response to changes in regulatory, economic or other conditions. Therefore, the REIT LP's ability at any time to sell assets may be restricted and this lack of liquidity may limit the REIT LP's ability to make changes to the REIT LP's portfolio promptly, which could materially and adversely affect the REIT LP's financial performance. The REIT LP cannot predict the various market conditions affecting the properties that it expects to acquire that will exist in the future. Due to the uncertainty of regulatory and market conditions which may affect the future disposition of the real estate assets the REIT LP expects to acquire, the REIT LP cannot assure you that the REIT LP will be able to sell acquired assets at a profit in the future. Accordingly, the extent to which the REIT LP will realize potential appreciation on the real estate investments the REIT LP expects to acquire will depend upon regulatory and other market conditions.

Contingent or unknown liabilities could materially and adversely affect the REIT LP's business, financial condition, liquidity and results of operations.

The REIT LP may in the future acquire properties, subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. As a result, if a claim were asserted against the REIT LP based on ownership of any of these properties, the REIT LP may have to pay substantial amounts to defend or settle the claim.

If the magnitude of such unknown liabilities is high, individually or in the aggregate, the REIT LP's business, financial condition, liquidity and results of operations would be materially and adversely affected.

The REIT LP may be subject to legal proceedings from time to time.

Legal proceedings may arise from time to time in the course of the REIT LP's business. All industries are subject to legal claims, with and without merit. Such legal claims may be brought against the REIT LP, its General Partner or one or more of its subsidiaries in the future from time to time. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, such process could take away from management time and effort and the resolution of any particular legal proceeding to which the Company may become subject could have a material effect on the REIT LP's financial position and results of operations.

The REIT LP may lose "foreign private issuer status" in the future, which could result in significant additional costs and expenses.

The REIT LP utilizes Proportionate Voting Units to meet the definition of "foreign private issuer," as such term is defined in Rule 405 of Regulation C under the U.S. Securities Act. As a result, the REIT LP will be a "foreign private issuer," and will not be subject to the same requirements that are imposed upon U.S. domestic issuers by the Securities and Exchange Commission ("SEC"). The REIT LP may in the future lose its foreign private issuer status if a majority of its Limited Partnership Units and Proportionate Voting Units are held "off record" by U.S. residents and it fails to meet the additional requirements necessary to avoid loss of foreign private issuer status, such as if: (a) a majority of the General Partner's directors or executive officers are U.S. citizens or residents; (b) a majority of its assets are located in the U.S.; or (c) its business is administered principally in the U.S.

If the REIT LP loses its foreign private issuer status and decides, or is required, to register as a U.S. domestic issuer, the regulatory and compliance costs will be significantly more than the costs incurred as a foreign private issuer. In such event, the REIT LP would not be eligible to use foreign issuer forms and would be required to file periodic and current reports and registration statements on U.S. domestic issuer forms with the SEC, which are generally more detailed and extensive than the forms available to a foreign private issuer.

There is no guarantee that the REIT LP will have sufficient cash available to make interest and principal payments on the Debentures on a timely basis or at all.

There is no guarantee that the REIT LP will have sufficient cash available to make interest and principal payments on the Debentures on a timely basis or at all. The likelihood that purchasers will receive the payments owing to them in connection with the Debentures will be dependent upon the financial health and creditworthiness of the REIT LP and the ability of the REIT LP to earn revenues. The REIT LP may not be able to refinance the principal amount of the Debentures in order to repay the principal outstanding or may not have earned sufficient revenues to meet this obligation.

There may be no public market for the Debentures.

The Debentures constitute a new issue of securities of the REIT LP for which there is currently no public market. The REIT LP has obtained conditional approval for the listing of the Debentures on the Exchange. Listing will be subject to the REIT fulfilling all of the listing requirements of the Exchange. There can be no assurance that the minimum listing requirements of the Exchange will be met with respect to the Debentures. There can be no assurance that a secondary market for trading in the Debentures will develop or that any secondary market which does develop will continue. Also, there can be no assurance that any such secondary market will be active. To the extent that an active trading market for the Debentures does not develop, the liquidity and the trading prices for the Debentures may be adversely affected.

The REIT LP may redeem the Debentures prior to the Maturity Date.

The Debentures may be redeemed at the REIT LP's option, subject to certain conditions, on and after the third anniversary of the Issue Date and prior to the Maturity Date in whole or in part, at a redemption price equal to the principal amount thereof, together with any accrued and unpaid interest up to, but excluding, the date fixed for

redemption, as described under “Description of the Debentures – Optional Redemption”. Holders of Debentures should assume that this redemption option will be exercised if the REIT LP is able to refinance at a lower interest rate or it is otherwise in the interest of the REIT LP to redeem the Debentures.

The potential future value of the conversion privilege associated with the Debentures may be reduced or eliminated in the event of certain transactions.

In the event of certain transactions, pursuant to the terms of the Indenture, each Debenture will become convertible into securities, cash or property receivable by a Unitholder in such transactions. This change could substantially reduce or eliminate any potential future value of the conversion privilege associated with the Debentures. See “Description of the Debentures – Conversion Privilege”.

The REIT LP may not have sufficient cash or other financial resources required to finance a purchase of Debentures in the event of a Change of Control.

The REIT LP is required to make an offer to holders of the Debentures to purchase all or a portion of their Debentures for cash in the event of a Change of Control. The REIT LP cannot assure holders of Debentures that, if required, it would have sufficient cash or other financial resources at that time or would be able to arrange financing to pay the purchase price of the Debentures in cash. The REIT LP’s ability to purchase the Debentures in such an event may be limited by law, by the Indenture governing the Debentures, by the terms of other present or future agreements relating to the REIT LP’s credit facilities and other indebtedness and agreements that the REIT LP may enter into in the future which may replace, supplement or amend the REIT LP’s existing or future debt. The REIT LP’s future credit agreements or other agreements may contain provisions that could prohibit the purchase by the REIT LP of the Debentures without the consent of the lenders or other parties thereunder. If the REIT LP’s obligation to offer to purchase the Debentures arises at a time when the REIT LP is prohibited from purchasing or redeeming the Debentures, the REIT LP could seek the consent of lenders to purchase the Debentures or could attempt to refinance the borrowings that contain this prohibition. If the REIT LP does not obtain consent or refinance these borrowings, the REIT LP could remain prohibited from purchasing the Debentures under its offer.

The REIT LP’s failure to purchase the Debentures would constitute an Event of Default under the Indenture, which might constitute a default under the terms of the REIT LP’s other indebtedness at that time.

Fluctuations in the market price of the Debentures could have an adverse effect on the market price of the Debentures.

The market price of the Debentures will be based on a number of factors, including: (a) the prevailing interest rates being paid by borrowers similar to the REIT LP; (b) the overall condition of the financial and credit markets; (c) prevailing interest rates and interest rate volatility; (d) the markets for similar securities; (e) the financial condition, results of operation and prospects of the REIT LP; (f) the publication of earnings estimates or other research reports and speculation in the press or investment community; (g) the market price and volatility of the Units; (h) changes in the industry and competition affecting the REIT LP; and (i) general market and economic conditions.

The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the market price of the Debentures.

There may be no public market for the Contingent Rights.

The Contingent Rights constitute a new issue of securities of the REIT LP for which there is currently no public market. The REIT LP has applied to list the Contingent Rights on the Exchange. Listing will be subject to the REIT fulfilling all of the listing requirements of the Exchange. There can be no assurance that the minimum listing requirements of the Exchange will be met with respect to the Contingent Rights. There can be no assurance that a secondary market for trading in the Contingent Rights will develop or that any secondary market which does develop will continue. Also, there can be no assurance that any such secondary market will be active. To the extent that an active trading market for the Contingent Rights does not develop, the liquidity and the trading prices for the Contingent Rights may be adversely affected.

The Contingent Rights may not be exercisable.

The Contingent Rights will be automatically exercised by the holders thereof upon the earlier of (a) the listing of the REIT LP units on a recognized major U.S. exchange, and (b) cannabis production and sale becoming federally legal in the United States. The Contingent Rights will not, subject to certain exceptions, otherwise be exercisable. As at the date of this prospectus, the REIT LP does not believe that a listing on a recognized major U.S. exchange would be possible, and there is no assurance that such a listing will be possible in the future, or that cannabis production and sale will become federally legal in the United States. If such an event does not occur prior to the 10th anniversary of the Closing, the Contingent Rights will expire and be worthless.

Risk Factors Related to Owning Real Estate Assets used in Cannabis Industries and/or those Closely Associated with Cannabis Industries

While Regulated Cannabis is legal in many U.S. state jurisdictions, it continues to be a controlled substance under the United States federal CSA.

Cannabis is largely regulated at the state level in the United States. To the REIT LP's knowledge, there are to date a total of 47 states, plus the District of Columbia, Puerto Rico and Guam that have legalized or decriminalized Regulated Cannabis. Notwithstanding the permissive regulatory environment of medical cannabis at the state level, cannabis continues to be categorized as a controlled substance under the CSA and as such, violates federal law in the United States.

The United States Congress has passed appropriations bills each of the last three years that have not appropriated funds for prosecution of cannabis offenses of individuals who are in compliance with state medical cannabis laws. American courts have construed these appropriations bills to prevent the U.S. federal government from prosecuting individuals when those individuals comply with state law. However, because this conduct continues to violate U.S. federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business – even those that have fully complied with state law – could be prosecuted for violations of U.S. federal law. And if Congress restores funding, the government will have the authority to prosecute individuals for violations of the law before it lacked funding under the CSA's five-year statute of limitations.

Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the REIT LP, including its reputation and ability to manage real estate assets in the cannabis industry, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded units. In addition, it is difficult to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

The approach to the enforcement of Regulated Cannabis laws may be subject to change or may not proceed as previously outlined.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in Regulated Cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "**Cole Memorandum**") addressed to all United States district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several U.S. states have enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of Regulated Cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice has never

provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where Medical-Use Cannabis had been legalized were not characterized as a high priority. In March 2017, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit; however, he disagreed that it had been implemented effectively and, on January 4, 2018, Attorney General Jeff Sessions authored a memorandum (the “**Sessions Memorandum**”), which rescinded the Cole Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of United States attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principles are included in chapter 9.27.000 of the United States Attorneys’ Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community.

As a result of the Sessions Memorandum, federal prosecutors will now be free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active federal prosecutors will be in relation to such activities. Furthermore, the Sessions Memorandum did not discuss the treatment of Medical-Use Cannabis by federal prosecutors.

Former U.S. Attorney General Jeff Sessions resigned on November 7, 2018 and was replaced by Matthew Whitaker as interim Attorney General. On February 14, 2019, William Barr was sworn in as Attorney General. It is unclear what position Attorney General Barr will take on the enforcement of federal laws with regard to the U.S. cannabis industry. However, in a written response to questions from U.S. Senator Cory Booker made as a nominee, Attorney General Barr stated “I do not intend to go after parties who have complied with state law in reliance on the Cole Memorandum.”

In recent years, certain temporary federal legislative enactments that protect the Medical-Use Cannabis and industry have also been in effect. For instance, cannabis businesses that are in strict compliance with state law receive a measure of protection from federal prosecution by operation of a temporary appropriations measures that has been enacted into law as an amendment (or “rider”) to federal spending bills passed by Congress and signed by both Presidents Obama and Trump. First adopted in the Appropriations Act of 2015, Congress has included in successive budgets since a “rider” that prohibits the Department of Justice from expending any funds to enforce any law that interferes with a state’s implementation of its own medical cannabis laws. The rider, discussed above, is known as the “Rohrbacher-Blumenauer” Amendment. The Rohrbacher-Blumenauer Amendment (now known colloquially as the “Joyce-Amendment” after its most recent sponsors) was included in the Consolidated Appropriations Act of 2020, which was signed by President Trump on December 20, 2019 and funded the departments of the federal government through the fiscal year ending September 30, 2020. In signing the Act, President Trump issued a signing statement noting that the Act “provides that the Department of Justice may not use any funds to prevent implementation of medical cannabis laws by various States and territories,” and further stating “I will treat this provision consistent with the President’s constitutional responsibility to faithfully execute the laws of the United States.” While the signing statement can fairly be read to mean that the executive branch intends to enforce the CSA and other federal laws prohibiting the sale and possession of medical cannabis, the president did issue a similar signing statement in May 2017 and February 2019 and no federal enforcement actions followed.

Should the Rohrabacher-Farr Amendment not be renewed in subsequent spending bills, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with State law. Such potential proceedings could involve significant restrictions being imposed upon the REIT LP or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the REIT LP’s business, revenues, operating results and financial condition as well as the REIT LP’s reputation, even if such proceedings were concluded successfully in favor of the REIT LP.

Moreover, unless and until the U.S. Congress amends the CSA with respect to Medical-Use Cannabis and/or Adult-Use Cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law. If the U.S. federal government begins to enforce U.S. federal laws relating to Regulated Cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the REIT LP's business, assets, revenues, operating results and financial condition as well as the REIT LP's reputation may be material adversely effected. In the extreme case, such enforcement could ultimately involve the prosecution of key executives of the REIT LP or the seizure of its assets.

FDA rulemaking related to Medical-Use Cannabis and the possible registration of facilities where Medical-Use Cannabis is grown could negatively affect the Medical-Use Cannabis industry, which would directly affect our financial condition.

Should the federal government legalize Medical-Use Cannabis, it is possible that the U.S. Food and Drug Administration (“**FDA**”) would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations including current good manufacturing practices, or CGMPs, related to the growth, cultivation, harvesting and processing of Medical-Use Cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where Medical-Use Cannabis is grown register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, we do not know what the impact would be on the Medical-Use Cannabis industry, including what costs, requirements and possible prohibitions may be enforced. If we or our tenants are unable to comply with the regulations or registration as prescribed by the FDA, we and or our tenants may be unable to continue to operate their and our business in its current form or at all.

The REIT LP may be subject to applicable anti-money laundering laws and regulations.

Given the nature of its business, the REIT LP may be subject to a variety of laws and regulations in Canada and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the *Currency and Foreign Transactions Reporting Act of 1970* (commonly known as the Bank Secrecy Act), as amended by Title III of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001* (USA PATRIOT Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In February 2014, the U.S. Financial Crimes Enforcement Network of the Treasury Department issued a memorandum providing instructions to banks seeking to provide services to cannabis related businesses (the “**FCEN Memorandum**”). The FCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis related businesses without risking prosecution for violation of U.S. federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to U.S. federal prosecutors relating to the prosecution of U.S. money laundering offenses predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FCEN Memorandum.

In the event that the REIT LP's investments, or any proceeds thereof, any distributions therefrom, or any profits or revenues accruing from investments in cannabis related real estate businesses and/or assets in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the REIT LP to declare or pay distributions, effect other distributions or subsequently repatriate such funds back to Canada.

Tenants operating in cannabis industries and/or those closely associated with cannabis may be subject to significant regulatory risks, and new laws that are adverse to the business of the REIT LP's tenants may be enacted.

The REIT LP's tenants will be entities operating in Regulated Cannabis industries and/or those closely associated with Regulated Cannabis. Laws applicable to such entities may be amended or repealed, or new laws may be enacted in the future which may negatively impact such operations. If the REIT LP's tenants are forced to close their operations, the REIT LP may need to replace those tenants with tenants who are not engaged in such industries, who may pay lower rents. Moreover, any changes in applicable laws that negatively impacts entities operating in Regulated

Cannabis industries and/or those closely associated with Regulated Cannabis would likely result in a high vacancy rate for the kinds of properties that the REIT LP seeks to acquire, which would depress the REIT LP's lease rates and property values. In addition, the REIT LP would realize an economic loss on any and all improvements made to properties that were specific to operating in Regulated Cannabis industries and/or those closely associated with cannabis.

Certain events or developments in the Regulated Cannabis industry more generally and social media may impact the REIT LP's reputation.

Damage to the REIT LP's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. Cannabis has often been associated with various other narcotics, violence and criminal activities, the risk of which is that the REIT LP's business might attract negative publicity if it owns cannabis related real estate businesses and/or assets. There is also risk that the action(s) of other participants, companies and service providers in the cannabis industry may negatively affect the reputation of the industry as a whole and thereby negatively impact the reputation of the REIT LP.

The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regards to issuers and their activities, whether true or not and the cannabis industry in general, whether true or not. Negative posts or comments about the REIT LP or its properties on any social networking website could damage the REIT LP's reputation. In addition, employees or others might disclose non-public sensitive information relating to the REIT LP's business through external media channels. The continuing evolution of social media will present the REIT LP with new challenges and risks.

The REIT LP does not ultimately have direct control over how it or the cannabis industry is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the REIT LP's overall ability to advance its business strategy and realize on its growth prospects.

Third parties with whom the REIT LP may do business may perceive themselves as being exposed to reputational risk as a result of their relationship with the REIT LP.

The parties with which the REIT LP may do business may perceive that they are exposed to reputational risk as a result of the REIT LP's cannabis-related real estate activities. Failure to establish or maintain business relationships due to reputational risk arising in connection with the nature of the REIT LP's cannabis-related real estate activities could have a material adverse effect on the REIT LP's business, assets, financial condition and results of operations.

Future investments or acquisitions by the REIT LP may be subject to heightened scrutiny.

Future cannabis related real estate investments or acquisitions by the REIT LP, which are expected to be in the United States, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the REIT LP may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the REIT LP's ability to invest in the United States or any other jurisdiction.

The REIT LP may be subject to measures that would restrict the ability of the REIT LP's investors to trade its securities.

Subject to certain exceptions, registration of the Limited Partnership Units and transfers thereof held through CDS, or its nominee, will be made electronically through the NCI system of CDS. CDS provides and facilitates reliable, cost-effective depository, clearing, regulatory and other information services to securities market participants. Among other things, CDS is used in connection with clearing and settling eligible Canadian exchange-traded and over-the-counter equity, debt and money market transactions, settling Canadian exchange-traded derivatives, broker-to-broker trade matching, depository and custodial services, ledger-keeping as well as real-time messaging and flexible interfaces to and from CDS and its participants.

Given the heightened risk profile associated with cannabis in the United States, CDS may implement procedures or protocols that would prohibit or significantly curtail the ability of CDS to settle trades for cannabis entities that have cannabis businesses or assets in the United States. It is not certain whether CDS will decide to enact such measures, nor whether it has the authority to do so unilaterally. Nevertheless, on February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding (the “**TMX MOU**”) with the Exchange, the Canadian Securities Exchange, the TSX and the TSX Venture Exchange. The TMX MOU outlines the parties’ understanding of Canada’s regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Limited Partnership Units to make and settle trades. In particular, the Limited Partnership Units would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Limited Partnership Units through the facilities of a stock exchange.

U.S. border officials could deny entry into the U.S. to employees of, or investors in the REIT LP.

Since cannabis remains illegal under U.S. federal law, those employed at or investing in the REIT LP could face detention, denial of entry or lifetime bans from the U.S. for their business associations with the REIT LP. Entry happens at the sole discretion of the U.S. Customs and Border Protection officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The Government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. In addition, business or financial involvement in the legal cannabis industry in the United States, including U.S. cannabis related real estate businesses and/or assets could also be reason enough for U.S. border guards to deny entry. On September 21, 2018, U.S. Customs and Border Protection released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that U.S. Customs and Border Protection enforcement of United States laws regarding controlled substances has not changed and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal cannabis industry in U.S. states where it is deemed legal may affect admissibility to the U.S. As a result, U.S. Customs and Border Protection has affirmed that, a Canadian citizen coming to the U.S. for reasons related to the cannabis industry may be deemed inadmissible.

The REIT LP may have difficulty accessing the services of banks, which may make it difficult for the REIT LP to operate its business as it requires access to capital.

The real estate industry is highly capital intensive. The REIT LP will require access to capital to maintain its properties, as well as to fund its growth strategy and certain capital expenditures from time to time. There can be no assurances that the REIT LP will otherwise have access to sufficient capital or access to capital on terms favorable to the REIT LP for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Further, in certain circumstances, the REIT LP may not be able to borrow funds due to the limitations set forth in the Second A&R LP Agreement. Market conditions and unexpected volatility or illiquidity in financial markets may inhibit the REIT LP’s access to long-term financing in the Canadian capital markets. As a result, it is possible that financing which the REIT LP may require in order to grow and expand its operations, upon the expiry of the term of financing, upon refinancing any particular property owned by the REIT LP or otherwise, may not be available or, if it is available, may not be available on favorable terms to the REIT LP. Failure by the REIT LP to access required capital could have a material adverse effect on the REIT LP’s business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

The REIT LP may have trouble accessing services of financial institutions. For example, in February 2014, the U.S. Department of the Treasury’s Financial Crimes Enforcement Network (“**FinCEN**”) issued a memorandum (the “**FinCEN Memorandum**”). The FinCEN Memorandum (which is not law) provides guidance with respect to financial institutions providing banking services to cannabis business, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the United States do not appear to be comfortable providing banking

services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the executive branch. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the REIT LP may have limited or no access to banking or other financial services in the United States. In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it resides in permits cannabis sales. While the United States House of Representatives has passed the SAFE Banking Act, which would permit commercial banks to offer services to cannabis companies that are in compliance with state law, it remains under consideration by the Senate, and if Congress fails to pass the SAFE Banking Act, the REIT LP's inability, or limitations on the REIT LP's ability, to open or maintain bank accounts and/or obtain other banking services may make it difficult for the REIT LP to operate and conduct its business as planned or to operate efficiently.

There may be a restriction on the deduction of certain expenses.

Section 280E of the Internal Revenue Code of 1986 (the “**Code**”) provides that, with respect to any taxpayer, no deduction or credit is allowed for expenses incurred during a taxable year “in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of Schedule I and II of U.S. Controlled Substance Act of 1970 (“**CSA**”)) which is prohibited by federal law or the law of any State in which such trade or business is conducted.” Because cannabis is a Schedule I controlled substance, Section 280E currently applies to businesses operating in the cannabis industry, irrespective of whether such businesses that are licensed and operating in accordance with applicable state laws. The REIT LP's tenants will likely be subject to Section 280E. If the Internal Revenue Service were to take the position that, through the REIT LP's lease agreements with its cannabis tenants, the REIT LP is primarily or vicariously liable under federal law for “trafficking” a Schedule I substance (cannabis) under Section 280E of the Code or for any other violations of the CSA, the Service may seek to apply the provisions of Section 280E to the REIT LP and disallow certain tax deductions, including for employee salaries, depreciation or interest expense. The application of Code Section 280E to the REIT LP may adversely affect its profitability and, in fact, may cause the REIT LP to operate at a loss. While recent legislative proposals, if enacted into law, could eliminate or diminish the application of Code Section 280E to cannabis businesses, the enactment of any such law is uncertain. Furthermore, if the REIT LP holds any U.S. real estate assets through a real estate investment trust, the REIT LP may be unable to meet the distribution requirements applicable to real estate investment trusts under the Code, which could cause the REIT LP to incur U.S. federal income tax and fail to qualify as a real estate investment trust. Because the REIT LP will not be engaged in the purchase and/or sale of a controlled substance, the REIT LP does not believe that it will be subject to the disallowance provisions of Section 280E, and neither the REIT LP nor its tax advisors are aware of any tax court cases or guidance from the Internal Revenue Service in which a taxpayer not engaged in the purchase or sale of a controlled substance was disallowed deductions under Section 280E. However, there is no assurance that the Internal Revenue Service will not take such a position either currently or in the future.

There may be a lack of access to U.S. bankruptcy protections.

As discussed above, cannabis is illegal under federal law. Therefore, there is a compelling argument that the federal bankruptcy courts cannot provide relief for parties who engage in Regulated Cannabis businesses. Recent bankruptcy rulings have denied bankruptcies for dispensaries upon the justification that businesses cannot violate federal law and then claim the benefits of federal bankruptcy for the same activity and upon the justification that courts cannot ask a bankruptcy trustee to take possession of, and distribute Regulated Cannabis-related assets as such action would violate the CSA. Therefore, we may not be able to seek the protection of the bankruptcy courts and this could materially affect our business or our ability to obtain credit.

There may be difficulty with the enforceability of contracts.

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Because cannabis remains illegal in the United States at a federal level, judges in multiple U.S. states have on a number of occasions refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate federal law, even if there is no violation of state law. It is possible that the REIT LP may not be able to legally enforce contracts (including leases) the REIT LP enters into if necessary, which means there can be no assurance that there will be a remedy for breach of contract, which would have a material adverse effect on the REIT LP's business, assets, revenues, operating results, financial condition and prospects. For example, at least some federal

courts have dismissed lawsuits seeking to enforce contracts involving the purchase or sale of Regulated Cannabis businesses.

The ability to grow any real estate business with ties to cannabis operations in the United States depends on state laws pertaining to the cannabis industry.

Continued development of the medical and/or recreational-use cannabis industry depends upon continued legislative authorization of cannabis at the state level. The status quo of, or progress in, the regulated medical and/or recreational-use cannabis industry is not assured and any number of factors could slow or halt further progress in this area. While there may be ample public support for legislative action permitting the manufacture and use of cannabis, numerous factors impact the legislative process. For example, many states that voted to legalize medical and/or Adult-Use Cannabis have seen significant delays in the drafting and implementation of industry regulations and issuance of licenses. In addition, burdensome regulation at the state level could slow or stop further development of the medical and/or recreational-use cannabis industry, such as limiting the medical conditions for which medical cannabis can be recommended by physicians for treatment, restricting the form in which medical cannabis can be consumed, imposing significant registration requirements on physicians and patients or imposing significant taxes on the growth, processing and/or retail sales of cannabis, which could have the impact of dampening growth for cannabis related real estate businesses and/or assets and making it difficult for cannabis related real estate businesses and/or assets to operate profitably in those states. Any one of these factors could slow or halt additional legislative authorization of medical and/or recreational-use cannabis, which could harm the REIT LP's business prospects.

Risk Factors Related to the Qualifying Transaction

Since the REIT LP's Founders will lose their investment in the REIT LP if the Qualifying Transaction is not completed, a conflict of interest may arise in determining whether one or more of the Qualifying Transaction targets is appropriate.

The Founders, certain of which are directors and/or officers of the General Partner, are not entitled to redeem their Proportionate Voting Units in connection with the Qualifying Transaction or entitled to access to the escrow account in respect thereof upon the REIT LP's Winding-Up. As a result, the Founders may have interests in the Qualifying Transaction that may be different from, or in addition to, the interests of Unitholders generally.

Completion of the Qualifying Transaction is subject to a number of conditions precedent and required approvals.

Some of the conditions precedent that are required in order to complete the Qualifying Transaction are outside the REIT LPs control, including, without limitation, the approval of the Exchange. There can be no certainty, nor can the REIT LP provide any assurance, that all conditions precedent to the Qualifying Transaction will be satisfied or waived, or, if satisfied or waived, when they will be satisfied or waived. If certain approvals and consents are not received prior to the Closing, or if certain conditions are not satisfied, the REIT LP and/or an applicable Counterparty, as applicable, may decide to proceed nonetheless, or it may either delay or amend the implementation of all or part of the Qualifying Transaction, including possibly delaying the completion of the Qualifying Transaction in order to allow sufficient time to complete or satisfy such matters. If the Qualifying Transaction is delayed or not completed, the market price of the Limited Partnership Units of the REIT LP may be materially adversely affected.

There is no certainty the two additional acquisitions of DTLA Industrial/Retail and North Hollywood Retail will be completed.

While the REIT LP has entered into binding agreements to acquire the Contingent Properties – DTLA Industrial/Retail and North Hollywood Retail – there are a number of conditions precedent that are required in order to complete these acquisitions that are outside of the REIT LP's control. There can be no certainty, nor can the REIT LP provide any assurance, that all conditions precedent to the completion of these acquisitions will be satisfied or waived, or, if satisfied or waived, when they will be satisfied or waived. If these acquisitions are not completed, the market price of the Limited Partnership Units and the Debentures may be materially adversely affected.

The Qualifying Transaction may be terminated in certain circumstances.

The REIT LP and certain Counterparties have the right to terminate the applicable Definitive Agreement in certain circumstances and not complete the Qualifying Transaction. Specifically, among other conditions, either of the REIT LP or the Counterparty with respect to the applicable acquisition has the right to terminate the applicable Definitive Agreement if the Closing shall not have occurred by the first half of November.

The REIT LP may delay or amend the implementation of all or part of the Qualifying Transaction or may proceed with the Qualifying Transaction even if certain consents and approvals are not obtained on a timely basis.

The REIT LP continues to seek and obtain certain necessary consents and approvals in order to implement the Qualifying Transaction and related transactions as currently structured. The REIT LP may not obtain such consents and approvals on acceptable terms prior to the expected Closing. If certain approvals and consents are not received prior to the Closing, the REIT LP may decide to proceed nonetheless, or it may either delay or amend the implementation of all or part of the Qualifying Transaction in order to allow sufficient time to complete such matters. If the REIT LP amends or delays the implementation of the Qualifying Transaction or proceeds without certain consents, this may materially adversely affect the REIT LP's financial position.

There are certain costs related to the Qualifying Transaction that must be paid even if the Qualifying Transaction is not completed.

There are certain costs related to the Qualifying Transaction, such as those for legal and accounting advisory services and for producing this prospectus that must be paid even if the Qualifying Transaction is not completed. There are also opportunity costs associated with the diversion of management attention away from the conduct of business in the ordinary course. These costs may have an adverse impact on the REIT LP's financial position.

There can be no assurance of adequate recovery by the REIT LP from a Counterparty for any breach of the representations, warranties and covenants of such Counterparty under the applicable Definitive Agreement.

The representations and warranties provided by the Counterparty pursuant to the Definitive Agreements are customary for transactions of their nature; however, there can be no assurance of adequate recovery by the REIT LP from a Counterparty for any breach of the representations, warranties and covenants of such Counterparty under the applicable Definitive Agreement.

Subsequent to the completion of the Qualifying Transaction, the REIT LP may be required to take write-downs or write-offs, restructuring and impairment or other charges that could have a significant negative effect on the financial condition, results of operations and Limited Partnership Unit price, which could cause investors to lose some or all of their investment.

Although the REIT LP conducted due diligence with respect to the Initial Portfolio and Contingent Properties, the REIT LP cannot assure that this diligence revealed all material issues that may be present in the Initial Portfolio (including the Contingent Properties), that it would be possible to uncover all material issues through a customary amount of due diligence or that factors outside of either party's control will not later arise. As a result, the REIT LP may be forced to later write down or write-off assets, restructure its operations or incur impairment or other charges that could result in losses. Even if due diligence successfully identified certain risks, unexpected risks may arise and previously known risks may materialize in a manner not consistent with the REIT LP's preliminary risk analysis. Even though these charges may be non-cash items and not have an immediate impact on the REIT LP's liquidity, the fact that charges of this nature are reported could contribute to negative market perceptions. In addition, charges of this nature may cause the REIT LP to be unable to obtain future financing on favorable terms or at all.

There can be no assurance that the Qualifying Transaction will be approved by the Exchange, or if approved, that they will be able to comply with the continued listing standards of the Exchange.

The REIT LP's securities are currently listed on the Exchange. The Exchange has conditionally approved the continued listing of the Limited Partnership Units, including the Limited Partnership Units issuable in connection with the Qualifying Transaction (including, for greater certainty, upon the redemption of the Exchangeable Units), the Debenture Units and the Rights and the Debentures. The REIT LP has also applied to list the Contingent Rights on

the Exchange under the symbol SVX.RT.C. Continued listing of the Limited Partnership Units and listing of the Debentures and the Contingent Rights is subject to the approval of the Exchange in accordance with its original listing requirements. There is no assurance that such approval will be obtained by the REIT LP. The REIT LP's ability to satisfy these requirements may depend on the number of Restricted Voting Units that are redeemed. If, after the Qualifying Transaction, the Exchange delists the Limited Partnership Units, the Debentures or the Contingent Rights from trading on its exchange for failure to meet the listing standards, the REIT LP and the Unitholders could face significant material adverse consequences.

If the benefits of the Qualifying Transaction do not meet the expectations of investors or securities analysts, the market price of the REIT LP's securities may decline.

If the benefits of the Qualifying Transaction do not meet the expectations of investors or securities analysts, the market price of the REIT LP's securities prior to the Closing may decline. The market values of securities at the time of the Qualifying Transaction may vary significantly from their prices on the date the Definitive Agreements were executed.

In addition, following the Qualifying Transaction, fluctuations in the price of the REIT LP's securities could contribute to the loss of all or part of investor's investments. Any of the factors listed below could have a material adverse effect on investments in the REIT LP's securities, and they may trade at prices significantly below the price paid for them.

- failure to achieve the results in the REIT LP's financial outlook;
- actual or anticipated fluctuations in the REIT LP's quarterly financial results or the quarterly financial results of companies perceived to be similar;
- changes in the market's expectations about operating results;
- success of competitors;
- the REIT LP's operating results failing to meet the expectation of securities analysts or investors in a particular period;
- operating and stock price performance of other companies that investors deem comparable to the REIT LP;
- changes in laws and regulations affecting the business;
- commencement of, or involvement in, litigation involving the REIT LP;
- changes in the REIT LP's capital structure, such as future issuances of securities or the incurrence of additional debt;
- any major change in the Board or General Partner's management; and
- sales of substantial amounts of Limited Partnership Units by the General Partner's directors, executive officers or significant Unitholders of the REIT LP or the perception that such sales could occur.

In such circumstances, the trading price may not recover and may experience a further decline.

In addition, broad market and industry factors may materially harm the market price of the REIT LP's securities irrespective of operating performance. The stock market in general, and the Exchange in particular, have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks, and of the REIT LP's securities, may not be predictable. A loss of investor confidence in the market for retail stocks or the stocks of other companies or entities which investors perceive to be similar to the REIT LP's could depress the unit price regardless of the REIT LP's business, prospects, financial conditions or results of operations. A decline in the market price of the REIT LP's

securities also could adversely affect its ability to issue additional securities and to obtain additional financing in the future.

The REIT LP's ability to successfully effect the Qualifying Transaction and to be successful thereafter will be largely dependent upon the efforts of the General Partner's key personnel, all of whom are expected to remain with the General Partner following the Qualifying Transaction. The loss of key personnel could negatively impact the operations and profitability of the REIT LP's post-Qualifying Transaction business.

The REIT LP's ability to successfully effect the Qualifying Transaction and the successful operation of its business thereafter will be largely dependent upon the efforts of certain key personnel, all of whom are expected to stay with the REIT LP following the Qualifying Transaction. The loss of such key personnel could negatively impact the operations and profitability of the post- Qualifying Transaction business.

After the Qualifying Transaction, all of the General Partner's directors and officers will live outside of Canada and all of the REIT LP's assets will be located outside of Canada; therefore investors may not be able to enforce applicable securities laws or their other legal rights.

After the Qualifying Transaction, all of the General Partner's directors and officers will reside outside of Canada and all the REIT LP's assets will be located outside of Canada. As a result, it may be difficult, or in some cases not possible, for investors in Canada to enforce their legal rights, to effect service of process upon all of the General Partner's directors or officers or to enforce judgments of Canadian courts predicated upon civil liabilities and criminal penalties on the General Partner's directors and officers under Canadian laws. See "Directors and Officers – Agent for Service of Process".

Holders of Restricted Voting Units will not be afforded an opportunity to vote on the Qualifying Transaction, which means REIT LP may complete the Qualifying Transaction even though a majority of Unitholders do not support the Qualifying Transaction.

The REIT LP will not be holding a Unitholder vote to approve the Qualifying Transaction. Accordingly, it may be able to consummate the Qualifying Transaction even though holders of a majority of Units do not approve of the Qualifying Transaction.

The REIT LP may not be able to consummate the Qualifying Transaction within the Permitted Timeline, in which case the REIT LP would redeem its Restricted Voting Units and the REIT LP's Rights would expire without any value.

The REIT LP must complete the Qualifying Transaction within the Permitted Timeline. Therefore, there is a risk that the REIT LP will be unable to complete a qualifying transaction should the Qualifying Transaction not be consummated. Unless the REIT LP extends the Permitted Timeline, if a qualifying transaction has not been completed by April 8, 2021, the REIT LP will be required to redeem 100% of the outstanding Restricted Voting Units, as described herein.

If the REIT LP is unable to complete its qualifying transaction, the Rights will expire without any value and holders will not have any access to, or benefit from, the proceeds in the escrow account.

The contractual right of action in connection with the Qualifying Transaction could expose the REIT LP to one or more actions for rescission or damages.

The contractual right of action provided in connection with the Qualifying Transaction (see "Contractual and Statutory Rights – Purchasers of Restricted Voting Units") could expose the REIT LP to one or more actions for rescission or damages, and costs, following the Qualifying Transaction if this prospectus contains or is alleged to contain a misrepresentation. In addition, as the REIT LP will indemnify the other parties granting such rights, it could suffer additional expenses. The REIT LP may seek to mitigate its exposure through insurance. These contractual rights could potentially have a material adverse effect on the REIT LP.

There may be limited Recourse against the vendors in respect of the Initial Portfolio and Contingent Properties.

Purchasers under this prospectus will not have a direct statutory right or any other rights against the mortgagors or vendors of the properties comprising the Initial Portfolio and Contingent Properties, as applicable, and their respective securityholders. Pursuant to the Definitive Agreements, the vendors and mortgagors will make certain representations and warranties to the REIT LP. The sole remedy of the REIT LP against the vendors and mortgagors, or any of their respective securityholders, will be through the REIT LP bringing an action for a breach of the representations and warranties contained in the Definitive Agreements. While the REIT LP and the General Partner are indemnified for breaches of representations and warranties contained in the Definitive Agreements, recourse for such breaches may be limited due to qualifications related to knowledge of the vendors and mortgagors, contractual and time limits on recourse under applicable laws, and the ability of the vendors and mortgagors to satisfy third-party claims. There can be no assurance of recovery by the REIT LP from the vendors or mortgagors for any breach of the representations and warranties to be made under the Definitive Agreements, as there can be no assurance that their assets will be sufficient to satisfy such obligations. While some vendors and mortgagors have provided security for their obligations, some of the vendors and mortgagors have not provided such security and are not required to maintain any cash for this purpose. The inability to recover fully any significant liabilities incurred with respect to breaches of representations and warranties under the Definitive Agreements may have adverse effects on the REIT LP's financial position. In addition, the vendors and mortgagors have not made any representation to the REIT LP as to the disclosure in the prospectus constituting full, true and plain disclosure of all material facts related to the Initial Portfolio and Contingent Properties, or that the prospectus does not contain a misrepresentation with respect to such Initial Portfolio and Contingent Properties. Accordingly, the vendors and mortgagors will not have any liability to investors if the disclosure in the prospectus relating to the Initial Portfolio and Contingent Properties does not meet such standard or contains a misrepresentation.

Although the subscribers of the Subscription Receipts have agreed to fund the Offering Price on conversion of the Subscription Receipts, there is no assurance the REIT LP will be able to obtain the Offering Price from such subscribers, on conversion of the Subscription Receipts or at all.

The REIT LP has entered into subscription agreements with each of the subscribers of the Subscription Receipts, pursuant to which such subscribers have agreed to pay the Offering Price upon conversion of the Subscription Receipts. Notwithstanding the foregoing, there can be no assurance that the REIT LP will receive the Offering Price from such subscribers on conversion of the Subscription Receipts, or at all. Certain of the subscription agreements contain termination rights that permit the subscribers thereunder to terminate their commitments under the applicable subscription agreements prior to funding the Offering Price. The REIT LP's inability to obtain the Offering Price from the subscribers of the Subscription Receipts may negatively impact the REIT LP's ability to complete the Qualifying Transaction.

Risk Factors Related to Tax

There may be tax consequences to the Qualifying Transaction that may adversely affect the REIT LP.

While the REIT LP expects to undertake any merger or acquisition so as to minimize taxes both to the REIT LP and its Unitholders, the Qualifying Transaction might not meet the statutory requirements of a tax-deferred rollover for the REIT LP or for Unitholders. This could result in the imposition of substantial taxes, and may have other adverse tax consequences to the REIT LP, the acquired business and/or assets and/or the REIT LP's Unitholders.

Non-United States holders of Limited Partnership Units may be allocated income that is effectively connected to the conduct of a U.S. trade or business.

Under certain circumstances, following the Qualifying Transaction, it is possible that non-United States holders of Limited Partnership Units may be allocated income that is effectively connected with the conduct of a U.S. trade or business ("ECI"), including gain from the sale or other taxable disposition of United States Real Property Interests ("USRPIs"), and may be required to file a U.S. federal income tax return. Holders of Limited Partnership Units must obtain a U.S. taxpayer identification number in order to file a U.S. federal income tax return. In addition, U.S. withholding taxes may apply to sales or other taxable dispositions of Limited Partnership Units effected through brokers if certain U.S. Treasury Regulations are finalized in their current form, even if the Limited Partnership Units are regularly traded on an established securities market for U.S. federal income tax purposes.

The REIT LP will be deemed to be a non-resident person in respect of certain amounts paid or credited or deemed to be paid or credited to it.

The REIT LP will be deemed to be a non-resident person in respect of certain amounts paid or credited or deemed to be paid or credited to it by a person resident or deemed to be resident in Canada, including dividends or interest. Dividends or interest (other than interest not subject to Canadian federal withholding tax) paid or deemed to be paid by a person resident or deemed to be resident in Canada to the REIT LP will be subject to withholding tax under Part XIII of the Tax Act at the rate of 25%. However, the CRA's administrative practice in similar circumstances is to permit the rate of Canadian federal withholding tax applicable to such payments to a partnership to be computed by looking through the partnership and taking into account the residency of its partners (including partners who are resident in Canada) and any reduced rates of Canadian federal withholding tax that any non-resident partners may be entitled to under an applicable income tax treaty or convention, provided that the residency status and entitlement to the treaty benefits can be established. However, no assurances can be given that the CRA will apply its administrative practice to the REIT LP. Under the Treaty, in certain circumstances, a Canadian-resident payer is required to look-through fiscally transparent partnerships, such as the REIT LP, to the residency and Treaty entitlements of their partners and to take into account the reduced rates of Canadian federal withholding tax to which such partners may be entitled under the Treaty.

Changes in tax law may have a material adverse effect on the REIT LP's business, financial condition and results of operations.

Changes in laws and policy relating to taxes may have an adverse effect on the REIT LP's business, financial condition and results of operations. Potential tax reforms in the United States, Canada, Ontario and other jurisdictions in which the REIT LP operates may result in significant changes to current federal and provincial tax rules and regulations. These changes could have a material adverse effect on the REIT LP's business, results of operations and liquidity.

The REIT LP may not qualify as a real estate investment trust for U.S. federal income tax purposes.

The REIT LP intends to operate in a manner that will allow it to qualify as a real estate investment trust for U.S. federal income tax purposes. The REIT LP has not requested and does not intend to request a ruling from the IRS as to its real estate investment trust qualification. The REIT LP's qualification as a real estate investment trust will depend on the REIT LP's satisfaction of certain asset, income, organizational, distribution, Unitholder ownership and other requirements on a continuing basis. Accordingly, given the complex nature of the rules governing real estate investment trusts, the ongoing importance of factual determinations, including the potential tax treatment of investments the REIT LP makes, and the possibility of future changes in the REIT LP's circumstances, no assurance can be given that the REIT LP's actual results of operations for any particular taxable year will satisfy such requirements. Moreover, no assurance can be given that legislation, new regulations, administrative interpretations or court decisions will not change the tax laws with respect to qualification as a real estate investment trust or the U.S. federal income tax consequences of that qualification.

If the REIT LP fails to qualify as a real estate investment trust in any calendar year, it would be required to pay U.S. federal income tax (and any applicable state and local tax) on its taxable income at regular corporate rates, and dividends paid to the Unitholders would not be deductible by the REIT LP in computing its taxable income and would be taxable to the Unitholders under the rules generally applicable to corporate distributions.

A loss of real estate investment trust status would reduce the net earnings available for investment or distribution to Unitholders because of the additional tax liability which in turn could have an adverse impact on the value of the Units. Unless its failure to qualify as a real estate investment trust was subject to relief under U.S. federal tax laws, the REIT LP could not re-elect to qualify as a real estate investment trust until the fifth calendar year following the year in which it failed to qualify.

The REIT LP may be deemed to be a non-U.S. corporation for U.S. federal income tax purposes, impacting its ability to qualify as a real estate investment trust.

The REIT LP intends to rely on Section 7874 of the Code to be classified as a domestic corporation for U.S. federal income tax purposes. Under U.S. federal income tax law, an entity which is organized under the laws of Canada would generally be classified as a non-U.S. entity for U.S. federal income tax purposes. Section 7874 of the Code provides

an exception to this general rule under which a non-U.S. entity may, in certain circumstances, be treated as a U.S. corporation for U.S. federal income tax purposes. These rules are complex and there is limited guidance regarding their application.

If the REIT LP were deemed to be a non-U.S. corporation for U.S. federal income tax purposes, the REIT LP would fail to qualify as a real estate investment trust, and the intended benefits of the structure would not be achieved. This would result in adverse tax consequences. Additionally, the REIT LP could not re-elect to qualify as a real estate investment trust.

The REIT LP may not be able to meet the distribution requirements to qualify as a real estate investment trust for U.S. federal income tax purposes.

To qualify as a real estate investment trust for U.S. federal income tax purposes, the REIT LP generally must distribute annually to its Unitholders a minimum of 90% of its net taxable income, determined without regard to the dividends-paid deduction and excluding net capital gains. The REIT LP will be subject to regular corporate income taxes on any undistributed real estate investment trust taxable income each year. Additionally, it will be subject to a 4% non-deductible excise tax on any amount by which distributions paid by the REIT LP in any calendar year are less than the sum of 85% of its ordinary income, 95% of its capital gain net income and 100% of its undistributed income from previous years. Payments the REIT LP makes to its Unitholders under Unitholders' rights of redemption will not be taken into account for purposes of these distribution requirements. Compliance with the real estate investment trust distribution requirements may hinder the REIT LP's ability to grow, which could adversely affect the value of its Units. Furthermore, the REIT LP may find it difficult or impossible to meet distribution requirements in certain circumstances. The requirement to distribute most of its taxable income could cause the REIT LP to: (i) sell assets in adverse market conditions, (ii) borrow on unfavourable terms, (iii) distribute amounts that would otherwise be used to make future acquisitions or capital expenditures, or (iv) declare a taxable dividend in which Unitholders may elect to receive Units or cash (where the aggregate amount of cash to be distributed in such dividend may be subject to limitation), in each case, in order to comply with real estate investment trust requirements. These alternatives could adversely affect the REIT LP's economic performance.

Further, in order for distributions to satisfy the annual distribution requirements for real estate investments trusts and to provide the REIT LP with a real estate investment trust-level tax deduction, the dividends cannot be "preferential dividends." A distribution is not a preferential dividend if the distribution is *pro rata* among all outstanding shares of stock within a particular class and in accordance with the preferences among different classes of stock as set forth in a real estate investments trust's organizational documents. Because the REIT LP will not file annual and periodic reports under the U.S. Securities Act, certain exceptions to these rules may not apply to the REIT LP. The REIT LP intends to make distributions *pro rata* by class, as discussed under "Distribution Policy." Nevertheless, if the IRS were to take the position that the REIT LP paid a preferential dividend, the REIT LP may be deemed to have failed the 90% distribution test, and its status as a REIT could be terminated for the year in which such determination is made if the REIT LP were unable to cure such failure.

The REIT LP may not satisfy the compliance requirements to qualify as a real estate investment trust for U.S. federal income tax purposes.

To qualify as a real estate investment trust for U.S. federal income tax purposes, the REIT LP must continually satisfy tests concerning, among other things, the sources of its income, the nature and diversification of its assets, the amounts that it distributes to the Unitholders and the ownership of the Units. The REIT LP may be required to make distributions to Unitholders at disadvantageous times or when it does not have funds readily available for distribution, and may be unable to pursue investments that would be otherwise advantageous to it in order to satisfy the source-of-income or asset diversification requirements for qualifying as a real estate investment trust. Thus, compliance with the real estate investment trust requirements may hinder the REIT LP's ability to operate solely on the basis of maximizing profits.

Additionally, at the close of each calendar quarter, the REIT LP must also satisfy five tests relating to the nature of its assets. First, at least 75% of the value of the REIT LP's total assets must be represented by some combination of designated real estate assets, cash, cash items, U.S. Government securities and, under some circumstances, stock or debt instruments purchased with new capital. Second, the value of any one issuer's securities that the REIT owns may not exceed 5% of the value of the REIT LP's total assets. Third, the REIT LP may not own more than 10% of any one

issuer's outstanding securities, as measured by either value or voting power. The 5% and 10% asset tests do not apply to securities that qualify under the 75% asset test, or to securities of a taxable REIT subsidiary and qualified REIT subsidiaries, and the 10% of value asset test does not apply to "straight debt" having specified characteristics and to certain other securities. Fourth, the aggregate value of all securities of taxable REIT subsidiaries that the REIT LP holds may not exceed 20% of the value of the REIT LP's total assets, with respect to taxable years beginning on and after January 1, 2018. Fifth, not more than 25% of the value of the REIT LP's assets may consist of certain debt instruments issued by publicly offered real estate investment trusts that are otherwise qualifying assets for purposes of the 75% test described above. If the REIT LP fails to comply with these requirements at the end of any calendar quarter, it must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing its real estate investment trust qualification and suffering adverse tax consequences.

The REIT LP may not satisfy the required ownership limitations to qualify as a real estate investment trust under the Code.

In order for the REIT LP to qualify as a real estate investment trust for each taxable year under the Code (other than its first taxable year, during which this requirement is not yet applicable), no more than 50% in value of its outstanding Units may be owned, directly or indirectly, by five or fewer individuals during the last half of any taxable year. "Individuals" for this purpose include natural persons, private foundations, some employee benefit plans and trusts, and some charitable trusts.

If this requirement is not satisfied, then the REIT LP would fail to qualify as a real estate investment trust for U.S. federal income tax purposes. This would have detrimental tax consequences to the REIT LP and the holders of its Units. If the REIT LP fails to qualify as a real estate investment trust in any calendar year, it would be required to pay U.S. federal income tax (and any applicable state and local tax) on its taxable income at regular corporate rates, and dividends paid to the Unitholders would not be deductible by the REIT LP in computing its taxable income and would be taxable to the Unitholders under the rules generally applicable to corporate distributions. Further, a loss of real estate investment trust status would reduce the net earnings available for investment or distribution to Unitholders because of the additional tax liability which in turn could have an adverse impact on the value of the Units. In addition, these ownership limitations could have the effect of discouraging a takeover or other transaction in which holders of the Units might receive a premium for their Units over the then-prevailing market price or which holders might believe to be otherwise in their best interests.

The REIT LP may be subject to U.S. federal and state income taxes not necessarily known at the time of this prospectus.

Even if the REIT LP qualifies and maintains its status as a real estate investment trust, it may be subject to U.S. federal and state income taxes. The REIT LP may not be able to make sufficient distributions to avoid excise taxes applicable to real estate investment trusts. The REIT LP may also decide to retain income it earns from the sale or other disposition of its real estate assets and pay income tax directly on such income. In that event, the Unitholders would be treated as if they earned that income and paid the tax on it directly. The REIT LP may also be subject to state and local taxes on its income or property, either directly or at the level of the entities through which it indirectly owns its assets. Any U.S. federal or state taxes the REIT LP pays will reduce its cash available for distribution to the Unitholders.

In addition, in order to meet the real estate investment trust qualification requirements or to avert the imposition of the prohibited transactions tax discussed below, the REIT LP may hold some of its assets or conduct activities through subsidiary corporations (the taxable REIT subsidiaries) that will be subject to corporate level income tax at regular rates. If the REIT LP lends money to a taxable REIT subsidiary, the taxable REIT subsidiary may be unable to deduct all or a portion of the interest paid to the REIT LP, which could result in an even higher corporate level tax liability. Furthermore, the Code imposes a 100% tax on certain transactions between a taxable REIT subsidiary and its parent real estate investment trust that are not conducted on an arm's length basis, including services provided by the taxable REIT subsidiary to such real estate investment trust or on behalf of such real estate investment trust. The REIT LP will structure transactions with any taxable REIT subsidiary on terms that it believes are arm's length to avoid incurring the 100% excise tax described above, but there can be no assurances that it will be able to avoid application of the 100% tax.

The REIT LP may be subject to prohibited transactions tax.

The REIT LP's ability to dispose of property during its first few years of operations is restricted to a substantial extent as a result of its real estate investment trust status. Under applicable provisions of the Code regarding prohibited transactions by real estate investment trusts, the REIT LP will be subject to a 100% tax on any gain realized on the sale or other disposition of any property (other than foreclosure property) that it owns, directly or through any subsidiary entity, including the OP, but excluding any taxable REIT subsidiary, that is deemed to be inventory or property held primarily for sale to customers in the ordinary course of trade or business. The REIT LP intends to avoid the 100% prohibited transaction tax by (1) conducting activities that may otherwise be considered prohibited transactions through a taxable REIT subsidiary, (2) conducting operations in such a manner so that no sale or other disposition of an asset will be treated as a prohibited transaction, or (3) structuring certain dispositions of its properties to comply with certain safe harbours available under the Code for properties held at least two years. However, no assurance can be given that any particular property will not be treated as inventory or property held primarily for sale to customers in the ordinary course of a trade or business.

If Subversive OP is classified as a "publicly traded partnership" and as a result, treated as a corporation, the REIT LP may fail to qualify as a real estate investment trust.

In general the REIT LP will conduct all of its operations and hold all of its assets indirectly through Subversive OP. For so long as Subversive OP is treated as a partnership for U.S. federal income tax purposes, the REIT LP will be treated as owning its proportionate share of the assets and income of the Subversive OP for the purposes of the REIT asset and income tests. An entity that would otherwise be treated as a partnership for U.S. federal income tax purposes may nonetheless be treated as a corporation for U.S. federal income tax purposes if it is a "publicly traded partnership" and certain other requirements are met. A partnership would be treated as a publicly traded partnership if its interests were traded on an established securities market or were readily tradable on a secondary market or a substantial equivalent thereof, within the meaning of applicable U.S. Treasury Regulations. The Operating Agreement contains provisions intended to ensure that Subversive OP is not considered a "publicly traded partnership". Accordingly, management does not anticipate that Subversive OP will be treated as a publicly traded partnership that is taxable as a corporation. However, if Subversive OP were classified as a "publicly traded partnership", Subversive OP would be treated as a corporation rather than as a partnership for U.S. federal income tax purposes. In such case, the REIT LP would not be treated as owning its proportionate share of the assets and income of Subversive OP for the purposes of the real estate investment trust asset and income test requirements (and, instead, would be treated as owning the stock of a corporation). This could cause the REIT LP to fail to qualify as a real estate investment trust. In addition, the income of Subversive OP would become subject to U.S. federal corporate income tax.

Changes in law could negatively impact the U.S. federal income tax treatment of an investment in the REIT LP.

The present U.S. federal income tax treatment of real estate investment trusts may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the U.S. federal income tax treatment of an investment in the REIT LP. The U.S. federal income tax rules relating to real estate investment trusts constantly are under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, which results in frequent statutory changes and revisions to regulations and interpretations. Revisions in U.S. federal tax laws and interpretations thereof could adversely affect the REIT LP or cause it to change its investments and commitments and affect the tax considerations of an investment in it.

In particular, recently enacted legislation known as the Tax Cuts and Jobs Act makes wholesale changes to the Code. The effect of the many changes made in this legislation is highly uncertain, both in terms of direct effect on the taxation of an investment in Units and their indirect effect on the REIT LP's operations. As of the date of the Offering, changes made by the Tax Cuts and Jobs Act that could affect the REIT LP and Unitholders include, but are not limited to:

- temporarily reducing individual U.S. federal income tax rates on ordinary income (the highest individual U.S. federal income tax rate has been reduced from 39.6% to 37% for taxable years beginning after December 31, 2017 and before January 1, 2026;
- permanently eliminating the progressive corporate tax rate structure, which previously imposed a maximum corporate tax rate of 35%, and replacing it with a flat corporate tax rate of 21%;

- permitted a deduction for certain pass through business income, including dividends received by certain Unitholders from the REIT LP that are not designated by the REI as capital gain dividends or qualified dividend income, which will allow individuals, trusts, and estates to deduct up to 20% of such amounts for taxable years beginning after December 31, 2017 and before January 1, 2026;
- reducing the highest rate of withholding with respect to the REIT LP's distributions to non-U.S. Holders that are treated as attributable to gains from the sale or exchange of U.S. real property interests from 35% to 21%;
- limiting the REIT LP's deduction for net operating losses arising in taxable years beginning after December 31, 2017 to 80% of the REIT LP's taxable income (prior to the application of the dividends paid deduction);
- generally limiting the deduction for net business interest expense in excess of 30% of a business's "adjusted taxable income," except for taxpayers that engage in certain real estate businesses (including most equity real estate investment trusts) and elect out of this rule (provided that such electing taxpayers must use an alternative depreciation system with longer depreciation periods); and
- eliminating the corporate alternative minimum tax.

The complicated statutes, regulations, rulings and other administrative positions relating to the qualification of real estate investment trusts and the taxation of them and their stockholders are subject to revision at any time. The IRS has issued various U.S. Treasury Regulations, guidance, and rulings relating to the Tax Cuts and Jobs Act. Further, technical corrections legislation with respect to the Tax Cuts and Jobs Act has been proposed. The proposed legislation's final form and effect cannot be predicted and may be adverse. Many of the amendments will require further guidance through the issuance of U.S. Treasury Regulations in order to assess their effect. There may be substantial delay before such U.S. Treasury Regulations are promulgated, increasing the uncertainty as to the ultimate effect of the statutory amendments on the REIT LP.

There may also be future changes in U.S. federal tax laws, regulations, rules, and judicial and administrative interpretations applicable to the REIT LP and its business, the effect of which cannot be predicted. Prospective investors are urged to consult with their tax advisors regarding the possible effect of the Tax Cuts and Jobs Act on the REIT LP, its business, and its stockholders.

The Units of the REIT LP may not qualify for certain tax exemptions under FIRPTA.

A non-U.S. person disposing of a U.S. real property interest, including shares of a U.S. corporation whose assets consist principally of U.S. real property interests, is generally subject to tax under FIRPTA on the gain recognized on the disposition and required to file a U.S. federal income tax return reporting this disposition. FIRPTA does not apply, however, to the disposition of stock in a real estate investment trust if the shares are considered "regularly traded on an established securities market" and the non-U.S. person does not hold, actually or constructively, more than 10% of the outstanding REIT LP Units at any time during the five-year period ending on the date of disposition or such shorter period that the shares were held. The REIT LP intends to take the position that the Units should generally be treated as regularly traded on an established securities market. However, the applicable U.S. tax rules are highly complex and whether this exception applies is dependent on the actual trading of the Units and the frequency and duration of price quotes being made available by brokers or dealers on an over-the-counter market. Investors are cautioned that there can be no assurance that the Units will be treated as regularly traded on an established securities market.

If the Units are not treated as "regularly traded on an established securities market," the exception to FIRPTA described above does not apply and the sale of Units by a non-U.S. person would generally be subject to U.S. federal income tax at normal graduated rates with respect to gain recognized and the REIT LP would be required to withhold at a rate of 15% on distributions in excess of the REIT LP's current and accumulated earnings and profits. In addition, a purchaser of Units would be required to withhold tax at the rate of 15% of the amount realized from the sale and to report and to remit such tax to the IRS. Furthermore, under FIRPTA, if any non-U.S. person holds, actually or constructively, more than 10% of the outstanding Units, the REIT LP will be required to withhold 21% (or less to the extent provided in applicable U.S. Treasury Regulations) of any distribution to such Unitholder that could be

designated by the REIT LP as a capital gain dividend. Any such withheld amount is creditable against such Unitholder's FIRPTA tax liability.

Risk Factors Related to Certain Canadian Tax Considerations

The application of the SIFT rules to the REIT LP may impact each Unitholder differently.

The SIFT rules will apply to a limited partnership that is a SIFT partnership. The REIT LP will not be considered to be a SIFT partnership in respect of a particular taxation year and, accordingly, will not be subject to the SIFT Rules in that year, if it does not own any non-portfolio property and does not carry on business in Canada in that year. Management of the REIT LP has advised counsel that the REIT LP has not and does not currently intend to own any non-portfolio property nor carry on a business in Canada. If the SIFT Rules were to apply to the REIT LP, the impact to a Unitholder would depend on the status of the holder and, in part, on the amount of income allocated to such Unitholder which would be subject to tax in the REIT LP in a particular year and what portions of the REIT LP's income constitute "non-portfolio earnings" and other income. The likely effect of the SIFT Rules on the market for Limited Partnership Units, and on the REIT LP's ability to finance future acquisitions through the issue of Limited Partnership Units or other securities is uncertain. If the SIFT Rules were to apply to the REIT LP, they could adversely affect the marketability of the Limited Partnership Units, the amount of cash available for distribution and the after-tax return to investors.

Certain Unitholders may not be able recognize U.S. taxes through foreign tax credits or foreign tax deductions.

The after-tax return from an investment in Limited Partnership Units to a Unitholder resident in Canada for the purposes of the Tax Act will depend in part on the Unitholder's ability to recognize for purposes of the Tax Act, U.S. taxes paid by the Unitholder through foreign tax credits or foreign tax deductions under the Tax Act (see "Certain Canadian Federal Income Tax Considerations"). A Unitholder's ability to recognize U.S. taxes through foreign tax credits or foreign tax deductions may be affected where the Unitholder does not have sufficient taxes otherwise payable under Part I of the Tax Act or sufficient U.S. source income in the taxation year the U.S. taxes are paid or where the Unitholder has other U.S. sources of income or losses, has paid other U.S. taxes or, in certain circumstances, has not filed a U.S. federal income tax return. Furthermore, foreign tax credits or foreign tax deductions will be dependent upon the Canadian federal and provincial tax rates and U.S. tax rates that will prevail in future years to apply to applicable sources of income. Unitholders are therefore advised to consult their own tax advisors in regards to foreign tax credits and foreign tax deductions.

Certain Unitholders may be subject to additional U.S. tax on a disposition of the Limited Partnership Units, Contingent Rights or Rights and on certain distributions by the REIT LP.

If (i) a Unitholder, or has held, actually or constructively, more than 10% of the outstanding Limited Partnership Units, as determined for U.S. federal income tax purposes, or (ii) the NEO Publicly Traded Exception or the Over-the-Counter Publicly Traded Exception are not satisfied, such holder may be subject to additional U.S. tax on a disposition of the Limited Partnership Units, Contingent Rights or Rights and on certain distributions by the REIT LP. The proceeds receivable on a disposition of a Limited Partnership Units, Contingent Rights or Rights may not qualify as U.S. source income for purposes of the Tax Act (including for Canadian foreign tax credit purposes), and beneficiaries of certain holder that are trusts may not be considered to have paid such tax for purposes of the Tax Act and, accordingly, may not be entitled to a foreign tax credit in respect of such U.S. tax for Canadian tax purposes.

Unitholders that are Exempt Plans will generally not benefit from a foreign tax credit or deduction under the Tax Act in respect of any U.S. tax paid by the Exempt Plan.

A Unitholder that is an Exempt Plan will generally not benefit from a foreign tax credit or deduction under the Tax Act in respect of any U.S. tax paid by the Exempt Plan (including any U.S. withholding tax imposed on distributions paid to the Exempt Plan). As a result, the after-tax return from an investment in Limited Partnership Units to a Unitholder that is an Exempt Plan may be adversely affected to the extent that U.S. taxes are imposed in respect of such Unitholder's investment. Such Unitholders should carefully review the "Certain U.S. Federal Income Tax Considerations" section, and consult with their own tax advisors in regards to U.S. tax payable in respect of an investment in Units.

The inclusion of FAPI in computing income of the REIT LP will increase the allocation of income by the REIT LP to Unitholders.

FAPI earned directly or indirectly by US Holdco and any other controlled foreign affiliate of the REIT LP must be included in computing the income of the REIT LP for the fiscal year of the REIT LP in which the taxation year of US Holdco (or such other controlled foreign affiliate) ends, subject to a deduction for grossed-up FAT as computed in accordance with the Tax Act. It is not anticipated that the deduction for grossed-up FAT will materially offset FAPI realized by the REIT LP, and accordingly any FAPI realized generally will increase the allocation of income by the REIT LP to Unitholders. In addition, as FAPI generally must be computed in accordance with Part I of the Tax Act as though the controlled foreign affiliate were a resident of Canada (subject to the detailed rules contained in the Tax Act), income or transactions may be taxed differently under foreign tax rules as compared to the FAPI rules and, accordingly, may result in additional income being allocated to Unitholders. For example, certain transactions that do not give rise to taxable income under the Code may still give rise to FAPI for purposes of the Tax Act.

The REIT LP may realize gains and losses for tax purposes and FAPI as a result of certain conversions into Canadian currency.

For purposes of the Tax Act, the REIT LP generally is required to compute its Canadian tax results, including any FAPI earned, using Canadian currency. Where an amount that is relevant in computing a taxpayer's Canadian tax results is expressed in a currency other than Canadian currency, such amount must be converted to Canadian currency using the appropriate exchange rate determined in accordance with the detailed rules in the Tax Act in that regard. As a result, the REIT LP may realize gains and losses for tax purposes and FAPI by virtue of the fluctuation of the value of foreign currencies relative to Canadian dollars.

Risk Factors Related to the COVID-19 Pandemic

The current outbreak of the novel coronavirus, or COVID-19, or the future outbreak of any other highly infectious or contagious diseases, could materially and adversely impact or cause disruption to the REIT LP's tenants and their operations, and in turn the REIT LP's performance, financial condition, results of operations and cash flows.

A novel strain of coronavirus (COVID-19) was reported to have surfaced in Wuhan, China in December 2019, and has since spread globally, including to every state in the United States. The outbreak of COVID-19 has severely impacted global economic activity and caused significant volatility and negative pressure in financial markets. The global impact of the outbreak has been rapidly evolving and many countries, including Canada and the United States, have reacted by instituting quarantines, mandating business and school closures and restricting travel. As a result, the COVID-19 pandemic is negatively impacting almost every industry directly or indirectly, including the regulated cannabis industry. COVID-19 (or a future pandemic) could have material and adverse effects on the REIT LP's tenants and their operations, and in turn on the REIT LP's performance, financial condition, results of operations and cash flows due to, among other factors:

- a complete or partial closure of, or other operational issues at, one or more of the REIT LP's properties resulting from government or tenant actions;
- the difficulty of the REIT LP in meeting obligations associated with the maturity of financial obligations;
- the temporary inability of consumers and patients to purchase the REIT LP's tenant's cannabis products due to a number of factors, including but not limited to illness, dispensary closures or limitations on operations (including but not limited to shortened operating hours, social distancing requirements and mandated "curbside only" pickup), quarantine, financial hardship, and "stay at home" orders, could severely impact the REIT LP's tenants' businesses, financial condition and liquidity and may cause one or more of the REIT LP's tenants to be unable to meet their obligations to the REIT LP in full, or at all, or to otherwise seek modifications of such obligations;
- difficulty accessing equity and debt capital on attractive terms, or at all, and a severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions may affect

the REIT LP's access to capital necessary to fund business operations and the REIT LP's tenants' ability to fund their business operations and meet their obligations to the REIT LP;

- workforce disruptions for the REIT LP's tenants, as a result of infections, quarantines, stay at home orders or other factors, could result in a material reduction in the REIT LP's tenants' cannabis cultivation, manufacturing, distribution and/or sales capacity;
- because of U.S. federal regulatory uncertainty relating to the regulated cannabis industry, the REIT LP's tenants may not be eligible for financial relief available to other businesses, including recently introduced federal assistance programs;
- restrictions on public events for the regulated cannabis industry limit the opportunity for the REIT LP's tenants to market and sell their products and promote their brands;
- delays in construction at the REIT LP's properties may adversely impact its tenants' ability to commence operations and generate revenues from projects, including but not limited to delays caused by:
 - construction moratoriums by local, state or federal government authorities;
 - delays by applicable governmental authorities in providing the necessary authorizations to continue construction or commence operations;
 - reductions in construction team sizes to effectuate social distancing and other requirements;
 - infection by one or more members of a construction team necessitating a partial or full shutdown of construction; and
 - manufacturing and supply chain disruptions for materials sourced from other geographies which may be experiencing shutdowns and/or restrictions on transportation of such materials
- a general decline in business activity in the regulated cannabis industry would adversely affect the REIT LP's ability to grow its portfolio of regulated cannabis properties; and
- the potential negative impact on the health of the REIT LP's personnel, particularly if a significant number of them are impacted, would result in a deterioration in the REIT LP's ability to ensure business continuity during a disruption.

The extent to which COVID-19 impacts the REIT LP's operations and those of its tenants will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the outbreak, the actions taken to contain the outbreak or mitigate its impact, and the direct and indirect economic effects of the outbreak and containment measures, among others.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of the principal Canadian federal income tax considerations under the *Income Tax Act* (Canada) and the regulations thereunder, as amended (the "**Tax Act**"), as of the date hereof, generally applicable to a beneficial owner of a Restricted Voting Unit who acquires Contingent Rights from the REIT LP as described herein, and to a beneficial owner of Limited Partnership Units or Rights immediately following the Qualifying Transaction, (each of the Contingent Rights, the Limited Partnership Units and the Rights, a "**Security**") who, at all relevant times and for purposes of the Tax Act, holds such Securities as capital property, deals at arm's length with the REIT LP, the Sponsors and the General Partner, and is not affiliated with the REIT LP, the Sponsors or the General Partner (a "**Holder**"). A Security will generally be considered to be capital property to a Holder unless either (i) the Holder holds the Security in the course of carrying on a business of buying and selling securities or (ii) the Holder has acquired the Security in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Securities will not be "Canadian securities" for purposes of the election under subsection 39(4) of the Tax Act to have all

“Canadian securities” owned by certain Resident Holders (as defined below) deemed to be capital property.

This summary does not apply to a Holder: (i) that is a “financial institution” for purposes of the mark-to-market rules in the Tax Act; (ii) that is a “specified financial institution” as defined in the Tax Act; (iii) that reports its “Canadian tax results” within the meaning of the Tax Act in a currency other than Canadian currency; (iv) an interest in which is a “tax shelter investment” for the purposes of the Tax Act; (v) that has, directly or indirectly, a “significant interest” as defined in subsection 34.2(1) of the Tax Act in the REIT LP; (vi) if any affiliate of the REIT LP is, or becomes as part of a series of transactions that includes the acquisition of Units, a “foreign affiliate” for purposes of the Tax Act to the Holder or to any corporation that does not deal at arm’s length with the Holder; (vii) who has entered or will enter into a “derivative forward agreement” as those terms are defined in the Tax Act with respect to any of the Securities; or (viii) to the extent such Holder’s Limited Partnership Units were acquired pursuant to Subscription Receipts or Debentures. Such Holders should consult their own tax advisors. In addition, this summary does apply to any of the Founders, the Sponsors or the General Partner.

This summary assumes that: (i) neither the REIT LP nor a Unit is, or will subsequently become, a “tax shelter” or “tax shelter investment”, each as defined in the Tax Act; (ii) Units that represent more than 50% of the fair market value of all interests in the REIT LP are held by Holders that are not “financial institutions” as defined for purposes of the mark-to-market rules in the Tax Act; (iii) the REIT LP is not, and will not subsequently become, a “SIFT partnership” as defined for purposes of the Tax Act; and (iv) the Units are not, and will not subsequently become, and the REIT LP will not acquire, “offshore investment property” as defined for purposes of the Tax Act. The tax consequences described herein may be materially and detrimentally different in the event that one or more of these assumptions are not accurate.

This summary is based on the facts set out in this prospectus, the current provisions of the Tax Act in force as of the date hereof, counsel’s understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the “CRA”) made publicly available prior to the date hereof, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposed Amendments**”) and a certificate of the General Partner, on behalf of the REIT LP, relating to factual matters (the “**Certificate**”). No assurances can be given that the Proposed Amendments will be enacted or will be enacted as proposed. Other than the Proposed Amendments, this summary does not take into account or anticipate any changes in law or the administrative policies or assessing practices of the CRA, whether by judicial, legislative, governmental or administrative decision or action, nor does it take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder and no representations with respect to the income tax consequences to any particular holder are made. This summary is not exhaustive of all Canadian federal income tax considerations. Accordingly, holders should consult their own tax advisors with respect to their own particular circumstances.

Furthermore, this summary addresses the principal Canadian federal income tax considerations, as of the date hereof, generally applicable to a Holder and the REIT LP following the Closing. Holders are urged to consult the contents of this prospectus and their own tax advisors in connection with deciding to continue to hold Units and/or Rights following the Closing.

This summary does address any Canadian federal income tax considerations related to the acquisition, holding or disposition of Subscription Receipts or Debentures. Holders of Subscription Receipts and/or Debentures are strongly urged to consult their own tax advisors in this regard.

Currency Conversion

In general, for purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of the Securities, and all amounts related to computing the REIT LP’s income or loss, must be converted into Canadian dollars based on the applicable exchange rate quoted by the Bank of Canada for the relevant day or such other rate of exchange that is acceptable to the CRA. Certain Holders of Securities may, as a consequence, realize capital gains or capital losses by virtue of changes in the value of the U.S. dollar relative to the Canadian dollar.

The SIFT Measures

The Tax Act contains rules regarding the taxation of certain types of publicly listed or traded trusts (defined as “SIFT trusts” under the Tax Act) and partnerships (defined as “SIFT partnerships” under the Tax Act) and their partners (the “**SIFT Measures**”). A “SIFT partnership” is subject to tax on its “taxable non-portfolio earnings” (as defined in the Tax Act) at a rate that is substantially equivalent to the general federal and provincial income tax rate applicable to Canadian corporations. The “taxable non-portfolio earnings” of a SIFT partnership less tax payable by a SIFT partnership is deemed to be a taxable dividend received by the SIFT partnership from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. Any such deemed taxable dividend would be allocated to the partners of a SIFT partnership and be taxable as taxable dividends in their hands. The SIFT Measures do not apply to a partnership that does not hold any “non-portfolio property” (as defined in the Tax Act) throughout the taxation year of the partnership. The REIT LP has represented in the Certificate that it does not presently hold, and does not expect that it will hold, any “non-portfolio property”. Consequently, the REIT LP expects, and this summary assumes, that the REIT LP will not be subject to the SIFT Measures.

There can be no assurances that the treatment of SIFT partnerships under the Tax Act will not be changed, or that administrative policies or assessing practices of the CRA will not develop, in a manner that adversely affects the REIT LP or Holders. If the REIT LP becomes subject to the SIFT Measures, the tax consequences to the REIT LP and/or Holders may be materially and adversely different from those set out herein.

Taxation of the REIT LP

The REIT LP is not generally subject to tax under the Tax Act. Each Holder that is a Unitholder of the REIT LP is required to include or entitled to deduct in computing its income for a particular taxation year its share of the income or loss of the REIT LP allocated to it for the REIT LP’s fiscal year ending in the Holder’s taxation year or on the Holder’s taxation year-end, whether or not distributed to the Holder in the taxation year, subject to certain loss limitation rules to the extent applicable (see “Holders Resident in Canada – Limitation on Deductibility of Losses” below). For this purpose, the income or loss of the REIT LP must be computed for each fiscal year as if the REIT LP were a separate person resident in Canada, which will be allocated to its Unitholders on the basis of their respective shares of that income or loss as provided for in the Second A&R LP Agreement, subject to certain provisions of the Tax Act in that regard. The fiscal year end of the REIT LP is December 31.

The income of the REIT LP for purposes of the Tax Act will include, among other things, “foreign accrual property income” (“**FAPI**”), if any, in respect of its “controlled foreign affiliates”, dividends from US Holdco, if any, and any net realized taxable capital gains.

US Holdco will be a “foreign affiliate” and a “controlled foreign affiliate” of the REIT LP for purposes of the Tax Act. To the extent that US Holdco and any other controlled foreign affiliate of the REIT LP earns in a particular taxation year income that is characterized as FAPI for purposes of the Tax Act, the FAPI allocable to the REIT LP must be included in computing the income of the REIT LP for the taxation year of the REIT LP in which the taxation year of US Holdco (or such other controlled foreign affiliate) ends whether or not the REIT LP actually receives a distribution of FAPI in that year. The FAPI in respect of US Holdco will include FAPI earned directly or indirectly by it (including income earned through any subsidiary partnerships). If an amount of FAPI is included in computing the income of the REIT LP for Canadian tax purposes, an amount may be deductible in respect of the “foreign accrual tax” (“**FAT**”), if any, applicable to the FAPI as computed in accordance with the Tax Act. The REIT LP has represented in the Certificate that it is not expected that there would be a material related FAT deduction available to apply against any FAPI in respect of US Holdco (or any other controlled foreign affiliate of the REIT LP). The adjusted cost base to the REIT LP of its shares of US Holdco will be increased by the net amount of FAPI included in the income of the REIT LP in respect of FAPI earned directly or indirectly by US Holdco. At such time as the REIT LP receives a dividend from US Holdco, if any, of amounts that were previously included in its income as FAPI, if any, that dividend will effectively not be taxable to the REIT LP, and there will be a corresponding deduction in the adjusted cost base to the REIT of its shares of US Holdco. In the current circumstances of the REIT LP and its controlled foreign affiliates, a portion of the income earned directly or indirectly by US Holdco (including income earned by through any subsidiary partnerships) will be FAPI and, accordingly, will be required to be included in computing the income of the REIT LP for Canadian federal income tax purposes on an accrual basis as described above.

As discussed above, for the purposes of the Tax Act, all income of the REIT LP (including FAPI, if any) must be

calculated in Canadian currency. Accordingly, if the REIT LP (or any of its subsidiaries) holds investments or incurs indebtedness denominated in foreign currencies, gains or losses may be realized by the REIT LP as a consequence of fluctuations in the relative value of the Canadian and foreign currencies.

In computing its income or loss, the REIT LP may generally deduct administrative costs and other expenses of a current nature incurred by it for the purpose of earning income from its business or property, provided such expenses are reasonable and otherwise deductible, subject to applicable provisions of the Tax Act. The REIT LP may also deduct any reasonable expenses incurred by it in the course of the issuance of its Units on a five-year straight-line basis (subject to pro-ration for short taxation years).

The income (or loss) of the REIT LP will include its share of the income (or loss, subject to certain loss limitation rules to the extent applicable (see “Holders Resident in Canada – Limitation on Deductibility of Losses” below)) of another partnership, if any, of which the REIT LP is a partner, as determined in accordance with such other partnership’s partnership agreement. The source and character of amounts included in (or deducted from) the income of the REIT LP on account of its share of the income (or loss) of such other partnership generally will be determined by reference to the source and character of such amounts when earned by such other partnership.

Characterization of Contingent Rights

The Canadian federal income tax treatment of the Contingent Rights is uncertain. This summary assumes that the Contingent Rights will be treated as options to acquire Limited Partnership Units for purposes of the Tax Act. There may be other alternative characterizations of the Contingent Rights that the CRA may successfully assert. If the Contingent Rights are not treated as options to acquire Limited Partnership Units for purposes of the Tax Act, the tax consequences to a Holder described herein may be materially and detrimentally different. In particular, it is possible that a Holder could realize a capital gain upon the automatic exercise of the Contingent Rights to acquire Limited Partnership Units. See “Holders Resident in Canada – Disposition of Securities” and “Holders Not Resident in Canada – Disposition of Securities” below. Holders should consult their own tax advisors in this regard.

Holders Resident in Canada

This section of the summary applies to a Holder who, at all relevant times, is, or is deemed to be, resident in Canada for the purposes of the Tax Act and any applicable income tax treaty or convention (a “**Resident Holder**”).

Acquisition of Contingent Rights

A Resident Holder that acquires Contingent Rights from the REIT LP as described herein should be considered to have received a distribution from the REIT LP, and to have acquired the Contingent Rights at a cost, equal to the fair market value of such Contingent Rights at such time. Such distribution will reduce the adjusted cost base of such Resident Holder’s Units at such time by the fair market value of such Contingent Rights. See “Adjusted Cost Base of Units” below. The REIT LP expresses no view on the fair market value of the Contingent Rights. Resident Holders should consult their own tax advisors in this regard.

Exercise and Expiry of Contingent Rights or Rights

No gain or loss will be realized by a Resident Holder of Contingent Rights or Rights upon the exercise of such Contingent Rights or Rights, as the case may be, to acquire Limited Partnership Units. When Rights are so exercised, the Resident Holder’s cost of each Limited Partnership Unit acquired thereby will be equal to the Resident Holder’s adjusted cost base of the Contingent Rights or Rights, as the case may be, exercised to acquire such Limited Partnership Units. For the purpose of computing the adjusted cost base to a Resident Holder of each Limited Partnership Unit acquired on the exercise of Contingent Rights or Rights, as the case may be, the cost of such Limited Partnership Unit must be averaged with the adjusted cost base to the Resident Holder of all other Limited Partnership Units, if any, held by the Resident Holder as capital property immediately prior to the acquisition of the Limited Partnership Unit acquired on the exercise thereof.

Generally, the expiry of a Contingent Right or Right will give rise to a capital loss equal to the adjusted cost base to the Resident Holder of the expired Contingent Right or Right, as the case may be. See “Disposition of Securities” below.

Renaming of Restricted Voting Units

The automatic renaming of Restricted Voting Units as “Limited Partnership Units” upon the Closing will not constitute a disposition of property for purposes of the Tax Act and, accordingly, will not give rise to a capital gain or capital loss.

Allocation of Income or Loss

Subject to the restrictions described below under “Limitation on Deductibility of Losses”, each Resident Holder that is a Unitholder of the REIT LP (a “**Resident Unitholder**”) will be required to include (or be entitled to deduct) in computing its income the Resident Unitholder’s proportionate share of the income (or loss) of the REIT LP allocated to the Resident Unitholder pursuant to the Second A&R LP Agreement for the fiscal year of the REIT LP ending in the Resident Unitholder’s taxation year or on the Resident Unitholder’s taxation year-end. Such Resident Unitholder’s share of the REIT LP’s income must (or loss may) be included (or deducted) in determining the Resident Unitholder’s income (or loss) for the year, whether or not any distribution has been made by the REIT LP.

In general, a Resident Unitholder’s share of any income (or loss) of the REIT LP from a particular source or from sources in a particular place will be treated as if it were income (or loss) of the Resident Unitholder from that source or from sources in that particular place, and any provisions of the Tax Act applicable to that type of income (or loss) or income (or loss) from that place will apply to the Resident Unitholder. In addition, one-half of the proportionate share of capital gains realized by the REIT LP as allocated to the Resident Unitholder must be included in the Resident Unitholder’s income.

Limitation on Deductibility of Losses

If the REIT LP incurs losses for purposes of the Tax Act, each Resident Unitholder will be entitled to deduct in computing its income for tax purposes its *pro rata* share of any net losses for tax purposes of the REIT LP for its fiscal year to the extent of its “at-risk amount” within the meaning of the Tax Act. In general, the “at-risk amount” of the Resident Unitholder in respect of the REIT LP for any taxation year will be the adjusted cost base of the Resident Unitholder’s Limited Partnership Units at the relevant time (subject to certain provisions of the Tax Act), and where that time is the end of the REIT LP’s fiscal year, plus any income allocated to the Resident Unitholder for the year, less any amount owing by the Resident Unitholder (or a person or partnership, if any, with whom the Resident Unitholder does not deal at arm’s length) to the REIT LP (or a person or partnership, if any, with whom the REIT LP does not deal at arm’s length), and less the amount of any benefit that the Resident Unitholder (or a person with whom the Resident Unitholder does not deal at arm’s length) is entitled, either immediately or in the future and either absolutely or contingently, to receive or obtain for the purpose of reducing the impact, in whole or in part, of any loss that the Resident Unitholder may sustain because of being a partner of the REIT LP or holding or disposing of Limited Partnership Units. Such Resident Unitholder’s loss that is limited by the at-risk rules under the Tax Act becomes a “limited partnership loss”, which is available for indefinite carryforward to be claimed against income from the REIT LP allocated to the Resident Unitholder to the extent and under the circumstances described in the Tax Act. Where a Resident Unitholder acquires Units from a transferor other than the REIT LP, the adjusted cost base to the Resident Unitholder for purposes of determining its “at-risk amount” under the Tax Act is generally the lesser of the Resident Unitholder’s cost of such Units and the transferor’s adjusted cost base of such Units immediately before that time. Where the adjusted cost base of such Units to the transferor cannot be determined, the initial “at-risk amount” of the Resident Unitholder will generally be nil.

Adjusted Cost Base of Units

In general, the adjusted cost base of a Resident Unitholder’s Limited Partnership Units will be equal to: (i) the actual cost of the Limited Partnership Units held by such Resident Unitholder (excluding the unpaid principal amount of any indebtedness of the Resident Unitholder for which recourse is limited, either immediately or in the future and either absolutely or contingently, and that can reasonably be considered to have been used to acquire such units); plus (ii) the aggregate *pro rata* share of the income of the REIT LP allocated to the Resident Unitholder pursuant to the terms of the First A&R LP Agreement or Second A&R LP Agreement (as applicable) for fiscal years of the REIT LP ending before the relevant time; less (iii) the aggregate *pro rata* share of losses of the REIT LP allocated to the Resident Unitholder (other than limited partnership losses) for the fiscal years of the REIT LP ending before the relevant time; and less (iv) the Resident Unitholder’s distributions from the REIT LP made before the relevant time. The adjusted

cost base of each of the Resident Unitholder's Limited Partnership Units (as the case may be) will be subject to the averaging provisions contained in the Tax Act.

A Resident Unitholder will realize a deemed capital gain if, and to the extent that, the adjusted cost base of its Limited Partnership Units is negative at the end of any fiscal year of the REIT LP. In such a case, the adjusted cost base of such units to such Resident Unitholder will be nil at the beginning of the next fiscal year of the REIT LP.

Disposition of Securities

Upon the disposition of a Security (but not including the exercise of Contingent Rights or Rights), a Resident Holder will realize a capital gain (or capital loss) in the taxation year of the disposition equal to the amount by which the Resident Holder's proceeds of disposition, net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base to the Resident Holder of the particular Security immediately before the disposition.

Where a Resident Unitholder disposes of all of its Units, it will no longer be a partner of the REIT LP. If, however, the Resident Unitholder is entitled to receive a distribution from the REIT LP after such disposition, then the Resident Unitholder will be deemed to dispose of the Units at the later of: (i) the end of the fiscal year of the REIT LP during which the disposition occurred; and (ii) the date of the last distribution made by the REIT LP to which the Resident Unitholder was entitled. The *pro rata* share of income (or loss) of the REIT LP for tax purposes for a particular fiscal year that is allocated to a Resident Unitholder who has ceased to be a partner will generally be added (or deducted) in computing the adjusted cost base of the Resident Unitholder's Units immediately prior to the time of the disposition as if the particular fiscal year of the REIT LP ended immediately before that time. These rules are complex and Resident Unitholders should consult their own tax advisors for advice with respect to the specific tax consequences to them of disposing of Limited Partnership Units.

A Resident Holder will be required to include in computing its income for the taxation year of disposition one-half of the amount of any capital gain (a "**taxable capital gain**") realized in such taxation year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder will be required to deduct one-half of the amount of any capital loss realized in a particular taxation year (an "**allowable capital loss**") against taxable capital gains realized in the taxation year. Allowable capital losses in excess of taxable capital gains for a taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such taxation years, to the extent and under the circumstances specified in the Tax Act.

Refundable Tax

A Resident Holder that is throughout the relevant taxation year a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay a refundable tax on its "aggregate investment income" (as defined in the Tax Act) for the year, including taxable capital gains, certain dividends and interest income.

Alternative Minimum Tax

In general terms, a Resident Holder who is an individual (other than certain trusts) may be liable for alternative minimum tax under the Tax Act, including as a result of realizing a capital gain. Resident Holders that are individuals should consult their own tax advisors in this regard.

Holders Not Resident in Canada

This section of the summary is generally applicable to a Holder who, at all relevant times, for purposes of the Tax Act (i) is not, and is not deemed to be, resident in Canada for the purposes of the Tax Act or any applicable income tax treaty or convention, and (ii) does not and will not use or hold, and is not and will not be deemed to use or hold, any of the Securities in connection with carrying on a business in Canada (a "**Non-Resident Holder**"). This summary does not apply to a Non-Resident Holder that carries on, or is deemed to carry on, an insurance business in Canada and elsewhere. Such Holders should consult their own tax advisors.

This section of the summary assumes that the REIT LP will not be considered to be carrying on business in Canada. The General Partner has confirmed that it intends to organize and conduct the affairs of the REIT LP, to the extent

possible, so that the REIT LP should not be considered to carry on business in Canada for purposes of the Tax Act. However, no assurances can be given in this regard. In addition, this section of the summary assumes that: (i) the Securities do not, and will not at any relevant time, constitute “taxable Canadian property” as defined in the Tax Act of any Non-Resident Holder; and (ii) the REIT LP will not dispose of property that is “taxable Canadian property”. The Securities generally will not constitute taxable Canadian property of a Non-Resident Holder, unless (a) at any time during the 60-month period immediately preceding the disposition or deemed disposition of the Security (as applicable) more than 50% of the fair market value of the Limited Partnership Unit was derived directly or indirectly from one or any combination of: (A) real or immovable property situated in Canada, (B) Canadian resource property (as defined in the Tax Act), (C) timber resource property (as defined in the Tax Act), and (D) options in respect of, or interests in, or for civil law rights in, property described in any of (A) through (C) above, whether or not such property exists; or (b) the Security (as applicable) is deemed under the Tax Act to be taxable Canadian property. The General Partner has confirmed that the REIT LP does not intend to make an investment, take any action or fail to take any action which would cause the REIT LP to be considered to have disposed (or be deemed to have disposed) of any “taxable Canadian property” or would cause the Securities to be “taxable Canadian property”. However, no assurances can be given in this regard.

Exercise and Expiry of Contingent Rights or Rights

The tax consequences of the exercise or expiry of a Contingent Right or Right held by a Non-Resident Holder are the same as those described above under “Holders Resident in Canada – Exercise and Expiry of Contingent Rights or Rights”.

Renaming of Restricted Voting Units

The automatic renaming of Restricted Voting Units as “Limited Partnership Units” upon the Closing will not constitute a disposition of property for purposes of the Tax Act and, accordingly, will not give rise to a capital gain or capital loss.

Allocation of Income or Loss

A Non-Resident Holder that is a Unitholder of the REIT LP (a “**Non-Resident Unitholder**”) will not be subject to Canadian federal income tax under Part I of the Tax Act on its share of income from the REIT LP provided that such income is not from a business carried on by the REIT LP in Canada or from dispositions by the REIT LP of taxable Canadian property. However, if the REIT LP earns non-business income from Canadian sources, a Non-Resident Unitholder may be subject to Canadian federal withholding tax under Part XIII of the Tax Act.

Disposition of Securities

Upon the disposition of a Security (but not including the exercise of Contingent Rights or Rights), a Non-Resident Holder will realize a capital gain (or capital loss) in the taxation year of the disposition equal to the amount by which the Non-Resident Holder’s proceeds of disposition, net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base to the Non-Resident Holder of the particular Security immediately before the disposition. A Non-Resident Holder will not be subject to tax under the Tax Act in respect of any capital gain realized by the Non-Resident Holder on a disposition of a Security, unless such Security constitutes “taxable Canadian property” (as defined in the Tax Act) of the Non-Resident Holder at the time of disposition as described above.

Where a Non-Resident Unitholder disposes of all of its Units, it will no longer be a partner of the REIT LP. If, however, the Non-Resident Unitholder is entitled to receive a distribution from the REIT LP after such disposition, then the Non-Resident Unitholder will be deemed to dispose of the Units at the later of: (i) the end of the fiscal year of the REIT LP during which the disposition occurred; and (ii) the date of the last distribution made by the REIT LP to which the Non-Resident Unitholder was entitled. The *pro rata* share of income (or loss) of the REIT LP for tax purposes for a particular fiscal year that is allocated to a Non-Resident Unitholder who has ceased to be a partner will generally be added (or deducted) in computing the adjusted cost base of the Non-Resident Unitholder’s Units immediately prior to the time of the disposition as if the particular fiscal year of the REIT LP ended immediately before that time. These rules are complex and Non-Resident Unitholders should consult their own tax advisors for advice with respect to the specific tax consequences to them of disposing of Limited Partnership Units.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following description assumes that the REIT LP will be treated as a real estate investment trust within the meaning of Section 856 of the Code for U.S. federal income tax purposes and describes (i) certain U.S. federal income tax consequences of the treatment of the REIT LP as a U.S. real estate investment trust and (ii) certain U.S. federal income tax consequences of the ownership and disposition of the Limited Partnership Units to Non-U.S. Holders (as defined below) following the completion of the Qualifying Transaction.

The following is a summary of certain U.S. federal income tax consequences of the REIT LP's status as a real estate investment trust and of an investment in the Limited Partnership Units by Non-U.S. Holders. This summary is based upon the Code, the regulations promulgated by the U.S. Treasury Department under the Code, published rulings and other administrative pronouncements issued by the Internal Revenue Service (the "**IRS**"), and judicial decisions, all as currently in effect, and all of which are subject to differing interpretations or to change, possibly with retroactive effect. The following discussion takes into account H.R. 1, informally titled the Tax Cuts and Jobs Act (the "**TCJA**"). The TCJA made major changes to Code, including several provisions of the Code that may affect the taxation of U.S. real estate investment trusts and their securityholders. The most significant of these provisions are described below. Investors should consult their tax advisors regarding the implications of the TCJA on their investment.

This discussion is limited to Non-U.S. Holders that hold Limited Partnership Units as capital assets, which generally means as property held for investment. Because this section is a summary, it does not address all aspects of taxation that may be relevant to particular Non-U.S. Holders of Limited Partnership Units in light of their personal investment or tax circumstances, or to certain types of Non-U.S. Holders that are subject to special treatment under the U.S. federal income tax laws, such as:

- U.S. expatriates and former citizens or long-term residents of the United States;
- financial institutions or broker-dealers;
- insurance companies;
- controlled foreign corporations and passive foreign investment companies, and each of their stockholders;
- regulated investment companies
- persons who mark-to-market Limited Partnership Units;
- trusts and estates;
- persons who hold Limited Partnership Units on behalf of other persons as nominees;
- persons who receive Limited Partnership Units through the exercise of employee stock options or otherwise as compensation;
- persons holding Limited Partnership Units as part of a "straddle", "hedge", "conversion transaction", "synthetic security" or other integrated investment;
- persons subject to the alternative minimum tax
- persons holding Limited Partnership Units through a partnership or similar pass-through entity; and
- tax-exempt organizations.

If a partnership, including for this purpose any entity or arrangement that is treated as a partnership for U.S. federal income tax purposes, holds Limited Partnership Units, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership and upon certain determinations made at the

partner level. An investor that is a partnership and the partners in such partnership should consult their tax advisors about the U.S. federal income tax consequences of the acquisition, ownership and disposition of Limited Partnership Units.

For purposes of this discussion, a “Non-U.S. Holder” is any beneficial owner of Limited Partnership Units immediately following the Qualifying Transaction (other than an entity or arrangement treated as a partnership for U.S. federal income tax purposes) that is not a U.S. Holder. A “U.S. Holder” means a beneficial owner of Limited Partnership Units immediately following the Qualifying Transaction that is, for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the United States;
- a corporation, or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, a state thereof or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust (a) if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons (as defined in Section 7701(a)(30) of the Code) have authority to control all substantial decisions of the trust or (b) that has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person.

The statements in this section are based on the Code, current, temporary and proposed U.S. Treasury Regulations (collectively “**U.S. Treasury Regulations**”), the legislative history of the Code, current administrative interpretations and practices of the IRS, and court decisions. The reference to IRS interpretations and practices includes the IRS practices and policies endorsed in private letter rulings, which are not binding on the IRS except with respect to the taxpayer that received the ruling. In each case, these sources are relied upon as they exist on the date of this discussion. Future legislation, U.S. Treasury Regulations, administrative interpretations, and court decisions could change the current law or adversely affect existing interpretations of current on which this information in this section is based. Any such change could apply retroactively. The REIT LP has not received any rulings from the IRS concerning its qualification as a real estate investment trust. Accordingly, even if there is no change in applicable law, no assurance can be provided that statements made in this section, which do not bind the IRS or the courts, will not be challenged by the IRS or sustained by a court if so challenged.

Holders of Limited Partnership Units are urged to consult their tax advisors about the application of the U.S. federal tax rules to their particular circumstances as well as the state and local and foreign tax consequences to them of the purchase, ownership and disposition of Limited Partnership Units and the REIT LP’s election to be taxed as real estate investment trust.

This summary does address any U.S. federal income tax considerations related to the acquisition, holding or disposition of Subscription Receipts or Debentures. Holders of Subscription Receipts and/or Debentures are strongly urged to consult their own tax advisors in this regard.

Taxation of the REIT LP

U.S. Status of the REIT LP

The discussion herein assumes, pursuant to Section 7874 of the Code, that the REIT LP is treated as a U.S. corporation for all purposes under the Code and, as a result, it is permitted to elect to be treated as a real estate investment trust under the Code, notwithstanding the fact that it is organized as a Canadian entity.

Real Estate Investment Trust Status

The REIT LP will elect to be taxed as a real estate investment trust for U.S. federal income tax purposes commencing with its taxable year ended December 31, 2020. The REIT LP believes that it will be organized and will operate in such a manner so as to qualify for taxation as a real estate investment trust under the U.S. federal income tax laws, and the REIT LP intends to continue to operate in such a manner, but no assurance can be given that the REIT LP will operate in a manner so as to qualify or remain qualified as a real estate investment trust. This section discusses the

laws governing the U.S. federal income tax treatment of a real estate investment trust. These laws are highly technical and complex.

The REIT LP's qualification and taxation as a real estate investment trust depends upon its ability to meet on a continuing basis, through actual annual operating results, certain qualification tests set forth in the U.S. federal income tax laws. Those qualification tests involve the percentage of income that the REIT LP earns from specified sources, the percentage of the REIT LP's assets that fall within specified categories, the diversity of the REIT LP's stock ownership, and the percentage of earnings that the REIT LP distributes. It is possible that the REIT LP may have to use one or more of the REIT LP savings provisions described below, which would require the REIT LP to pay an excise or penalty tax (which could be material) in order for it to maintain its real estate investment trust qualification. Accordingly, no assurance can be given that the REIT LP's actual results of operations for any operations for any particular taxable year will satisfy such requirements. For a discussion of the tax consequences of the REIT LP's failure to qualify as a real estate investment trust, see Failure to Qualify.

General U.S. Federal Income Tax Considerations of Real Estate Investment Trust Status

The REIT LP generally will not be subject to U.S. federal income tax on the portion of its taxable income, including capital gain, that is distributed to Unitholders. The REIT LP expects to distribute amounts at least equal to the REIT LP's taxable income, including capital gain, on an annual basis. The REIT LP would be subject to U.S. federal income tax at normal corporate rates upon any taxable income, including capital gain, not distributed.

Furthermore, notwithstanding the REIT LP's qualification as a real estate investment trust, it may also be subject to taxation in the following circumstances:

- If the REIT LP should fail to satisfy either the 75% or the 95% gross income test, as discussed below, and nonetheless maintains its qualification as a real estate investment trust because other requirements are met and such failure was due to reasonable cause and not wilful neglect, it would be subject to a 100% tax on the greater of the amount by which it fails to satisfy either the 75% or the 95% gross income test, multiplied by a fraction intended to reflect the REIT LP's profitability.
- If the REIT LP fails to satisfy the 5% asset test or the 10% vote and value test (and does not qualify for a *de minimis* safe harbour) or fails to satisfy the other asset tests, each of which is discussed below, and nonetheless maintains its qualification as a real estate investment trust because certain other requirements are met, and such failure was due to reasonable cause and not wilful neglect, it would be subject to a tax equal to the greater of \$50,000 or an amount determined by multiplying the highest U.S. federal corporate tax rate by the net income generated by the assets that caused the failure for the period beginning on the first date of the failure to meet the tests and ending on the date (which must be within six months after the last day of the quarter in which the failure is identified) that the REIT LP disposes of the assets or otherwise satisfies the tests.
- If the REIT LP fails to satisfy one or more real estate investment trust requirements other than the 75% or the 95% gross income tests and other than the asset tests, but nonetheless maintains its qualification as a real estate investment trust because certain other requirements are met, and such failure was due to reasonable cause and not wilful neglect, it would be subject to a penalty of \$50,000 for each such failure.
- The REIT LP would also be subject to a tax of 100% on net income from any "prohibited transaction," as described below.
- If the REIT LP has net income from the sale or other disposition of "foreclosure property" that is held primarily for sale to customers in the ordinary course of business or other non-qualifying income from foreclosure property, it would be subject to tax on such income from foreclosure property at the highest U.S. federal corporate tax rate.
- The REIT LP would also be subject to a tax of 100% on the amount of any rents from real property, deductions, income or excess interest that is reappportioned to any "taxable REIT subsidiary".

- In addition, if the REIT LP should fail to distribute during each calendar year at least the sum of:
 - 85% of its real estate investment trust ordinary income for such year;
 - 95% of its real estate investment trust capital gain net income for such year, other than capital gains it elects to retain and pay tax on as described below; and
 - any undistributed taxable income from prior years,

it would be subject to a 4% excise tax on the excess of such required distribution over the amounts actually distributed. If the REIT LP were to retain and pay income tax on any of its net long-term capital gain, such retained amounts would be treated as having been distributed for purposes of the 4% excise tax.

- A 100% tax may be imposed on some items of income and expense that are directly or indirectly paid between a real estate investment trust and a taxable REIT subsidiary, if and to the extent that the IRS successfully determines that the items were transacted at less than arms-length and adjusts the reported amount of these items.
- If the REIT LP acquires any asset from a C corporation, or a corporation that generally is subject to full corporate-level tax, in a merger or other transaction in which the REIT LP acquires a basis in the asset that is determined by reference either to the C corporation's basis in the asset or to another asset, the REIT LP will pay tax at the highest regular U.S. federal corporate tax rate applicable if it recognizes gain on the sale or disposition of the asset during the 5-year period after the REIT LP acquires the asset. The amount of gain on which the REIT LP will pay tax is the lesser of:
 - the amount of gain recognized at the time of the sale or disposition; and
 - the amount of gain that the REIT LP would have recognized if it had sold the asset at the time the REIT LP acquired it.

In addition, the REIT LP, including its subsidiaries and affiliated entities, may be subject to a variety of taxes, including payroll taxes and state and local income, property and other taxes on its assets and operations. A taxable REIT LP subsidiary will also be subject to U.S. federal corporate income tax on its taxable income.

Qualification as a Real Estate Investment Trust

A REIT is a corporation, trust, or association that meets each of the following requirements:

- (a) It is managed by one or more trustees or directors.
- (b) Its beneficial ownership is evidenced by transferable shares, or by transferable certificates of beneficial interest.
- (c) It would be taxable as a domestic corporation, but for the real estate investment trust provisions of the U.S. federal income tax laws.
- (d) It is neither a financial institution nor an insurance company subject to special provisions of the U.S. federal income tax laws.
- (e) At least 100 persons are beneficial owners of its shares or ownership certificates.
- (f) Not more than 50% in value of its outstanding shares or ownership certificates is owned, directly or indirectly, by five or fewer individuals, which the U.S. federal income tax laws define to include certain entities, during the last half of any taxable year.

- (g) It elects to be a real estate investment trust, or has made such election for a previous taxable year, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain real estate investment trust status.
- (h) It meets certain other qualification tests, described below, regarding the nature of its income and assets and the distribution of its income.

It uses a calendar year for U.S. federal income tax purposes and complies with the recordkeeping requirements of the U.S. federal income tax laws.

Share Ownership Test

The Units must be held by a minimum of 100 persons for at least 335 days in each taxable year or a proportional number of days in any short taxable year (other than the REIT LP's first taxable year as a U.S. real estate investment trust). In addition, at all times during the second half of each taxable year (other than the REIT LP's first taxable year as a U.S. real estate investment trust), no more than 50% in value of the Units may be owned, directly or indirectly (applying constructive ownership rules) by five or fewer individuals (including specified tax-exempt entities but generally excluding certain qualified trusts). If the REIT LP were to comply with the U.S. Treasury Regulations for ascertaining its actual ownership and did not know, or exercising reasonable diligence would not have reason to know, that more than 50% in value of the outstanding Units were held, actually or constructively, by five or fewer individuals, then the REIT would be treated as meeting such requirement.

In order to ensure compliance with the 50% ownership test, the REIT LP has placed restrictions on the transfer of the Units to prevent additional concentration of ownership. In order to demonstrate compliance with these requirements under the U.S. Treasury Regulations, the REIT LP must maintain records that disclose the actual ownership of the outstanding Units. Such U.S. Treasury Regulations impose penalties against the REIT LP for failing to do so. In fulfilling its obligation to maintain records, the REIT LP will request written statements each year from the record holders of designated percentages of Units disclosing the actual owners of such Units. A list of persons failing or refusing to comply in whole or in part with the REIT LP's request for written statements must be maintained by the REIT LP. In addition, as discussed above, the Second A&R LP Agreement will provide restrictions regarding the transfer of Units that are intended to assist the REIT LP in continuing to satisfy the share ownership requirements. The REIT LP intends to enforce the percentage limitations on ownership of Units to maintain its qualification as a real estate investment trust.

Effect of Subsidiary Entities

Affiliated REITs

The REIT LP may in the future form, or acquire equity in, entities which have elected to be taxed as real estate investment trusts for U.S. federal income tax purposes. Each of these entities must meet all of the real estate investment trust qualification tests discussed herein. Each of them also may be subject to tax on certain of its income as described above. Depending on the percentage of the REIT LP's ownership in any subsidiary real estate investment trust, the REIT LP may make a protective taxable REIT subsidiary election (as discussed below) with respect to such subsidiary real estate investment trust. If the IRS respects the REIT LP's protective taxable REIT subsidiary election with respect to such subsidiary real estate investment trust, the failure of such subsidiary real estate investment trust to qualify as a real estate investment trust for U.S. federal income tax purposes would only cause the REIT LP to fail to qualify as a real estate investment trust to the extent that the total value of the REIT LP's interests in taxable REIT subsidiaries represents more than 20% of the REIT LP's assets. See "Certain United States Federal Income Tax Considerations – Asset Tests" below.

Qualified REIT Subsidiaries

A subsidiary corporation that is a "qualified REIT subsidiary" is not treated as a corporation separate from its parent real estate investment trust. All assets, liabilities, and items of income, deduction, and credit of a qualified REIT subsidiary are treated as assets, liabilities, and items of income, deduction, and credit of the real estate investment trust. A qualified REIT subsidiary is a corporation all of the capital stock of which is owned by the real estate investment trust and that has not elected to be a taxable REIT subsidiary (as discussed below). Thus, in applying the

requirements described herein, any qualified REIT subsidiary that the REIT LP owns will be ignored, and all assets, liabilities, and items of income, deduction, and credit of such subsidiary will be treated as the REIT LP's assets, liabilities, and items of income, deduction, and credit. The REIT owns its interest in Subversive OP through US Holdco, which is treated as a qualified REIT subsidiary

Disregarded Subsidiaries and Partnerships

An unincorporated domestic entity, such as a partnership or limited liability company that has a single owner for U.S. federal income tax purposes, generally is not treated as an entity separate from its parent for U.S. federal income tax purposes. An unincorporated domestic entity with two or more owners for U.S. federal income tax purposes, such as Subversive OP, generally is treated as a partnership for U.S. federal income tax purposes. In the case of a real estate investment trust that is a partner in a partnership that has other partners the real estate investment trust is treated as owning its proportionate share of the assets of the partnership and as earning its proportionate share of the gross income of the partnership for purposes of the real estate investment trust qualification tests. For purposes of the 10% value test (described in "Certain United States Federal Income Tax Considerations – Asset Tests"), a real estate investment trust's proportionate share is based on its proportionate interest in the equity interests and certain debt securities issued by the partnership. For all of the other asset and income tests, a real estate investment trust's proportionate share is based on its proportionate interest in the capital interests in the partnership. It is expected that all or substantially all of the REIT LP's real estate assets will be owned through Subversive OP and its subsidiaries and are therefore subject to these rules.

An entity that would otherwise be treated as a partnership for U.S. federal income tax purposes may nonetheless be treated as a corporation for U.S. federal income tax purposes if it is a "publicly traded partnership" and certain other requirements are met. A partnership would be treated as a publicly traded partnership if its interests were traded on an established securities market or were readily tradable on a secondary market or a substantial equivalent thereof, within the meaning of applicable U.S. Treasury Regulations. The REIT LP does not anticipate that Subversive OP will be treated as a publicly traded partnership that would be treated as a corporation for U.S. federal income tax purposes. However, if it were, the REIT LP would not be treated as owning its proportionate share of the assets and income of the Partnership for the purposes of the real estate investment trust asset and income test requirements (and, instead, would be treated as owning the stock of a corporation). This could cause the REIT LP to fail to qualify as a real estate investment trust. In addition, the income of Subversive OP would become subject to U.S. federal corporate income tax.

Taxable REIT Subsidiaries

A real estate investment trust, in general, may jointly elect with a subsidiary corporation, whether or not wholly owned, to treat the subsidiary corporation as a taxable REIT subsidiary of the real estate investment trust. The separate existence of a taxable REIT subsidiary, unlike a disregarded qualified REIT subsidiary as discussed above, is not ignored for U.S. federal income tax purposes. Accordingly, such an entity would generally be subject to U.S. federal corporate income tax on its taxable income. A real estate investment trust is not treated as holding the assets of a taxable REIT subsidiary or as directly receiving any income that a taxable REIT subsidiary earns. Rather, the shares of the taxable REIT subsidiary are an asset in the hands of the real estate investment trust, and the real estate investment trust recognizes as income any dividends that it receives from a taxable REIT subsidiary to the extent of the taxable REIT subsidiary's earnings and profits. This treatment can affect the gross income and asset test calculations described below. Overall, no more than 20% of the value of a real estate investment trust's assets may consist of stock or securities of one or more taxable REIT subsidiaries.

Several provisions of the Code regarding the arrangements between a real estate investment trust and its taxable REIT subsidiaries ensure that a taxable REIT subsidiary will be subject to an appropriate level of U.S. federal income taxation. For example, the REIT LP would be obligated to pay a 100% penalty tax on some payments that it receives from, or on certain expenses deducted by, its taxable REIT subsidiary if the IRS were to assert successfully that the economic arrangements between the REIT LP and its taxable REIT subsidiary are not comparable to similar arrangement among unrelated parties. Any income earned by the REIT LP's taxable REIT subsidiary that is attributable to services provided to the REIT LP, or on the REIT LP's behalf to any of its tenants, that is less than the amounts that would have been charged based upon arm's length negotiations, will also be subject to a 100% penalty tax. In addition, for taxable years beginning after December 31, 2017, the TCJA added an overall limit on taxpayers' net interest expense deduction generally equal to 30% of adjusted taxable income, subject to certain exceptions. See

“Certain United States Federal Income Tax Considerations – Annual Distribution Requirements”. While not certain, this provision may limit the ability of the REIT LP’s taxable REIT subsidiary to deduct interest, which could increase its taxable income. However, under recently enacted legislation called the Coronavirus Aid, Relief and Economic Security Act (“**CARES Act**”), the 30% limitation has been increased to 50% for taxable years beginning in 2019 and 2020.

Asset Tests

At the close of each quarter of the REIT LP’s taxable year, the REIT LP must satisfy tests relating to the nature of its assets determined in accordance with generally accepted accounting principles. First, at least 75% of the value of the REIT LP’s total assets must be represented by real estate assets (e.g., interests in real property, interests in mortgages on real property or interests in real property, shares in other real estate investment trusts, and “debt instruments issued by publicly offered REITs” (i.e., real estate investment trusts which are required to file annual and periodic reports with the Securities and Exchange Commission under the Securities Exchange Act of 1934)), cash, cash items, U.S. government securities, and certain qualified temporary investments. For this purpose, personal property leased in connection with real property will be treated as a real estate asset to the extent that rents attributable to the personal property do not exceed 15% of the total rent from both the real and personal property rented pursuant to the lease. In addition, in the case of an obligation secured by a mortgage on both real property and personal property, if the fair market value of such personal property does not exceed 15% of the total fair market value of all such property securing the loan, then the personal property securing the loan will be treated as real property for purposes of determining whether the mortgage loan is a qualifying asset for the 75% asset test.

Second, no more than 25% of the value of a real estate investment trust’s total assets may consist of the securities of taxable REIT subsidiaries and other non-taxable REIT subsidiary taxable entities and other assets that are not qualifying assets for purposes of the 75% asset test. Third, of a real estate investment trust’s investments not included in the 75% asset class, it is prohibited from owning securities representing more than 10% of either the vote or value of the outstanding securities of any one issuer other than a taxable REIT subsidiary. Fourth, no more than 20% of the value of a real estate investment trust’s total assets may be represented by securities of one or more taxable REIT subsidiaries. Fifth, no more than 25% of the value of a real estate investment trust’s total assets may be represented by investments in “publicly offered REIT debt instruments” that are not secured by real property or interests in real property. Finally, of a real estate investment trust’s investments not included in the 75% asset class, no more than 5% of the value of its total assets may be represented by securities of any one issuer other than a taxable REIT subsidiary.

For purposes of the 10% vote or value test, the 25% securities test and the 5% asset test, the term “securities” does not include stock in another real estate investment trust, or equity or debt securities of a qualified REIT subsidiary. For purposes of the 10% value test, the term “securities” does not include:

- “Straight debt” securities, which is defined as a written unconditional promise to pay on demand or on a specified date a sum certain in money if (i) the debt is not convertible, directly or indirectly, into stock, and (ii) the interest rate and interest payment dates are not contingent on profits, the borrower’s discretion, or similar factors. “Straight debt” securities do not include any securities issued by a partnership or a corporation in which the real estate investment trust or any controlled taxable REIT subsidiary (i.e., a taxable REIT subsidiary in which the REIT LP owns directly or indirectly more than 50% of the voting power or value of the stock) holds non-“straight debt” securities that have an aggregate value of more than 1% of the issuer’s outstanding securities. However, “straight debt” securities include debt subject to the following contingencies:
 - a contingency relating to the time of payment of interest or principal, as long as either (i) there is no change to the effective yield of the debt obligation, other than a change to the annual yield that does not exceed the greater of 0.25% or 5% of the annual yield to maturity, or (ii) neither the aggregate issue price nor the aggregate face amount of the issuer’s debt obligations held by the real estate investment trust exceeds \$1 million and no more than 12 months of unaccrued interest on the debt obligations can be required to be prepaid; and
 - a contingency relating to the time or amount of payment upon a default or prepayment of a debt obligation, as long as the contingency is consistent with customary commercial practice.

- Any loan to an individual or an estate.
- Any “section 467 rental agreement,” other than an agreement with a related party tenant.
- Any obligation to pay “rents from real property”.
- Certain securities issued by governmental entities.
- Any security issued by a real estate investment trust.
- Any debt instrument of an entity treated as a partnership for U.S. federal income tax purposes to the extent of the real estate investment trust’s interest as a partner in the partnership.
- Any debt instrument of an entity treated as a partnership for U.S. federal income tax purposes not described in the preceding bullet points if at least 75% of the partnership’s gross income, excluding income from prohibited transactions, is qualifying income for purposes of the 75% gross income test described below in “Gross Income Tests”.

As discussed above, the REIT LP generally may not own more than 10% by vote or value of any one issuer’s securities and no more than 5% of the value of the REIT LP’s total assets generally may be represented by the securities of any issuer. If the REIT LP fails to meet either of these tests at the end of any quarter and such failure is not cured within 30 days thereafter, the REIT LP would fail to qualify as a real estate investment trust. After the 30-day cure period, the REIT LP could maintain its qualification as a real estate investment trust by disposing of sufficient assets to cure such a violation provided it did not exceed the lesser of 1% of the REIT LP’s assets at the end of the relevant quarter or \$10,000,000 if the disposition occurred within six months after the last day of the calendar quarter in which the REIT LP identified the violation. For violations of these tests that are larger than such amount and for violations of the other asset tests described above, where such violations are due to reasonable cause and not wilful neglect, the REIT LP can avoid disqualification as a real estate investment trust, after the 30-day cure period, by taking steps including the disposition of sufficient assets to meet the asset tests (within six months after the last day of the calendar quarter in which it identifies the violation) and paying a tax equal to the greater of \$50,000 or an amount determined by multiplying the highest U.S. federal corporate tax rate by the net income generated by the nonqualifying assets for the period beginning on the first date of the failure to meet the tests and ending on the date that it disposes of the assets or otherwise satisfies the asset tests.

Gross Income Tests

There are two separate percentage tests relating to the sources of the REIT LP’s gross income that must be satisfied for each taxable year. The two tests are as follows:

The 75% Gross Income Test

At least 75% of the REIT LP’s gross income for the taxable year must be “qualifying income”. Qualifying income generally includes:

- (a) rents from real property, except as modified below;
- (b) interest on obligations adequately secured by mortgages on, or interests in, real property;
- (c) gains from the sale or other disposition of “non-dealer property,” which means interests in real property and real estate mortgages, other than gain from property held primarily for sale to customers in the ordinary course of its trade or business;
- (d) dividends or other distributions on shares in other real estate investment trusts, as well as gain from the sale of such shares;
- (e) abatements and refunds of real property taxes;

- (f) income from the operation, and gain from the sale, of “foreclosure property,” which means property acquired at or in lieu of a foreclosure of the mortgage secured by such property;
- (g) commitment fees received for agreeing to make loans secured by mortgages on real property, or to purchase or lease real property; and
- (h) certain qualified temporary investment income attributable to the investment of new capital received by the REIT LP in exchange for Units or certain publicly offered debt, which income is received or accrued during the one-year period following the receipt of such capital.

Although a debt instrument issued by a “publicly offered REIT” is treated as a “real estate asset” for the asset tests, income from such debt instruments and the gain from the sale of such debt instruments is not treated as qualifying income for the 75% gross income test unless the debt instrument is adequately secured by real property or an interest in real property.

The 95% Gross Income Test

In addition to deriving 75% of the REIT LP’s gross income from the sources listed above, at least 95% of the REIT LP’s gross income for the taxable year must consist of the qualifying income for purposes of the 75% gross income test as described above, dividends, interest and gains from the sale or disposition of stock or other securities that are not dealer property. Dividends, other than on real estate investment trust shares, and interest on any obligations not secured by an interest in real property constitute qualifying income for purposes of the 95% gross income test, but not for purposes of the 75% gross income test.

Rents from Real Property

“Rents from real property” is qualifying income for both the 75% gross income test and the 95% gross income test (discussed above). Rents received from a tenant will not, however, qualify as rents from real property in satisfying the 75% gross income test or the 95% gross income test if the REIT, or an owner of 10% or more of the Units, directly or constructively owns 10% or more of such tenant, unless the tenant is a taxable REIT subsidiary of the REIT LP and certain other requirements are met. In addition, if rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to such personal property will not qualify as rents from real property. Moreover, an amount received or accrued will not qualify as rent from real property or as interest income for purposes of the 75% and 95% gross income tests if it is based in whole or in part on the income or profits of any person, although an amount received or accrued generally will not be excluded from “rents from real property” or interest income solely by reason of being based on a fixed percentage or percentages of receipts or sales. In addition, for rents received to qualify as rents from real property, the REIT LP generally must not furnish or render services to tenants, other than through a taxable REIT subsidiary, or an “independent contractor” from whom it derives no income, except that the REIT LP may directly provide services that are “usually or customarily rendered” in connection with the rental of properties for occupancy only and are not considered “rendered to the occupant for his convenience”. The REIT LP is permitted to render a *de minimis* amount of impermissible services to tenants, or in connection with the management of property, and still treat amounts received with respect to that property (other than the amounts attributable to the provision of the *de minimis* impermissible services) as rent from real property, as long as the REIT LP’s income from the services (valued at not less than 150% of its direct cost of performing such services) does not exceed 1% of its income from the related property. Furthermore, the REIT LP may furnish such services to tenants through a taxable REIT subsidiary and still treat amounts otherwise received with respect to the property as rent from real property.

Currently, the REIT LP does not lease significant amounts of personal property pursuant to its leases. Moreover, the REIT LP does not currently perform any services other than customary ones for its tenants, unless such services are provided through independent contractors from whom the REIT LP does not receive or derive income. Accordingly, the REIT LP believes that its leases generally produce rent that qualifies as “rents from real property” for purposes of the 75% and 95% gross income tests.

Interest

For purposes of the 75% and 95% gross income tests, the term “interest” generally does not include any amount received or accrued, directly or indirectly, if the determination of such amount depends in whole or in part on the income or profits of any person. However, interest generally includes both: (i) an amount that is based on a fixed percentage or percentages of receipts or sales; and (ii) an amount that is based on the income or profits of a debtor, as long as the debtor derives substantially all of its income from leasing substantially all of its interest in the real property securing the debt, and only to the extent that the amounts received by the debtor would be qualifying “rents from real property” if received directly by a real estate investment trust.

If a loan contains a provision that entitles a real estate investment trust to a percentage of the borrower’s gain upon the sale of the real property securing the loan or a percentage of the appreciation in the property’s value as of a specific date, income attributable to that loan provision will be treated as gain from the sale of the property securing the loan, which generally is qualifying income for purposes of both gross income tests.

Interest on debt secured by a mortgage on real property or on interests in real property generally is qualifying income for purposes of the 75% gross income test. However, if a loan is secured by real property and other property and the highest principal amount of a loan outstanding during a taxable year exceeds the fair market value of the real property securing the loan as of the date the real estate investment trust agreed to originate or acquire the loan, a portion of the interest income from such loan will not be qualifying income for purposes of the 75% gross income test, but will be qualifying income for purposes of the 95% gross income test. The portion of the interest income that will not be qualifying income for purposes of the 75% gross income test will be equal to the interest income attributable to the portion of the principal amount of the loan that is not secured by real property—that is, the amount by which the loan exceeds the value of the real estate that is security for the loan. However, in the case of a loan that is secured by both real property and personal property, if the fair market value of such personal property does not exceed 15% of the total fair market value of all property securing the loan, then the personal property securing the loan will be treated as real property for purposes of determining if the interest on such loan is qualifying income for purposes of the 75% gross income test.

Dividends

The REIT LP’s share of any dividends received from any corporation (including any taxable REIT subsidiary, but excluding any real estate investment trust) in which it owns an equity interest will qualify for purposes of the 95% gross income test but not for purposes of the 75% gross income test. The REIT LP’s share of any dividends received from any other real estate investment trust in which it owns an equity interest, if any, will be qualifying income for purposes of both gross income tests.

Exclusion of Gross Income from Hedging Transactions and Foreign Currency Gain

Any gross income from (i) a hedging transaction that is clearly and timely identified and that hedges indebtedness incurred or to be incurred to acquire or carry real estate assets or (ii) a clearly and timely identified transaction entered into primarily to manage the risk of currency fluctuations with respect to any item of income that would qualify under the 75% or the 95% gross income tests, will not constitute gross income (rather than being treated either as qualifying income or nonqualifying income) for purposes of the 75% and the 95% gross income tests. In addition, if a hedge that is clearly and timely identified is entered into in connection with the extinguishment of indebtedness that was the subject of a hedge described in the prior sentence or a disposition of property that was the subject of a prior hedge described in the preceding sentence, income from the hedge will not constitute gross income for purposes of the 75% and the 95% gross income test. Income from such transactions that does not meet these requirements will be treated as non-qualifying income for purposes of the 75% and the 95% gross income tests. Any income from foreign currency gain that is “real estate foreign exchange gain” as defined in the Code will not constitute gross income solely for purposes of the 75% gross income test. Other foreign currency gain, if such foreign currency gain is “passive foreign exchange gain” as defined in the Code, will not constitute gross income solely for purposes of the 95% gross income test.

Prohibited Transactions

A real estate investment trust will incur a 100% tax on the net income (including foreign currency gain) derived from any sale or other disposition of property, other than foreclosure property (described below), that the real estate investment trust holds primarily for sale to customers in the ordinary course of a trade or business. The REIT LP believes that none of its properties are or will be held primarily for sale to customers and that a sale of any of its properties will not be in the ordinary course of the REIT LP's business. Whether a real estate investment trust holds a property "primarily for sale to customers in the ordinary course of a trade or business" depends, however, on the facts and circumstances in effect from time to time, including those related to a particular property. A safe harbor to the characterization of the sale of property by a real estate investment trust as a prohibited transaction and the 100% prohibited transaction tax is available if the following requirements are met:

- the real estate investment trust has held the property for not less than two years;
- the aggregate expenditures made by the real estate investment trust, or any partner of the real estate investment trust, during the two-year period preceding the date of the sale that are includable in the basis of the property do not exceed 30% of the net selling price of the property;
- either (1) during the year in question, the real estate investment trust did not make more than seven sales of property other than foreclosure property or sales to which Section 1033 of the Code applies, (2) the aggregate adjusted bases of all such properties sold by the real estate investment trust during the year did not exceed 10% of the aggregate bases of all of the assets of the real estate investment trust at the beginning of the year, (3) the aggregate fair market value of all such properties sold by the real estate investment trust during the year did not exceed 10% of the aggregate fair market value of all of the assets of the real estate investment trust at the beginning of the year, (4) (i) the aggregate adjusted tax bases of all such property sold by the real estate investment trust during the year did not exceed 20% of the aggregate adjusted tax bases of all property of the real estate investment trust at the beginning of the year and (ii) the average annual percentage of properties sold by the real estate investment trust compared to all the real estate investment trust's properties (measured by adjusted tax bases) in the current and two prior years did not exceed 10% or (5) (i) the aggregate fair market value of all such property sold by the real estate investment trust during the year did not exceed 20% of the aggregate fair market value of all property of the real estate investment trust at the beginning of the year and (ii) the average annual percentage of properties sold by the real estate investment trust compared to all the real estate investment trust's properties (measured by fair market value) in the current and two prior years did not exceed 10%;
- in the case of property not acquired through foreclosure or lease termination, the real estate investment trust has held the property for at least two years for the production of rental income; and
- if the real estate investment trust has made more than seven sales of non-foreclosure property during the taxable year, substantially all of the marketing and development expenditures with respect to the property were made through an independent contractor from whom the real estate investment trust derives no income or a taxable REIT subsidiary.

The REIT LP will attempt to comply with the terms of the safe-harbor provisions in the U.S. federal income tax laws prescribing when a property sale will not be characterized as a prohibited transaction. The REIT LP cannot assure you, however, that it can comply with the safe-harbor provisions or that it will avoid owning property that may be characterized as property that it holds "primarily for sale to customers in the ordinary course of a trade or business". The 100% tax will not apply to gains from the sale of property that is held through a taxable REIT subsidiary or other taxable corporation, although such income will be taxed to the taxable REIT subsidiary at regular U.S. federal corporate tax rates.

Foreclosure Property

Foreclosure property is real property (including interests in real property) and any personal property incident to such real property (i) that is acquired by a real estate investment trust as a result of the real estate investment trust having bid in the property at foreclosure, or having otherwise reduced the property to ownership or possession by agreement

or process of law, after there was a default (or default was imminent) on a lease of the property or a mortgage loan held by the real estate investment trust and secured by the property, (ii) for which the related loan or lease was made, entered into or acquired by the real estate investment trust at a time when default was not imminent or anticipated and (iii) for which such real estate investment trust makes an election to treat the property as foreclosure property. Real estate investment trusts generally are subject to tax at the maximum U.S. federal corporate tax rate on any net income from foreclosure property, including any gain from the disposition of the foreclosure property, other than income that would otherwise be qualifying income for purposes of the 75% gross income test. Any gain from the sale of property for which a foreclosure property election has been made will not be subject to the 100% penalty tax on gains from prohibited transactions described below, even if the property was held primarily for sale to customers in the ordinary course of a trade or business.

Failure to Satisfy Gross Income Tests

Even if the REIT LP fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, it may still qualify as a real estate investment trust for such year if it is entitled to relief under provisions of the Code.

These relief provisions will generally be available if:

- (a) following the REIT LP's identification of the failure, it files a schedule with a description of each item of gross income that caused the failure in accordance with the U.S. Treasury Regulations; and
- (b) the REIT LP's failure to comply was due to reasonable cause and not due to willful neglect.

The REIT LP cannot predict, however, whether in all circumstances it would qualify for the relief provisions. In addition, even if these relief provisions apply, the REIT LP will nonetheless be subject to a special tax equal to the greater of the amount by which it fails either the 75% or 95% gross income test for that year multiplied by a fraction the numerator of which is the real estate investment trust taxable income for the taxable year (adjusted for certain items) and the denominator of which is the gross income for the taxable year (adjusted for certain items).

Annual Distribution Requirements

In order to qualify as a real estate investment trust, the REIT LP is required to make distributions, other than capital gain dividends, to its shareholders each year in an amount at least equal to:

- the sum of:
 - 90% of its real estate investment trust taxable income, computed without regard to the dividends paid deduction and real estate investment trust net capital gain; plus
 - 90% of its net income after tax, if any, from foreclosure property; minus
- the sum of some items of excess non-cash income.

Such distributions must be paid in the taxable year to which they relate, or in the following taxable year if either (i) declared before the REIT LP timely files its U.S. federal income tax return for such year and if paid on or before the first regular dividend payment after such declaration or (ii) declared in October, November or December of the prior taxable year, payable to Unitholders of record on a specified day in any such month, and actually paid before the end of January of the following year. The distributions under clause (i) are taxable to the Unitholders in the year in which paid, and the distributions in clause (ii) are treated as paid on December 31st of the prior taxable year to the extent of the REIT LP's earnings and profits. In both instances, these distributions relate to the REIT LP's prior taxable year for purposes of the 90% distribution requirement. To the extent that the REIT LP does not distribute all of its net capital gain or distribute at least 90%, but less than 100%, of its real estate investment trust taxable income, as adjusted, the REIT LP will be subject to tax on the undistributed amount at regular capital gains or ordinary corporate tax rates, as the case may be. Management of the REIT LP intends to make timely distributions sufficient to satisfy the annual distribution requirements.

In order for the REIT LP's distributions to be counted as satisfying the 90% distribution requirement, such distributions generally must not be "preferential dividends". A dividend is not a preferential dividend if that distribution is (1) *pro rata* among all outstanding shares within a particular class and (2) in accordance with the preferences among different classes of shares as set forth in the REIT LP's organizational documents. The preferential dividend rule does not apply to "publicly offered REITs," however, the REIT LP does not qualify as a "publicly offered REIT".

The REIT LP will pay U.S. federal income tax on taxable income, including net capital gain, that the REIT LP does not distribute to its Unitholders. Furthermore, if the REIT LP fails to distribute during a calendar year, or by the end of January following the calendar year in the case of distributions with declaration and record dates falling in the last three months of the calendar year, at least the sum of:

- 85% of its real estate investment trust ordinary income for such year,
- 95% of its real estate investment trust capital gain income for such year, and
- any undistributed taxable income (ordinary and capital gain) from all prior periods, it will incur a 4% non-deductible excise tax on the excess of such required distribution over the amounts it actually distributes.

The REIT LP may elect to retain and pay U.S. federal corporate income tax on the net long-term capital gain it receives in a taxable year. If the REIT LP so elects, it will be treated as having distributed any such retained amount for purposes of the 4% non-deductible excise tax described above. The REIT LP intends to make timely distributions sufficient to satisfy the annual distribution requirements and to avoid corporate income tax and the 4% non-deductible excise tax.

It is possible that, from time to time, the REIT LP may experience timing differences between: (i) the actual receipt of income and actual payment of deductible expenses, and (ii) the inclusion of that income and deduction of such expenses in arriving at the REIT LP's taxable income. As a result, unless, for example, the REIT LP raises funds by a borrowing or pays taxable dividends of its capital stock or debt securities, the REIT LP may have less cash than is necessary to distribute taxable income sufficient to avoid corporate income tax and the 4% excise tax described above or even to meet the 90% distribution requirement. If the REIT LP fails to meet the 90% distribution requirement as a result of an adjustment to its U.S. federal income tax return by the IRS, or if the REIT LP determines that it has failed to meet the 90% distribution requirement in a prior taxable year, it may retroactively cure the failure by paying a "deficiency dividend," plus applicable penalties and interest, within a specified period.

The TCJA limits a taxpayer's net interest expense deduction to 30% of the sum of adjusted taxable income, business interest, and certain other amounts. However, under the recently enacted CARES Act, the 30% limitation has been increased to 50% for taxable years beginning in 2019 and 2020. Adjusted taxable income does not include items of income or expense not allocable to a trade or business, business interest or expense, the new deduction for qualified business income, net operating losses ("NOLs"), and for years prior to 2022, deductions for depreciation, amortization, or depletion. For partnerships, the interest deduction limit is applied at the partnership level, subject to certain adjustments to the partners for unused deduction limitations at the partnership level. The TCJA allows a real property trade or business to elect out of this interest limit so long as it uses a 40-year recovery period for non-residential real property, a 30-year recovery period for residential rental property, and a 40-year recovery period for related improvements. For this purpose, a real property trade or business is any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operating, management, leasing, or brokerage trade or business.

The REIT LP believes this definition encompasses its business and thus will allow it the option of electing out of the limits on interest deductibility should it determine it is prudent to do so. Disallowed interest expense is carried forward indefinitely (subject to special rules for partnerships). The interest deduction limit applied beginning in 2018.

NOL provisions were also modified by the TCJA. The TCJA limits the NOL deduction to 80% of taxable income (before the deduction). It also generally eliminates NOL carrybacks for individuals and non-real estate investment trust corporations (NOL carrybacks did not apply to real estate investment trusts under prior law), but allows indefinite NOL carryforwards. The new NOL rules applied to losses arising in taxable years beginning in 2018. The recently enacted CARES Act removed the 80% limitation for taxable year 2020.

Failure to Qualify

Although management of the REIT LP expects that the REIT LP will qualify as a real estate investment trust, if it were to fail to qualify for taxation as a real estate investment trust in any taxable year and relief provisions did not apply, it would be subject to U.S. federal income tax. If the REIT LP were to fail to qualify as a real estate investment trust, it would not be able to deduct the amount of distributions to Unitholders. In such event, all distributions to Unitholders would still be taxable as dividends to the extent of the REIT LP's current and accumulated earnings and profits (as determined under U.S. federal income tax principles). Unless entitled to relief under specific statutory provisions, the REIT LP also would be disqualified from re-electing taxation as a real estate investment trust for the four taxable years following the year during which qualification was lost. In the event that the REIT LP fails to satisfy one or more requirements for qualification as a real estate investment trust, other than the 75% and the 95% gross income tests and other than the asset tests, each of which is subject to the cure provisions described above, it would retain its real estate investment trust qualification if (i) the violation is due to reasonable cause and not wilful neglect and (ii) it pays a penalty of \$50,000 for each failure to satisfy the provision. The REIT LP cannot predict whether in all circumstances it would qualify for such statutory relief.

Taxation of Non-U.S. Holders

The following discussion describes certain U.S. federal income tax consequences to Non-U.S. Holders under present law of an investment in the Limited Partnership Units. This discussion applies only to investors that hold the Limited Partnership Units as capital assets and that hold Limited Partnership Units immediately following the completion of the Qualifying Transaction. The rules governing U.S. federal income taxation of non-resident alien individuals, foreign corporations, foreign partnerships, and other foreign Unitholders are complex. **This section is only a summary of such rules. Non-U.S. Holders are urged to consult their tax advisors to determine the impact of U.S. federal, foreign, state, and local income tax laws on the ownership and disposition of the Limited Partnership Units, including any reporting requirements.**

Taxation of Limited Partnership Units

Distributions on the Limited Partnership Units

Distributions (including any taxable stock dividends) that are neither attributable to gains from sales or exchanges by the REIT LP of U.S. real property interests (“**USRPIs**”) nor designated as capital gain dividends (except as described below) will be treated as dividends taxable as ordinary income to the extent that they are made out of the REIT LP's current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Such distributions ordinarily will generally be subject to U.S. federal withholding tax at the rate of 30%, unless reduced or eliminated by treaty and the Non-U.S. Holder provides to the REIT LP an applicable IRS Form W-8 including any necessary accompanying statements (or other acceptable substitute or applicable form).

A Non-U.S. Holder that is a qualified resident of Canada generally is entitled to a 15% withholding rate under the Treaty if: (i) the Non-U.S. Holder is an individual and holds no more than 10% of the outstanding Limited Partnership Units, (ii) the Limited Partnership Units are publicly traded and the Non-U.S. Holder owns no more than 5% of the outstanding Limited Partnership Units or (iii) the Non-U.S. Holder (other than an individual) holds no more than 10% of the outstanding Limited Partnership Units and the REIT LP is diversified. For this purpose, the REIT LP will be treated as diversified if the gross value of no single interest in real property of the REIT LP exceeds 10% of the gross value of the REIT LP's total interest in real property. Qualified residents of Canada that are tax-exempt entities established to provide pension, retirement or other employee benefits (including trusts governed by an RRSP, an RRIF or a DPSP) may be eligible for an exemption from U.S. federal income tax withholding on dividends under Article XXI of the Treaty. A trust governed by a TFSA, an RESP or an RDSP is not entitled to benefits as an entity or arrangement under the Treaty. Instead, income received by a TFSA, an RESP or an RDSP is treated as received by the beneficiary of the TFSA, RESP, or RDSP as the case may be, and the TFSA, RESP, or RDSP, as the case may be, should be disregarded for U.S. federal income tax purposes. The beneficiary or annuitant of the TFSA, RESP, or RDSP as the case may be, may, however, be eligible for reduced withholding tax rates under the Treaty. Unitholders that are Exempt Plans should consult their own tax advisors with respect to the Canadian and U.S. federal income tax considerations relevant to an investment in Limited Partnership Units.

Distributions that are treated as effectively connected with a U.S. trade or business of a Non-U.S. Holder, and, if required by an applicable income tax treaty, attributable to a permanent establishment of the Non-U.S. Holder, generally are subject to U.S. federal income tax on a net income basis at graduated rates, in the same manner as U.S. Holders, and are not subject to withholding if certain certification requirements are satisfied (generally, on IRS Form W-8ECI). Any such dividends received by a Non-U.S. Holder that is a corporation may also be subject to an additional branch profits tax of 30%, unless reduced by an applicable income tax treaty (5% under the Treaty and applicable protocols currently in force).

A Non-U.S. Holder would not incur tax on a distribution in excess of the REIT LP's current and accumulated earnings and profits if the excess portion of the distribution did not exceed the adjusted tax basis of the Non-U.S. Holder's Limited Partnership Units. Instead, the excess portion of the distribution would reduce the Non-U.S. Holder's adjusted tax basis in the Limited Partnership Units. A Non-U.S. Holder would be subject to tax on a distribution that exceeds both the REIT LP's current and accumulated earnings and profits and the adjusted tax basis in its Limited Partnership Units if the Non-U.S. Holder otherwise would be subject to tax on gain from the disposition of its Limited Partnership Units as described herein. For the purpose of determining the amount to withhold, management of the REIT LP will make a reasonable estimate of the portion of a distribution that is paid out of current and accumulated earnings and profits. Because management of the REIT LP expects that the Limited Partnership Units will be considered to be regularly traded on an established securities market, as described below under “—Dispositions of Limited Partnership Units,” it does not expect to be required to withhold on distributions, if any, in excess of the REIT LP's current and accumulated earnings and profits that are distributed to Non-U.S. Holders that own 10% or less of the outstanding Limited Partnership Units during the applicable testing period, although there can be no assurances that withholding on such amounts will not be required. If withholding is or becomes required on distributions in excess of the REIT LP's current and accumulated earnings and profits, the rate of withholding will be equal to 15% of such amounts.

A Non-U.S. Holder could incur tax on distributions that are attributable to gain from the REIT LP's sale or exchange of USRPIs under FIRPTA. Under FIRPTA, such gains are considered effectively connected with a U.S. trade or business of the Non-U.S. Holder and are taxed at the normal graduated rates applicable to U.S. Holders. Moreover, such gains may be subject to branch profits tax in the hands of a Unitholder that is a foreign corporation at a rate of 30% unless reduced by an applicable income tax treaty (5% under the Treaty). However, a distribution of proceeds attributable to the sale or exchange by the REIT LP of USRPIs will not be subject to tax under FIRPTA or the branch profits tax, and will be taxed as ordinary dividends rather than gain from the sale of a USRPI if (i) the distribution is made with regard to a class of shares that is regularly traded on an established securities market located in the United States (as it is anticipated that the Limited Partnership Units will be following the completion of this Offering, as discussed below under “—Dispositions of Limited Partnership Units”) and (ii) the recipient Unitholder does not own more than 10% of that class of Limited Partnership Units at any time during the 1-year period ending on the date the distribution is received. In such a case, a Non-U.S. Holder generally will be subject to withholding tax in the same manner as it is subject to withholding tax on ordinary dividends. The REIT LP will be required to withhold 21% (or less to the extent provided in applicable U.S. Treasury Regulations) of any distribution to a Non-U.S. Holder owning more than 10% of the relevant class of shares (or that otherwise has held more than 10% at any time during the 1-year period ending on the date the distribution is received) that could be designated by the REIT LP as a capital gain dividend; this amount is creditable against the Non-U.S. Holder's FIRPTA tax liability.

Subject to the exception discussed below, any distribution to a qualified shareholder who holds Limited Partnership Units directly or indirectly (through one or more partnerships) will not be subject to U.S. tax as income effectively connected with a U.S. trade or business and thus will not be subject to special withholding rules under FIRPTA. While a qualified shareholder will not be subject to FIRPTA withholding on distributions, certain investors of a qualified shareholder (i.e., non-U.S. persons who hold interests in the qualified shareholder (other than interests solely as a creditor), and hold more than 10% of the Limited Partnership Units (whether or not by reason of the investor's ownership in the qualified shareholder)) may be subject to FIRPTA withholding.

In addition, any distribution to a qualified foreign pension fund or an entity all of the interests of which are held by a qualified foreign pension fund who holds REIT LP stock directly or indirectly will not be subject to U.S. federal income tax as income effectively connected with a U.S. trade or business and thus will not be subject to the withholding rules under FIRPTA.

In order for the REIT LP to comply with its withholding obligations under FIRPTA, the Limited Partnership Units are subject to notice requirements and transfer restrictions. Non-U.S. Holders are required to provide the REIT LP with

such information as the REIT LP may request. Furthermore, any Non-U.S. Holder that would be treated as having acquired sufficient Limited Partnership Units to be treated as owning more than 5% of the Limited Partnership Units is required to notify the REIT LP by the close of the business day prior to the date of the transfer that would cause the non-U.S. person to own more than 5% of the Limited Partnership Units. For the purpose of determining whether a Non-U.S. Holder has acquired more than 5% of the Limited Partnership Units, rules of constructive ownership apply which can attribute ownership of Limited Partnership Units (i) among family members, (ii) to non-U.S. persons from entities that own Limited Partnership Units, to the extent that such non-U.S. persons own interests in such entities and (iii) to entities from non-U.S. persons that own interests in such entities. Under these attribution rules, Limited Partnership Units of related entities (including related investment funds) may be aggregated to the extent of overlapping ownership. If any Non-U.S. Holder that otherwise would be treated as having acquired sufficient Limited Partnership Units to be treated as owning more than 5% of the Limited Partnership Units fails to comply with the notice provisions described above, the excess Limited Partnership Units (i.e., the excess of the number of Limited Partnership Units it is treated as owning over an amount equal to 5% of the outstanding Limited Partnership Units) will be sold, with such Non-U.S. Holders receiving the lesser of (i) its original purchase price for the excess Limited Partnership Units and (ii) the sale price of the excess Limited Partnership Units (net of selling expenses). Any such Non-U.S. Holder would also not have any economic entitlement to any distribution by the REIT LP on an excess Unit, and, if any such distributions are received by the Non-U.S. Holder and are not repaid, the REIT LP is permitted to withhold from subsequent payments to the Non-U.S. Holder up to the amount of such forfeited distributions. Non-U.S. Holders are strongly advised to monitor their actual and constructive ownership of Limited Partnership Units. Notwithstanding that a Non-U.S. Holder may comply with the notice requirements and transfer restrictions described above, the REIT LP is entitled to withhold on distributions as otherwise required by law, and, to the extent that the REIT LP has not sufficiently withheld on prior distributions, is entitled to withhold on subsequent distributions.

Dispositions of Limited Partnership Units

Generally, a Non-U.S. Holder will not be subject to U.S. federal income tax with respect to gain on the disposition of such Non-U.S. Holder's Limited Partnership Units unless:

- the REIT LP is or has been a U.S. real property holding corporation (“USRPHC”) under FIRPTA at any time during the 5-year period ending on the date of disposition or such shorter period that such Limited Partnership Units were held;
- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met; or
- the gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States and, if required by an applicable income tax treaty, attributable to a permanent establishment of the Non-U.S. Holder.

A Non-U.S. Holder described in the second bullet point above is subject to a flat 30% tax on the gain derived from the disposition, which may be offset by U.S. source capital losses (even though the individual is not considered a resident of the United States). A Non-U.S. Holder described in the third bullet point above generally is subject to U.S. federal income tax on a net income basis at graduated rates, in the same manner as U.S. Holders, and, if it is a corporation, may also be subject to an additional branch profits tax of 30%, unless reduced by an applicable income tax treaty (5% under the Treaty).

As to the first bullet point above, if at least 50% of a real estate investment trust's assets are USRPIs, then the real estate investment trust will be a USRPHC. Management of the REIT LP believes that, following the completion of the Qualifying Transaction, the REIT LP is and will continue to be a USRPHC. However, if the Limited Partnership Units are considered “regularly traded on an established securities market,” the Limited Partnership Units would not be treated as interests in a USRPHC (and therefore gain recognized on a disposition would not be subject to U.S. federal income tax) with respect to Non-U.S. Holders that do not hold, actually or constructively, more than 10% of the outstanding Limited Partnership Units at any time during the 5-year period ending on the date of disposition, or such shorter period that such Limited Partnership Units were held. Regardless of the amount of Limited Partnership Units held by a Non-U.S. Holder, a purchaser of Limited Partnership Units will not be required to withhold tax on the sale so long as the Limited Partnership Units are considered “regularly traded on an established securities market”..

An “established securities market” consists of any of the following: (a) a U.S. national securities exchange which is registered under Sec. 6 of the Securities Exchange Act of 1934; (b) a non-U.S. national securities exchange which is officially recognized, sanctioned, or supervised by a governmental authority; or (c) any over-the-counter market. An over-the-counter market is any market which has an interdealer quotation system. An interdealer quotation system is any system of general circulation to brokers and dealers which regularly disseminates quotations of stocks and securities by identified brokers or dealers, other than by quotation sheets which are prepared and distributed by a broker or dealer in the regular course of business and which contain only quotations of such broker or dealer.

For the purpose of (b), above, the Exchange is a non-U.S. national securities exchange which is officially recognized, sanctioned, or supervised by a governmental authority, and, accordingly, the Exchange is an established securities market. For so long as 100 or fewer persons do not own 50% or more of the Limited Partnership Units, the Subscription Receipts should be treated as “regularly traded” on the Exchange for a calendar quarter if: (a) the Limited Partnership Units trade, other than in *de minimis* quantities, on at least 15 days during the calendar quarter; (b) the aggregate number of Limited Partnership Units traded during the calendar quarter is at least 7.5% of the average number of Limited Partnership Units outstanding during such calendar quarter (reduced to 2.5% if there are 2,500 or more record holders of Limited Partnership Units); and (c) the REIT LP attaches a statement to its U.S. federal income tax return that provides information relating to it, the Limited Partnership Units, and beneficial owners of more than 5% of the Limited Partnership Units (the “**NEO Publicly Traded Exception**”). In addition, the Limited Partnership Units would also be considered “regularly traded” on an established securities market for a calendar quarter if the established securities market were located in the United States and the Limited Partnership Units were regularly quoted by more than one broker or dealer making a market in the Limited Partnership Units through an interdealer quotation system. Management expects the Limited Partnership Units to be quoted on the OTC Pink marketplace (the “Pink Sheets”) or the OTCQX International (“**OTCQX**”). Each of the Pink Sheets and the OTCQX is an over-the-counter market having an interdealer quotation system that should be treated as an “established securities market” located in the United States. A broker or dealer makes a market in a class of stock only if the broker or dealer holds itself out to buy or sell shares of such class of stock at the quoted price. In this regard, management expects at least two brokers or dealers to regularly quote and make a market in the Limited Partnership Units on the Pink Sheets or the OTCQX. For each calendar quarter during which the Limited Partnership Units are regularly quoted on the Pink Sheets or the OTCQX, the Limited Partnership Units should be treated as “regularly traded” on an established securities market in the United States (the “**Over-the-Counter Publicly Traded Exception**”) and, accordingly, gain on sales of Limited Partnership Units by Non-U.S. Holders that own 10% or less of the outstanding Limited Partnership Units during the applicable testing period would not be subject to U.S. federal income tax. Investors are cautioned that there can be no assurances that there will be at least two brokers or dealers regularly quoting the Limited Partnership Units on the Pink Sheets or the OTCQX in any particular calendar quarter. In addition, neither the Code, the applicable U.S. Treasury Regulations, administrative pronouncements nor judicial decisions provide guidance as to the frequency or duration with which the Limited Partnership Units must be quoted during a calendar quarter to be “regularly quoted”.

Management of the REIT LP expects that the Limited Partnership Units will satisfy the NEO Publicly Traded Exception and/or the Over-the-Counter Publicly Traded Exception. However, if neither the NEO Publicly Traded Exception nor the Over-the-Counter Publicly Traded Exception is satisfied, the sale of Limited Partnership Units by a Non-U.S. Holder may be subject to U.S. federal income tax at normal graduated rates with respect to gain recognized. In addition, a purchaser of Limited Partnership Units would be required to withhold tax at the rate of 15% of the amount realized from the sale and to report and remit such tax to the IRS. Such withheld amount would not be an additional tax but would be a credit against the Non-U.S. Holder’s U.S. federal income tax liability arising from the sale, and a Non-U.S. Holder would be required to file a U.S. federal income tax return.

Recently enacted amendments to FIRPTA create special rules that modify the application of the foregoing FIRPTA rules for particular types of Non-U.S. Holders, including “qualified foreign pension funds” and their wholly-owned non-U.S. subsidiaries and certain widely-held, publicly traded “qualified collective investment vehicles”. Non-U.S. Holders are urged to consult their own tax advisors regarding the applicability of these or any other special FIRPTA rules to their particular investment in Limited Partnership Units. Non-U.S. Holders are urged to consult their tax advisors regarding the U.S. federal, state, local and non-U.S. income and other tax consequences of owning Limited Partnership Units.

The U.S. federal income taxation of Non-U.S. Holders is a highly complex matter that may be affected by many other considerations. Accordingly, Non-U.S. Holders of Limited Partnership Units should consult their tax advisors regarding the income and withholding tax considerations with respect to their investment in Limited Partnership Units.

Taxation of Contingent Rights and Rights

Receipt of Contingent Rights

Subject to certain exceptions, the distribution of stock (or stock rights) of a corporation made by such corporation to its shareholders with respect to its stock is generally not taxable for U.S. federal income tax purposes. Therefore, upon the receipt of the Contingent Rights, a Non-U.S. Holder generally will not be subject to U.S. federal income tax or withholding tax and will be considered to have acquired such Contingent Rights with an initial cost basis of nil. The Company does not expect to report the distribution of the contingent rights to Non-U.S. Holders as a preferential dividend for REIT purposes, but the matter is not free of doubt.

Exercise of Contingent Rights or Rights

The exercise of the Contingent Rights or Rights to acquire Limited Partnership Units by a Non-U.S. Holder generally will not be treated as a taxable event for U.S. federal income tax purposes. Instead, a Non-U.S. Holder will take a basis in the Limited Partnership Units equal to such Non-U.S. Holder's basis in the Contingent Rights or Rights.

Disposition of Contingent Rights or Rights

Generally, a Non-U.S. Holder will not be subject to U.S. federal income tax or withholding tax with respect to any gain realized on the sale, exchange or other disposition of the Contingent Rights or Rights unless:

- the REIT LP is or has been a under FIRPTA at any time during the 5-year period ending on the date of disposition or such shorter period that such Contingent Rights were held;
- the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met; or
- the gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States and, if required by an applicable income tax treaty, attributable to a permanent establishment of the Non-U.S. Holder.

A Non-U.S. Holder described in the second bullet point above, is subject to a flat 30% tax on the net gain derived from the disposition, which may be offset by U.S. source capital losses (even though the individual is not considered a resident of the United States). A Non-U.S. Holder described in the third bullet above, generally is subject to U.S. federal income tax on a net income basis at graduated rates, in the same manner as U.S. Holders, and, if it is a corporation, may also be subject to an additional branch profits tax of 30%, unless reduced by an applicable income tax treaty (5% under the Treaty).

As noted above, Management of the REIT LP believes that, following the completion of the Qualifying Transaction, the REIT LP is and will continue to be a USRPHC. However, Management of the REIT LP also expects that the Limited Partnership Units will be "regularly traded on an established securities market." If the Limited Partnership Units are considered "regularly traded on an established securities market," a Non-U.S. Holder will not be subject to U.S. federal income tax on any gain realized on the disposition of the Contingent Rights:

- (a) if, on the disposition date, the Contingent Rights or Rights, as the case may be, themselves are considered to be regularly traded on an established securities market and the Non-U.S. Holder has not owned (at any time during the shorter of the 5-year preceding the date of disposition or its holder period), actually or constructively, more than 10% of the total fair market value of the Contingent Rights or Rights, as the case may be, outstanding; or
- (b) if, on the disposition date, the Contingent Rights or Rights, as the case may be, themselves are not considered to be regularly traded on an established securities market and, on the date the Contingent Rights or Rights, as the case may be, were acquired, the Contingent Rights or Rights, as the case may be, owned by the Non-U.S. Holder, actually or constructively, had a fair market value less than or equal to 10% of the fair market value of the Limited Partnership Units outstanding.

Management of the REIT LP does not expect that the Contingent Rights or Rights themselves will be considered to be regularly traded on an established securities market for U.S. federal income tax purposes. Accordingly, a disposition of the Contingent Rights or Rights by a Non-U.S. Holder will not be subject to U.S. federal income tax if the conditions in clause (ii) above apply.

However, if the exceptions above do not apply, a disposition of the Contingent Rights or Rights by a Non-U.S. Holder may be subject to U.S. federal income tax at normal graduated rates with respect to gain recognized. In addition, a purchaser of Contingent Rights or Rights, as the case may be, would be required to withhold tax at the rate of 15% of the amount realized from the sale and to report and remit such tax to the IRS. Such withheld amount would not be an additional tax but would be a credit against the Non-U.S. Holder's U.S. federal income tax liability arising from the sale, and a Non-U.S. Holder would be required to file a U.S. federal income tax return.

Expiration of Contingent Rights or Rights

Upon the expiration of Contingent Rights or Rights, a Non-U.S. Holder will be treated as having sold or disposed of the Contingent Rights or Rights, as the case may be, for no value. Therefore, if a Non-U.S. Holder's Contingent Rights or Rights expire, such Non-U.S. Holder will not recognize gain on the expiration of such Contingent Rights or Rights. Additionally, such Non-U.S. Holder will not be subject to U.S. federal income tax and will not have U.S. tax filing obligations in connection with such expiration.

The U.S. federal income taxation of Non-U.S. Holders is a highly complex matter that may be affected by many other considerations. Accordingly, Non-U.S. Holders of Limited Partnership Units and Contingent Rights should consult their tax advisors regarding the income and withholding tax considerations with respect to their investment in Limited Partnership Units and/or Contingent Rights.

Withholding Taxes on Certain Foreign Accounts

Under the Foreign Account Tax Compliance Act ("FATCA"), withholding taxes may apply to certain types of payments made to "foreign financial institutions" (as specially defined in the Code) and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on all or a portion of the dividends on the Limited Partnership Units paid to a foreign financial institution or to a non-financial foreign entity, unless (1) the foreign financial institution undertakes certain diligence and reporting, (2) the nonfinancial foreign entity either certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in clause (1) above, it must, among other things, undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities and annually report certain information about such accounts. If FATCA withholding is imposed, a beneficial owner that is not a foreign financial institution may under certain circumstances be eligible for a refund or credit of any amounts withheld by filing a U.S. federal income tax return. An intergovernmental agreement between the jurisdiction of a foreign financial institution and the United States may modify the general FATCA rules described in this paragraph. Prospective investors should consult their tax advisors regarding these withholding provisions.

Information Reporting and Backup Withholding

Generally, the REIT LP must report to the IRS and to a Non-U.S. Holder the amount of interest and dividends paid to the Non-U.S. Holder and the amount of tax, if any, withheld with respect to those payments. Copies of the information returns reporting such interest and dividend payments and any withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty. In general, a Non-U.S. Holder is not subject to backup withholding with respect to payments of interest or distributions that are made to the Non-U.S. Holder if the Non-U.S. Holder has provided a properly completed applicable IRS Form W-8. A Non-U.S. Holder is subject to information reporting and, depending on the circumstances, backup withholding with respect to the proceeds of the sale or other disposition of a Limited Partnership Unit within the United States or conducted through certain U.S.-related payors, unless the payor of the proceeds receives the statement described above or the Non-U.S. Holder otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules are allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability provided the required information is furnished to the IRS on a timely basis.

Legislative or Other Actions Affecting REITs

As described above, the TCJA was enacted on December 22, 2017. The TCJA made major changes to the Code, including several provisions of the Code that may affect the taxation of real estate investment trusts and their securityholders. The individual and collective impact of these changes on real estate investment trusts and their securityholders remains uncertain in some respects, and may not become evident for some time.

Further, the present U.S. federal income tax treatment of real estate investment trusts may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time. The real estate investment trust rules are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department which may result in statutory changes as well as revisions to regulations and interpretations. Prospective investors are urged to consult with their tax advisors regarding the effect of potential changes to the U.S. federal income tax laws on an investment in Limited Partnership Units.

State, Local, and Foreign Taxes

The REIT LP and its securityholders are generally subject to tax in Canada, as discussed under “Certain Canadian Federal Income Tax Considerations”. The REIT LP and/or its securityholders may be subject to taxation by various U.S. states or localities or other foreign jurisdictions, including those in which the REIT LP or a securityholder transacts business, owns property or resides. The REIT LP may own properties located in numerous jurisdictions and may be required to file tax returns in some or all of those jurisdictions. The state, local and foreign tax treatment may differ from the U.S. federal income tax treatment described above. Consequently, prospective investors should consult their tax advisors regarding the effect of state, local and foreign income and other tax laws upon an investment in the units.

ELIGIBILITY FOR INVESTMENT

Based on the current provisions of the Tax Act in force as of the date hereof and the Proposed Amendments, the Limited Partnership Units, Debentures, Rights and Contingent Rights will be qualified investments upon the Closing for a trust governed by an RRSP, RRIF, DPSP (other than, in the case of Debentures, a DPSP to which the REIT LP, or an employer with which the REIT LP does not deal at arm’s length for purposes of the Tax Act, has made a contribution), RESP, RDSP or TFSA (each a “**Registered Plan**”) provided that at such time the Limited Partnership Units, Debentures, Rights and Contingent Rights are listed on a designated stock exchange in Canada for the purposes of the Tax Act (which currently includes the Exchange).

Notwithstanding the foregoing, the holder of a TFSA or an RDSP, the annuitant under an RRSP or RRIF, or the subscriber of an RESP will be subject to a penalty tax in respect of Limited Partnership Units, Debentures, Rights or Contingent Rights held in the TFSA, RDSP, RRSP, RRIF or RESP if such Limited Partnership Units, Debentures, Rights or Contingent Rights, as applicable, are prohibited investments for the TFSA, RDSP, RRSP, RRIF, or RESP. A Limited Partnership Unit, a Debenture, a Right and a Contingent Right will generally be a “prohibited investment” for a TFSA, RDSP, RRSP, RRIF, or RESP if the holder of the TFSA or RDSP, the annuitant under the RRSP or RRIF, or the subscriber of the RESP does not deal at arm’s length with the REIT LP for the purposes of the Tax Act, or the holder, annuitant or subscriber has a “significant interest” (as defined in subsection 207.01(4) the Tax Act) in the REIT LP. Holders of a TFSA or an RDSP, annuitants under an RRSP or RRIF, and subscribers of an RESP should consult their own tax advisors as to whether Limited Partnership Units, Debentures, Rights and Contingent Rights, as applicable, will be a prohibited investment in their particular circumstances.

PROMOTERS

Our Sponsors are each considered a promoter of the REIT LP within the meaning of applicable securities legislation.

As of the date hereof, our Sponsors own, of record and beneficially, approximately 54,962 Proportionate Voting Units and 524,500 Class B Units (comprising approximately 5,245 Proportionate Voting Units and 524,500 Rights), representing 21% of our issued and outstanding units (including all Restricted Voting Units and Proportionate Voting Units on an as-converted basis to Restricted Voting Units). As of the date hereof, our Sponsors do not own any Class A Restricted Voting Units.

RELATIONSHIP BETWEEN THE REIT LP AND CANACCORD GENUITY

CG IV is a wholly owned entity of Canaccord Genuity. CG IV, along with Subversive Sponsor and Inception Sponsor, owns a controlling interest in the REIT LP. As a result, under National Instrument 33-105 – *Underwriting Conflicts*, the REIT LP may be considered to be a “connected issuer” or a “related issuer” of Canaccord Genuity.

The Offering Price and the other terms of the Private Placement were determined by an arm’s length negotiation between the REIT LP and the Agents. See “Plan of Distribution”. Compass Point, who is not a “related issuer” or a “connected issuer” to the REIT LP, participated in the structuring and pricing of the Private Placement and the due diligence activities performed by the Agents. Additionally, Compass Point has reviewed this Prospectus and has had the opportunity to propose such changes as each considered appropriate. Canaccord Genuity will receive no benefit in connection with the Private Placement other than receiving its proportionate share of the Agents’ Commission described above under “Plan of Distribution”.

Compass Point is an “independent underwriter” in respect of the Private Placement in accordance with NI 33-105, and the REIT LP is not a “related issuer” or “connected issuer” of any of them. Compass Point will be paid a cash commission, representing not less than 20% of the Agents’ Commission to be paid to the Agents in connection with the Private Placement.

LEGAL PROCEEDINGS

We are not party to any material legal proceedings nor, to our knowledge, are any such proceedings contemplated by or against us.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described in this prospectus, none of the proposed directors or executive officers of the General Partner, or any person or company that is expected to beneficially own, or control or direct more than 10% of any class or series of shares of the REIT LP, or any associate or Affiliate of any of the foregoing persons, has or has had any material interest in any past transaction within the three years before the date of the prospectus, or any proposed transaction, that has materially affected or would materially affect the REIT LP or any of its expected subsidiaries.

AUDITORS, TRANSFER AGENT AND ESCROW AGENT

Our auditors are Deloitte LLP, Chartered Professional Accountants, Licensed Public Accountants, having an address of Bay Adelaide East, Suite 200, 8 Adelaide West, Toronto, Ontario, M5H 0A9. Deloitte LLP is independent of the REIT LP within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

Upon completion of the Qualifying Transaction, it is expected that Deloitte LLP will resign as our auditors, and that Davidson & Company LLP having an address at 1200 – 609 Granville Street, Vancouver, British Columbia, V7Y 1G6, will become the auditors of the REIT LP. Davidson & Company LLP is independent of the REIT LP within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

The independent auditors of Inception REIT, Inc. are Davidson & Company LLP having an address at 1200 – 609 Granville Street, Vancouver, British Columbia, V7Y 1G6. Davidson & Company LLP has advised the REIT LP that they are independent within the meaning of the Code of Professional Conduct of the Chartered Professional Accountants of British Columbia.

The independent auditors of Kalyx Development Inc. are BDO USA, LLP, having an address of 100 Park Avenue, New York, New York, 10017, United States. BDO USA, LLP has advised the REIT LP that they are independent within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

Olympia Trust Company, at its principal offices in Calgary, Alberta is the transfer agent and registrar for our Limited Partnership Units, the Rights Agent for our Rights under the Rights Agreement and the Rights Agent for our Contingent Rights under the Contingent Rights Agreement.

Olympia Trust Company, at its principal offices in Calgary, Alberta is the Escrow Agent.

RELATIONSHIP BETWEEN THE REIT LP AND THE AGENTS

CG IV is a wholly owned entity of Canaccord Genuity. CG IV owns a controlling interest in the REIT LP. As a result, under National Instrument 33-105 – *Underwriting Conflicts*, the REIT LP may be considered to be a “connected issuer” or a “related issuer” of Canaccord Genuity.

The decision to distribute the Subscription Receipts pursuant to the Private Placement and the determination of the terms of the distribution, including the price of the Subscription Receipts, were made through negotiations between the REIT LP and the Agents. Compass Point is not a “related issuer” or a “connected issuer” to the REIT LP, participated in the structuring and pricing of the Offering and the due diligence activities performed by the Agents. Additionally, Compass Point has reviewed this Prospectus and has had the opportunity to propose such changes as each considered appropriate. Canaccord Genuity will receive no benefit in connection with the Offering other than receiving its proportionate share of the Agents’ fee described above under “Plan of Distribution”. The Private Placement was being conducted in compliance with the conditions of the exemption contained in section 2.1(3)(a)(i) of NI 33-105 from the prohibition against Canaccord Genuity acting as a direct underwriter, as no less than 20% of the Private Placement was placed by Compass Point and no more than 80% of the Private Placement was placed by Canaccord Genuity. Under applicable Canadian securities laws, Compass Point is considered to be an “independent underwriter” in connection with the Private Placement and the REIT LP is not a “related issuer” or “connected issuer” to it.

EXPERTS

The matters referred to under “Certain Canadian Federal Income Tax Considerations” will be passed upon on behalf of the REIT LP by Goodmans LLP.

The matters referred to under “Certain United States Federal Income Tax Considerations” will be passed upon on behalf of the REIT LP by Paul Hastings LLP.

Certain information relating to the Appraisal has been based upon a report by Newmark Knight Frank Valuation & Advisory, LLC.

As of the date of this prospectus, the partners and associates of Goodmans LLP, Paul Hastings LLP and the designated professionals of the Appraiser, beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the REIT LP.

MATERIAL CONTRACTS

Other than contracts entered into in the ordinary course of business, as of Closing, the following are the only material contracts which the REIT LP has entered into or will enter into:

- (a) the Second A&R LP Agreement;
- (b) the Voting Agreement;
- (c) Relinquishment Agreement;
- (d) the Underwriting Agreement;
- (e) the Rights Agreement;
- (f) the Contingent Rights Agreement;
- (g) Agency Agreement; and
- (h) the Indenture.

Copies of these agreements will be available for inspection at our offices, during ordinary business hours and will be available on SEDAR at www.sedar.com.

EXEMPTIONS

The REIT LP has received exemptive relief with respect to the requirement in section 10.16(22) of the NEO Exchange Listing Manual to not adopt a Security Based Compensation Arrangement (as such term is defined in the NEO Exchange Listing Manual) prior to completing the Qualifying Transaction.

The REIT LP has obtained a waiver from the Exchange with respect to the requirement in section 10.16(18) of the NEO Exchange Listing Manual to mail the Redemption Notice and make the final prospectus publicly available 21 days prior to the Redemption Election Deadline. The waiver was granted to accommodate the lead time required for the due diligence involved in acquiring the real properties and mortgages comprising the Initial Portfolio and Contingent Properties and to meet applicable timelines imposed by certain counterparties. The waiver permits the REIT LP to instead mail the Redemption Notice at the time of making this preliminary prospectus publicly available 21 days prior to the Redemption Election Deadline, and mail the final prospectus shortly thereafter. The REIT LP expects to file its final long form prospectus on SEDAR no later than 14 days prior to the Redemption Election Deadline, and to mail it to holders of Restricted Voting Units of record as at September 15, 2020 shortly thereafter. If the REIT LP's final prospectus is not filed by October 16, 2020, the Redemption Election Deadline may be required to be extended. The REIT LP will provide notice of any such extension via news release.

The REIT LP has requested a waiver from the Exchange with respect to the requirement in section 2.02(6)(ii) of the NEO Exchange Listing Manual for there to be at least 150 public security holders holding the Debentures. The waiver was requested to enable the REIT LP to have the Debentures listed on the Exchange with a minimum of 50 public security holders holding the Debentures and to meet applicable timelines imposed by certain counterparties.

With respect to the Limited Partnership Units, the REIT LP has also received exemptive relief from the requirements of:

- National Instrument 41-101 – *General Prospectus Requirements* (“**NI 41-101**”) relating to the use of restricted security terms and Form 41-101F1 – *Information Required in a Prospectus* (“**Form 41-101F1**”) relating to restricted security disclosure, in connection with this Prospectus;
- Part 10 of National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”) relating to the use of restricted security terms and restricted security disclosure, in connection with continuous disclosure documents that may be filed by the REIT LP under NI 51-102; and

- Part 2 of OSC Rule 56-501 – *Restricted Shares* (“**OSC Rule 56-501**”) relating to the use of restricted security terms and restricted security disclosure, in connection with dealer and adviser documentation, rights offering circulars and offering memoranda of the REIT LP.

The REIT LP has received an exemptive relief from the Ontario Securities Commission (the “**OSC**”) as contemplated by Part 19 of NI 41-101 from the requirement in Item 32 of Form 41-101F1 to include historical financial statements for the leasing business in respect of San Francisco Retail (the “**Non-Significant Acquisition**”), which the REIT LP shall acquire pursuant to the Qualifying Transaction.

The treatment of the aforementioned business as forming part of the primary business of the REIT LP would require the REIT LP to include in this Prospectus historical financial statements prepared in accordance with International Financial Reporting Standards (“**IFRS**”) for the pre-acquisition period for the business. In the application, the REIT LP made, among others, the following submissions:

- (a) The Non-Significant Acquisition is not, and the periods for which financial statements for the leasing business in respect of San Francisco Retail are not included in the prospectus are not, individually significant or otherwise material having regard to the overall size and value of the Qualifying Transaction. Therefore, the REIT LP believes that the pre-acquisition historical financial statements with respect to the foregoing business that are not included in the prospectus would not provide meaningful or useful disclosure to potential investors.
- (b) Based upon the foregoing, the REIT LP submits that it does not believe that the financial statements in respect of which the relief was requested are necessary for the prospectus to contain full, true and plain disclosure.

The REIT LP has been advised by the OSC that the issuance of a receipt by or on behalf of the applicable Canadian Securities Administrators for this Prospectus will evidence the granting of the foregoing exemptions and/or consent.

CONTRACTUAL AND STATUTORY RIGHTS

Purchasers of Restricted Voting Units

Original purchasers of Restricted Voting Units from the Underwriters will have a contractual right of action for rescission or damages against the REIT LP (as well as a contractual right of action for damages alone against (a) the directors of the General Partner as of the Redemption Election Deadline, and (b) every person or company who signs this prospectus, which for greater certainty, includes the Sponsors signing as promoters of the REIT LP (collectively, the “**signatories**”)). In the event that the Qualifying Transaction is completed and if this prospectus or any amendment hereto contains a misrepresentation (as defined in the Securities Act)), provided that the exercise of either such remedy occurs not later than (a) in the case of an action for rescission, 180 days after the Redemption Election Deadline, or (b) in the case of an action for damages, the earlier of (i) 180 days after the plaintiff first had knowledge of the facts giving rise to the cause of action, or (ii) three years after the Redemption Election Deadline, a purchaser who purchased Restricted Voting Units in connection with the IPO shall, in respect of any Limited Partnership Units held upon Closing, be entitled to, in addition to any other remedy available at the time to such holder, (i) as against the REIT LP, in the case of rescission, the amount paid for the Restricted Voting Units upon surrender of such securities; and (ii) as against the REIT LP, the directors of the General Partner, and the signatories, in the case of a damages election, their proven damages.

In addition, the following additional provisions apply to actions against the directors of the General Partner and the signatories: (a) each has a due diligence defence and the other defences and rights contemplated in section 130 of the Securities Act and at law; and (b) each is entitled to be indemnified by the REIT LP to the maximum extent permitted by law.

This contractual right of action for rescission or damages will, subject to the foregoing, be consistent with the statutory right of rescission or damages described under section 130 of the Securities Act. In no case shall the amount recoverable exceed the original purchase price of the Restricted Voting Units. In addition, for non-residents of Canada, the contractual right shall be subject to the same interpretational or constitutional defences, if any, as would apply to

a claim against a resident Canadian issuer under section 130 of the Securities Act, and, as a result, the argument that non-residents are not entitled to take advantage of the contractual right shall not be precluded.

Purchasers of Subscription Receipts

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

The REIT LP has granted to each holder of a Subscription Receipt a contractual right of rescission of the prospectus-exempt transaction under which the Subscription Receipt was initially acquired. The contractual right of rescission provides that if a holder of a Subscription Receipt who acquires another security of the REIT LP on exercise of the Subscription Receipt as provided for in this Prospectus is, or becomes, entitled under the securities legislation of a jurisdiction to the remedy of rescission because of this Prospectus or an amendment to the prospectus containing a misrepresentation: (a) the holder is entitled to rescission of both the holder's exercise of its Subscription Receipt and the private placement transaction under which the Subscription Receipt was initially acquired, (b) the holder is entitled in connection with the rescission to a full refund of all consideration paid to the Agent or the REIT LP (including all amounts paid on the conversion of the Subscription Receipts), as the case may be, on the acquisition of the Subscription Receipt, and (c) if the holder is a permitted assignee of the interest of the original Subscription Receipt subscriber, the holder is entitled to exercise the rights of rescission and refund as if the holder was the original subscriber. Following the conversion of the Subscription Receipts into Debentures, the contractual right of rescission will entitle the holder to all amounts paid, including amounts paid on the conversion of the Debentures.

In an offering of convertible securities, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in this prospectus is limited, in certain provincial and territorial securities legislation, to the price at which the convertible securities are offered pursuant to the Private Placement. This means that, under the securities legislation of certain provinces and territories, if the purchaser pays additional amounts upon conversion of the security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces and territories. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of this right of action for damages or consult with a legal advisor.

CERTIFICATE OF SUBVERSIVE REAL ESTATE ACQUISITION REIT LP AND PROMOTERS

Dated: October 19, 2020

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities previously issued by the REIT LP as required by the securities legislation of each of the provinces and territories of Canada (other than Quebec).

SUBVERSIVE REAL ESTATE ACQUISITION REIT LP

By its General partner

SUBVERSIVE REAL ESTATE ACQUISITION REIT (GP) INC.

**BY: (SIGNED) “*RICHARD ACOSTA*”
CHIEF EXECUTIVE OFFICER**

**BY: (SIGNED) “*MICHAEL MILLER*”
CHIEF FINANCIAL OFFICER**

ON BEHALF OF THE BOARD OF DIRECTORS OF THE GENERAL PARTNER

**BY: (SIGNED) “*MICHAEL B. AUERBACH*”
DIRECTOR**

**BY: (SIGNED) “*LELAND HENSCH*”
DIRECTOR**

SUBVERSIVE REAL ESTATE SPONSOR LLC, AS PROMOTER

**BY: (SIGNED) “*MICHAEL B. AUERBACH*”
MANAGING MEMBER**

INCEPTION ALTANOVA SPONSOR, LLC, AS PROMOTER

**BY: (SIGNED) “*RICHARD ACOSTA*”
MANAGING MEMBER**

CG INVESTMENTS INC. IV, AS PROMOTER

**BY: (SIGNED) “*PATRICK BURKE*”
DIRECTOR**

CERTIFICATE OF THE AGENT

Dated: October 19, 2020

To the best of our knowledge, information and belief, this Prospectus constitutes full, true and plain disclosure of all material facts relating to securities previously issued by the REIT LP as required by the securities legislation of each of the provinces and territories of Canada (other than Quebec).

CANACCORD GENUITY CORP.

BY: (SIGNED) “Michael Shuh”
MANAGING DIRECTOR AND HEAD OF
INSTITUTIONS GROUP BANKING, CANADA
AND INVESTMENT BANKING

APPENDIX A

SUBVERSIVE FINANCIAL STATEMENTS

The unaudited interim financial statements of the REIT LP as of June 30, 2020.....	A-2
The management’s discussion and analysis of the REIT LP for the three and six months period ended June 30, 2020	A-16
The audited annual financial statements of the REIT LP as of December 31, 2019 and for the period from November 12, 2019, together with the notes thereto and the auditors’ report thereon...	A-24
The management’s discussion and analysis of the REIT LP as of December 31, 2019 and for the period from inception on November 12, 2019 to December 31, 2019	A-35

SUBVERSIVE REAL ESTATE ACQUISITION REIT LP

UNAUDITED INTERIM FINANCIAL STATEMENTS

AS AT JUNE 30, 2020

(Expressed in U.S. Dollars)

Unaudited Interim Financial Statements

SUBVERSIVE REAL ESTATE ACQUISITION REIT LP

UNAUDITED BALANCE SHEET

(expressed in U.S. dollars)

	As at June 30, 2020 U.S.\$	As at December 31, 2019 U.S.\$
Assets		
Cash	1,283,974	25,011
Prepaid expenses and other assets	117,262	-
Securities held in Escrow Account (Note 5)	225,887,813	-
Total Assets	227,289,049	25,011
Liabilities and Unitholders' Equity		
Accrued Expenses	138,555	-
Class A Restricted Voting Units subject to redemption (Note 6)	213,498,082	-
Total Liabilities	213,636,637	-
Equity		
Unit capital, net	24,944,677	25,011
Deficit	(11,292,265)	-
Total Unitholders' Equity	13,652,412	25,011
Total Liabilities and Unitholders' Equity	227,289,049	25,011

The accompanying notes are an integral part of these unaudited interim financial statements.

Unaudited Interim Financial Statements

SUBVERSIVE REAL ESTATE ACQUISITION REIT LP

UNAUDITED STATEMENT OF INCOME (LOSS)

(expressed in U.S. dollars)

	For the 3 month period from April 1, 2020 to June 30, 2020 U.S.\$	For the 6 month period from January 1, 2020 June 30, 2020 U.S.\$
Revenue		
Interest	239,215	887,813
Total Revenue	239,215	887,813
Expenses		
Amortization of issue costs on Class A rights (Note 6)	5,634,913	10,545,333
General and administrative (Note 12)	386,560	742,734
Interest expense	241,381	892,011
Total Expenses	6,262,854	12,180,078
Net loss	(6,023,639)	(11,292,265)
Weighted average units outstanding, basic and diluted ¹	582,063	582,063
Net loss per unit - basic and diluted	(10.35)	(19.40)

1. Includes Class B Units, Proportionate Voting Units and the General Partnership Unit.

The accompanying notes are an integral part of these unaudited interim financial statements.

Unaudited Interim Financial Statements

SUBVERSIVE REAL ESTATE ACQUISITION REIT LP

UNAUDITED STATEMENT OF CASH FLOW

(expressed in U.S. dollars)

	For the 3 month period from April 1, 2020 to June 30, 2020 U.S.\$	For the 6 month period from January 1, 2020 to June 30, 2020 U.S.\$
Operating Activities		
Net loss for the period	(6,023,639)	(11,292,265)
Amortization of issue costs on Class A Units	5,634,913	10,545,333
Prepaid Expenses	57,289	(117,262)
Accrued Expenses	(27,760)	138,555
Cash used in operating activities	(359,197)	(725,639)
Investing Activities		
Securities held in Escrow	-	(225,000,000)
Cash used in investing activities	-	(225,000,000)
Financing Activities		
Issuance of Class B Units	-	5,245,000
Issuance of Class A Units	-	225,000,000
Transaction Costs allocated to Class A Units	-	(2,946,522)
Transaction Costs allocated to Class B Units	-	(26,341)
Transaction costs allocated to Rights	-	(287,535)
Cash provided by financing activities	-	226,984,602
Net increase in cash during the period	(359,197)	1,258,963
Cash, beginning of period	1,643,171	25,011
Cash, end of period	<u>1,283,974</u>	<u>1,283,974</u>

The accompanying notes are an integral part of these unaudited interim financial statements.

Unaudited Interim Financial Statements

SUBVERSIVE REAL ESTATE ACQUISITION REIT LP

STATEMENT OF EQUITY

For the three and six month period ending March 31, 2020 and June 30, 2020
(expressed in U.S. dollars, except for number of units outstanding amounts)

General partner	General partnership Unit							
	Units	Amount						
CAPITAL								
Outstanding, beginning of period	1	10						
Outstanding, end of period	1	10						
Limited Partner	Proportionate Voting Units		Class A Rights		Class B Units		Deficit	Total Unitholders' Equity
	Units	Amount	Rights	Amount	Units	Amount		
Outstanding, beginning of period	58,821	25,011	-	-	-	-	-	25,011
Relinquishment	(1,259)	-	-	-	-	-	-	-
Issuance of Class B Units to Sponsor	-	-	-	-	524,500	5,245,000	-	5,245,000
Value assigned to Class A Rights	-	-	22,500,000	19,988,541	-	-	-	19,988,541
Transaction Costs assigned to Class B units	-	-	-	-	-	(26,341)	-	(26,341)
Transaction Costs assigned to Class A Rights	-	-	-	(287,534)	-	-	-	(287,534)
Retained Deficit	-	-	-	-	-	-	(5,268,626)	(5,268,626)
Balance - March 31, 2020	57,562	25,011	22,500,000	19,701,007	524,500	5,218,659	(5,268,626)	19,676,051
Retained Deficit - June 30, 2020	-	-	-	-	-	-	(6,023,639)	(6,023,639)
Balance - June 30, 2020	57,562	25,011	22,500,000	19,701,007	524,500	5,218,659	(11,292,265)	13,652,412

The accompanying notes are an integral part of these unaudited interim financial statements.

Unaudited Interim Financial Statements

SUBVERSIVE REAL ESTATE ACQUISITION REIT LP NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS

As at June 30, 2020 (expressed in U.S. dollars)

1. CORPORATE INFORMATION

Subversive Real Estate Acquisition REIT LP (the “**REIT LP**”, “**we**”, “**our**” or “**us**”) is a limited partnership formed under the laws of the Province of Ontario for the purpose of effecting, directly or indirectly, an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, equity exchange, asset acquisition, equity purchase, reorganization, or any other similar business combination involving the REIT LP, which we refer to as our “Qualifying Transaction”. Subversive Real Estate Sponsor LLC (“**Subversive Sponsor**”), Inception Altanova Sponsor, LLC and CG Investments Inc. IV are sponsors of the REIT LP (collectively, the “**Sponsors**”). The amended and restated limited partnership agreement (the “**A&R LPA**”) of the REIT LP is filed on SEDAR at www.sedar.com.

The REIT LP was established under the *Limited Partnership Act* (Ontario) on November 12, 2019. The REIT LP’s head office is located at 135 Grand Street, 2nd Floor, New York, New York 10013 and its registered office is located at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7, Canada.

The financial statements were authorized for issuance by the Board of Directors of the General Partner of the REIT LP on July 31, 2020.

2. SIGNIFICANT EVENTS

On November 12, 2019, the REIT LP issued the general partner interest to Subversive Real Estate Acquisition REIT (GP) Inc. (the “**General Partner**”), the REIT LP’s General Partner, in exchange for proceeds of U.S.\$10.00. The General Partner is responsible for the management and control of the REIT LP in accordance with the A&R LPA. On November 12, 2019, the REIT LP issued one proportionate voting unit (“**Proportionate Voting Unit**”) to Subversive Sponsor. On December 31, 2019, the REIT LP issued 58,820 Proportionate Voting Units of the REIT LP to the Founders (“**Founders’ Proportionate Voting Units**”) at approximately U.S.\$0.425 per Proportionate Voting Unit for aggregate proceeds of U.S.\$25,000. Our Sponsors and the General Partners’ directors and officers, Michael Auerbach, Leland Hensch, Richard Acosta, Omar Mangalji, Scott Baker, Octavio Boccalandro, Craig Hatkoff, Anne Sullivan, Eric Clarke, Michael Miller and Dylan Hart, comprise our Founders.

On January 8, 2020, the REIT LP closed its initial public offering (the “**Offering**”) of 20,000,000 Class A Restricted Voting units (the “**Class A Restricted Voting Units**”) at U.S.\$10.00 per Class A Restricted Voting Unit, for gross proceeds of U.S.\$200,000,000. Each Class A Restricted Voting Unit consists of one restricted voting unit of the REIT LP (each, a “**Restricted Voting Unit**”) and one right of the REIT LP (each, a “**Right**”). Each Restricted Voting Unit, unless previously redeemed, will be automatically renamed “Limited Partnership Units” following the closing of a Qualifying Transaction. Each Right represents the entitlement to automatically receive, for no additional consideration, one-eighth (1/8) of one Restricted Voting Unit (which at such time will represent one-eighth (1/8) of a Limited Partnership Unit, subject to adjustment under the terms of the Qualifying Transaction). The REIT LP’s Class A Restricted Voting Units commenced trading on the Exchange under the symbol SVX.UN on January 8, 2020. The Class A Restricted Voting Units separated into Restricted Voting Units and Rights on February 18, 2020, and trade under the symbols “SVX.U” and “SVX.RT.U”, respectively.

In connection with the Offering, the REIT LP granted the underwriters a 30-day non-transferable option to purchase up to an additional 3,000,000 Class A Restricted Voting Units, at a price of U.S.\$10.00 per Class A Restricted Voting Unit, to cover over-allotments, if any, and for market stabilization purposes. The underwriters partially exercised the over-allotment option to acquire 2,500,000 Class A Restricted Voting Units and the over-allotment closed on January 23, 2020. Due to the partial exercise of the over-allotment option, an aggregate of 1,259 Proportionate Voting Units were relinquished without compensation by the

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Sponsors on January 23, 2020. As a result, following the exercise of the over-allotment option and relinquishment of the 1,259 Proportionate Voting Units, the Founders own an aggregate of 57,561 Proportionate Voting Units (excluding Proportionate Voting Units underlying the Class B Units).

Concurrent with the closing of the Offering, the Sponsors purchased an aggregate of 512,000 class B Units (“**Class B Units**”) at an offering price of U.S.\$10.00 per Class B Unit, for gross proceeds of U.S.\$5,120,000. Each Class B Unit consists of 1/100 of a Proportionate Voting Unit and one Right. In connection with the partial exercise of the over-allotment, the Sponsors purchased an aggregate of 12,500 additional Class B Units, for additional gross proceeds of U.S.\$125,000.

The proceeds of U.S.\$225,000,000 from the Offering and over-allotment are held by Olympia Trust Company, as escrow agent, in an escrow account at a Canadian chartered bank (the “**Escrow Account**”) or subsidiary thereof, in accordance with the escrow agreement. Subject to applicable law and payment of certain taxes, permitted redemptions and certain expenses, as further described herein, none of the funds held in the Escrow Account will be released to the REIT LP prior to the closing of a Qualifying Transaction. The escrowed funds will be held to enable the REIT LP to (i) satisfy redemptions made by holders of Restricted Voting Units (including in the event of a Qualifying Transaction or an extension to the Permitted Timeline or up to 15 months with unitholders approval from the holders of Restricted Voting Units and the General Partner’s board of directors, or in the event a Qualifying Transaction does not occur within the Permitted Timeline), (ii) fund a Qualifying Transaction with the net proceeds following payment of any such redemptions and deferred underwriting commissions, and/or (iii) pay taxes on amounts earned on the escrowed funds and certain permitted expenses. Such escrowed funds and all amounts earned, subject to such obligations and applicable law, will be assets of the REIT LP.

If we are unable to consummate a Qualifying Transaction within the Permitted Timeline of 12 months from the closing date of the Offering (the “**Closing Date**”) (or 15 months from the Closing Date if we have executed a definitive agreement for a Qualifying Transaction within 12 months from the Closing Date but have not completed the Qualifying Transaction within such 12-month period), we will be required to redeem each of the outstanding Restricted Voting Units, for an amount per unit, payable in cash, equal to the pro-rata portion (per Restricted Voting Unit) of: (A) the escrowed funds available in the escrow account, including any interest and other amounts earned thereon, less (B) an amount equal to the total of (i) any applicable taxes payable by the REIT LP on such interest and other amounts earned in the escrow account, and (ii) up to a maximum of U.S.\$50,000 of interest and other amounts earned from the proceeds in the escrow account to pay actual and expected winding-up expenses and certain other related costs (as described in the Prospectus), each as reasonably determined by the General Partner. In such event, the Rights will expire and be worthless. The underwriters of the Offering will have no right to the deferred underwriting commission held in the escrow account in such circumstances.

Such Permitted Timeline, however, could be extended to up to 36 months with unitholder approval, by ordinary resolution of holders of Restricted Voting Units, with approval by the board of directors of the General Partner. If such approvals are obtained, holders of Restricted Voting Units, irrespective of whether such holders voted for or against, or did not vote on, the extension of the Permitted Timeline, would be permitted to deposit all or a portion of their units for redemption prior to the second business day before the meeting of the holders of Restricted Voting Units in respect of the extension. Upon the requisite approval of the extension of the Permitted Timeline, and subject to applicable law, we will be required to redeem such Restricted Voting Units so deposited at an amount per unit, payable in cash, equal to the pro-rata portion (per Restricted Voting Unit) of: (A) the escrowed funds available in the escrow account at the time of the meeting in respect of the extension, including any interest and other amounts earned thereon, less (B) an amount equal to the total of (i) any applicable taxes payable by the REIT LP on such interest and other amounts earned in the escrow account; and (ii) actual and expected expenses directly related to the redemption, each as

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reasonably determined by the General Partner. For greater certainty, such amount will not be reduced by the deferred underwriting commission per Restricted Voting Unit held in the escrow account.

Consummation of the Qualifying Transaction will require approval by a majority of the General Partner's directors unrelated to the Qualifying Transaction. In connection with seeking to complete a Qualifying Transaction, we will provide holders of our Restricted Voting Units with the opportunity to redeem all or a portion of their Restricted Voting Units, provided that they deposit their units for redemption prior to the deadline specified by the REIT LP, following public disclosure of the details of the Qualifying Transaction and prior to the closing of the Qualifying Transaction, of which prior notice had been provided to the holders of the Restricted Voting Units by any means permitted by the Exchange, not less than 21 days nor more than 60 days in advance of such deadline, in each case, with effect, subject to applicable law, immediately prior to the closing of our Qualifying Transaction, for an amount per unit, payable in cash, equal to the pro-rata portion (per Restricted Voting Unit) of: (A) the escrowed funds available in the escrow account at the time immediately prior to the redemption deposit deadline, including interest and other amounts earned thereon; less (B) an amount equal to the total of (i) any applicable taxes payable by the REIT LP on such interest and other amounts earned in the escrow account, and (ii) actual and expected expenses directly related to the redemption, each as reasonably determined by the General Partner, subject to the limitations described in the Prospectus. For greater certainty, such amount will not be reduced by the deferred underwriting commission per Restricted Voting Unit held in escrow. If approval of the Qualifying Transaction by unitholders is otherwise required under applicable law, holders of Restricted Voting Units shall have the option to redeem their Restricted Voting Units irrespective of whether they vote for or against, or do not vote on, the Qualifying Transaction at any meeting of the REIT LP's unitholders to be held, if required under applicable law, to vote on our Qualifying Transaction (a "**Qualifying Transaction Meeting**"), as further described in the Prospectus under "Qualifying Transaction – Redemption Rights" and "Description of Securities – Restricted Voting Units and Proportionate Voting Units" in the Prospectus. Holders of Restricted Voting Units will be given not less than 21 days' notice of the Qualifying Transaction Meeting (if such meeting is required under applicable law) and of the corresponding redemption deposit deadline if such Qualifying Transaction Meeting is required. Participants through CDS Clearing and Depositary Services Inc. ("**CDS**") may have earlier deadlines for accepting deposits of Restricted Voting Units for redemption. If a CDS participant's deadline is not met by a holder of Restricted Voting Units, such holder's Restricted Voting Units may not be eligible for redemption.

Our Founders will not be entitled to redeem the Founders' Proportionate Voting Units (as defined in the Prospectus) or Class B Units (including their underlying securities) in connection with a Qualifying Transaction or an extension to the Permitted Timeline or entitled to access the escrow account should a Qualifying Transaction not occur within the Permitted Timeline, as further described in the Prospectus. Our Founders (including our Sponsors) will, however, participate in any liquidation distribution with respect to any Restricted Voting Units they acquired in connection with the Offering through possible purchases on the secondary market.

3. BASIS OF PREPARATION

Basis of preparation

These unaudited interim financial statements of the REIT LP as at June 30, 2020 and for the three and six-month period ended June 30, 2020 have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and with interpretation of the International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements meet the requirements of International Accounting Standard ("IAS") 34, "Interim Financial Reporting". The REIT LP was established on November 12, 2019 and accordingly no comparatives have been provided for the income statements and cash flows.

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Basis of measurement

The unaudited interim financial statements of the Company have been prepared on a historical cost basis. The REIT LP's functional and presentation currency is the U.S. dollar.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant assumptions were used in determining the fair value of Rights attached to the Class A Restricted Voting Units at inception.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Financial assets and liabilities are recognized when the REIT LP becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or are assigned, and the REIT LP has transferred substantially all risks and rewards of ownership in respect of the asset. Financial liabilities are derecognized when the related obligation is discharged, cancelled or when it expires.

Management determines the classification of financial instruments at initial recognition with reflection of the business model and cash flow characteristics of the financial instruments. Financial assets are classified at fair value through profit or loss ("FVTPL") or at amortized cost. Financial liabilities are classified at amortized cost.

Financial instruments classified as FVTPL are carried at fair value in the statement of financial position and any gains or losses are recorded in net income in the period in which they arise. There were no items classified as FVTPL. Financial instruments classified at amortized cost include securities held in escrow. The Class A Restricted Voting Units subject to redemption have been classified as liabilities for accounting purposes and are recorded at amortized cost.

Impairment of financial asset at amortized cost

At each financial statement reporting date, the REIT LP assesses whether there is objective evidence that a recorded financial asset is impaired. Impairment exists if one or more events have occurred after the initial recognition of the asset and those events have objectively given rise to an expected negative impact on the estimated future cash flows of the financial asset that can be reliably estimated. The REIT LP recognizes impairment if the expected undiscounted future cash flows is less than the carrying amount of the asset. The amount of this difference is recognized as the impaired amount and is recorded as profit or loss. An impairment of a financial asset carried at amortized cost is reversed in subsequent periods if the amount of the loss decreased and the decrease can be related objectively to an event occurring after the impairment was recognized.

Income tax

Pursuant to the Limited Partnership Agreement, all of the investment income, expense and realized capital gains and losses of the Partnership are allocated to the limited partners and the General Partner. These financial statements do not provide for income taxes as the limited partners and the General Partner are taxed individually on their share of the Partnership's income.

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Per unit information

Basic income or loss per Class B Unit is calculated by dividing the net income or loss by the weighted average number of Class B Units, Proportionate Voting Units and General Partnership Unit outstanding during the period. The calculation excludes the effect of Class A Restricted Voting Units, as the Class A Restricted Voting Units have been classified in these financial statements as financial liabilities.

5. RESTRICTED CASH HELD IN ESCROW

The following cash balances were held in escrow at a Canadian trust company as at June 30, 2020:

	AS AT JUNE 30, 2020	AS AT DECEMBER 31, 2019
Bank of Montreal GIC - USD due 14-Aug-2020	\$ 22,481,018	\$ -
Bank of Montreal GIC - USD due 15-Jul-2020	\$ 25,004,315	\$ -
Canadian Imperial Bank of Commerce - USD High Interest Savings Account	\$ 7,500,922	\$ -
National Bank of Canada GIC - USD due 15-Jul-2020	\$ 19,500,401	\$ -
National Bank of Canada - USD High Interest Savings Account	\$ 5,000,512	\$ -
Province of British Columbia CP - USD due 8-Jul-2020	\$ 140,994,780	\$ -
Public Sector Pension Investment Board CP - USD due 9-Jul-2020	\$ 5,405,865	\$ -
Cash (in Escrow)	\$ -	\$ -
	<u>\$ 225,887,813</u>	<u>\$ -</u>

These balances are valued at amortized cost which approximates fair value due to the short-term nature of the items.

6. CLASS A RESTRICTED VOTING UNITS SUBJECT TO REDEMPTION

Authorization

The REIT LP is authorized to issue an unlimited number of Class A Restricted Voting Units. The holders of Class A Restricted Voting Units have no pre-emptive rights or other subscription rights and there are no sinking fund provisions applicable to these units.

Voting Rights

The holders of the Class A Restricted Voting Units are entitled to vote on and receive notice of meetings on all matters requiring unitholder approval (including any proposed extension to the permitted timeline and approval of a Qualifying Transaction if otherwise required under applicable law) other than the election and/or removal of directors of the General Partner and auditors of the REIT LP prior to closing of a Qualified Transaction. Prior to a Qualifying Transaction, holders of the Class A Restricted Voting Units are not entitled to vote at (or receive notice of or meeting materials in connection with) meetings held only to consider the election and/or removal of directors and auditors.

Redemption Rights

Only holders of Class A Restricted Voting Units are entitled to have their units redeemed and receive the escrow proceeds (net of applicable taxes and other permitted deductions) in the event a Qualifying Transaction does not occur within the permitted timeline, in the event of a Qualifying Transaction, and in the event of an extension to the permitted timeline. The Rights which were issued with the Class A Restricted Voting units have no redemption rights.

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Classification

The REIT LP has classified its Class A Restricted Voting Units as financial liabilities within the unaudited balance sheet. The REIT LP recorded a discount to the \$225,000,000 of gross proceeds from the Offering in the amount of \$19,988,541, representing the fair value of the Rights, and \$2,946,522, representing the transaction costs associated with the Class A Restricted Voting Units. The fair value of the Rights was arrived at by dividing the \$225,000,000 of Class A Restricted Voting Unit gross proceeds by the fully diluted unit value of the REIT LP and dividing the quotient by eight. The difference between the estimated fair value of the Rights and the Class A Restricted Voting Unit value at the time of the Offering is allocated to the Class A Restricted Voting Unit liability within the unaudited balance sheet. The aggregate discount of \$22,935,063 is being amortized over 12 months using the effective interest rate method. For the period from April 1, 2020 through June 30, 2020, the Company recorded \$5,634,913 of amortization of the issue costs in connection with the Rights. Interest earned on the escrow funds of \$239,215 has been credited to the Class A Restricted Voting Units.

7. UNITHOLDERS' EQUITY

The REIT LP is authorized to issue an unlimited number of Class B Units. The holders of Class B Units have no pre-emptive rights or other subscription rights and there are no sinking fund provisions applicable to these units.

Voting Rights

The holders of the Class B Units are entitled to vote at all meetings of unitholders and on all matters requiring a unitholder vote, with the exception of an extension of the permitted timeline, which will only be voted upon by holders of Class A Restricted Voting Units.

Redemption Rights

Holders of Class B Units, being the Founders, do not have access to, and cannot benefit from, any proceeds held in the escrow account, and as such, do not have any redemption rights with respect to their Class B Units. The Founders (including the Sponsor) will, however, be entitled to such redemption rights using proceeds from the escrow account with respect to any Class A Restricted Voting Units they may acquire pursuant to or following the Offering.

8. TRANSACTION COSTS

Transaction costs are directly related to the Offering and consist mainly of legal, accounting, printing, filing and underwriting costs. Transaction costs incurred from November 12, 2019 (date of formation) through June 30, 2020 were allocated between Unitholders' Equity and units subject to redemption on the following basis:

	Class A Restricted Voting Units	Class A Rights	Class B Units	Total
Professional fees (legal, accounting, etc.)	\$ 847,411	\$ 82,622	\$ 21,784	\$ 951,817
Underwriters' commission	\$ 1,765,836	\$ 172,168	-	\$ 1,938,005
Listing	\$ 155,996	\$ 15,460	-	\$ 171,455
Other	\$ 177,279	\$ 17,285	\$ 4,557	\$ 199,121
Total	\$ 2,946,522	\$ 287,535	\$ 26,341	\$3,260,398

The Underwriters are entitled to an underwriting commission equal up to \$12,375,000 or 5.5% of the gross proceeds of the Class A Restricted Voting Units issued under the Offering. The REIT LP paid \$1,938,005 to the Underwriters at the closing of the Offering, of which \$1,413,750 was used to settle CG Investment Inc.

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IV's Class B Unit sponsor share purchase obligation. The balance of the underwriting commission of \$10,436,995, or 4.6% of the gross proceeds (the "Deferred Amount") of the Class A Restricted Voting Units, has been deferred and will only be paid upon successful completion of a Qualifying Transaction as follows: (A) as to 3.6% of the gross proceeds to the Underwriters; and (B) as to 1.0% of the gross proceeds, released only at the General Partner's sole discretion, in whole or in part, as it sees fit, for payment to parties of the General Partner's choosing and may be paid to the Underwriters. If no Qualifying Transaction is consummated within the permitted timeline, no Deferred Amount shall be payable. Due to its association with an uncertain future Qualifying Transaction, the contingent liability of deferred underwriting commission balance has not been recorded in the Interim Financial Statements. Transaction costs were prorated between Class A Restricted Voting Units, Class A Rights and Class B Units by the amount of proceeds received.

9. FINANCIAL INSTRUMENTS

All financial instruments for which fair value is recognized or disclosed are categorized within a fair value hierarchy, described as follows:

Level 1 – Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities

Level 2 – Valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means

Level 3 – valuation techniques with significant unobservable market inputs.

The cash and cash balance held in escrow are measured using level 1 inputs.

10. FINANCIAL RISK MANAGEMENT

Market risk

Market risk is the risk that a material loss arises from fluctuations in a financial instrument's fair value. For purposes of this disclosure, the REIT LP segregates market risk into two categories: fair value risk and interest rate risk.

Fair value risk

Fair value risk is the potential for loss from an adverse movement in market prices. The REIT LP has minimal fair value risk as the only financial instruments carried at fair value are cash and cash and securities held in escrow.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in interest rates. The REIT LP's exposure to interest rate risk is nominal.

11. CAPITAL MANAGEMENT

The REIT LP defines the capital that it manages as its Class A Restricted Voting Units and its Unitholders' Equity.

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	AS AT JUNE 30, 2020	AS AT DECEMBER 31, 2019
Class A Restricted Voting Units	\$ 213,498,082	\$ -
Unitholders' Equity	13,652,412	25,011
	<u>\$ 227,150,494</u>	<u>\$ 25,011</u>

The REIT LP's primary objective in managing capital is to ensure capital preservation in order to benefit from acquisition opportunities as they arise. To the extent that the REIT LP requires additional funding for general ongoing expenses or in connection with a Qualifying Transaction, the REIT LP may seek funding by way of unsecured loans from the Sponsor and/or its affiliates, which loans would bear interest at no more than the U.S. dollar prime rate plus 1.0%. The lender under the loans would not have recourse against the funds held in the escrow account, and thus the loans will not reduce the value thereof. Such loans will collectively be subject to a maximum aggregate principal amount equal to 10% of the escrowed funds and may only be repayable in cash no earlier than the closing of the Qualifying Transaction. Such loans may only be convertible into units and/or Rights in connection with the closing of the Qualifying Transaction. The REIT LP may also seek to raise additional funds through a rights offering in respect of units available to our unitholders, in accordance with the requirements of applicable securities legislation and the Exchange's rules, and subject to the consent of the Underwriters, subject to the conditions outlined further in the Prospectus.

12. GENERAL AND ADMINISTRATIVE EXPENSES

The REIT LP had the following general and administrative expenses for the three- and six-month period ending June 30, 2020:

	For the 3 month period from April 1, 2020 to June 30, 2020	For the 6 month period from January 1, 2020 to June 30, 2020
Fees connected to qualifying transaction	\$ 350,856	\$ 643,490
Fees related to public vehicle	\$ -	\$ -
Regulatory	\$ 1,507	\$ 27,201
Administrative	\$ 30,669	\$ 61,023
Miscellaneous	\$ 3,528	\$ 11,020
Total	\$ 386,560	\$ 742,734

13. RELATED PARTY TRANSACTIONS

On March 12, 2020 the REIT LP formally engaged Atlas Management, LLC ("Atlas") as an independent contractor for the provision of consulting services (the "Services"). Such Services include assistance with the identification and evaluation of real estate assets as potential acquisition targets for our Qualifying Transaction; and the negotiation, execution and closing of such acquisitions, together with such ancillary services as may reasonably be requested from time to time by the REIT LP. Atlas has agreed to make its "Management Team" available to perform the Services. Its Management Team includes Richard Acosta, Michael Miller, Eric Clarke and Dylan Hart, all of whom are Founders of the REIT LP. The term of the REIT LP's engagement with Atlas will continue until the REIT LP successfully closes a Qualifying Transaction, or if no such transaction takes place on or prior to such time, at the end of any period (including any extensions) permitted for the REIT LP to complete the Qualifying Transaction. During the term, the REIT LP shall pay a consulting fee of \$62,500 per month (inclusive of applicable taxes) to Atlas.

The REIT LP has executed an administrative services agreement with Subversive Sponsor, which will make available to the REIT LP administrative support and certain related services as may be required by the REIT LP, including the utilization of office space and utilities. Pursuant to the agreement, in exchange for the

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administrative services the REIT LP shall pay to Subversive Sponsor a payment of \$10,000 per month. For the period from April 1, 2020 to June 30, 2020, the REIT LP did not make any payments to Subversive Sponsor. The REIT LP did accrue for the obligation, recording \$30,000 of administrative fees, which such amount is included in General & Administrative expenses in the REIT LP's statement of income and in Accrued Expenses in the REIT LP's balance sheet.

Subversive Real Estate Acquisition REIT LP

Management's Discussion and Analysis

For the three and six months period ended June 30, 2020

(Expressed in U.S. dollars)

Management's Discussion & Analysis

The following discussion of performance, financial condition and future prospects of Subversive Real Estate Acquisition REIT LP (the "**REIT LP**", "**we**", "**our**" or "**us**") should be read in conjunction with the unaudited interim financial statements ("**Interim Financial Statements**") for the three and six months period ended June 30, 2020 and the accompanying notes thereto.

This Management's Discussion and Analysis ("**MD&A**") has been prepared with an effective date of August 4, 2020. The Interim Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("**IFRS**") and with interpretation of the International Financial Reporting Interpretations Committee ("**IFRIC**"). The REIT LP's financial information is expressed in United States dollars unless otherwise specified. In addition to reviewing this MD&A, readers are encouraged to read our public information filings available on the REIT LP's profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

Cautionary Statement Regarding Forward-Looking Statements

This document may contain "forward-looking statements" (as defined under applicable securities laws). These forward-looking statements relate to future events or future performance including with respect to our objectives and priorities for fiscal year 2020 and beyond, and strategies or further actions with respect to the REIT LP, a Qualifying Transaction (as defined below) and the REIT LP's business operations, financial performance and condition. Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target", "intend", "could" or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and many factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating forward-looking statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions, including the COVID-19 risk noted in this MD&A, and the risks and uncertainties discussed in the section entitled "Risk Factors" in our Annual Information Form dated February 12, 2020 ("**AIF**").

The forward-looking statements contained in this MD&A are presented for the purpose of assisting investors in understanding business and strategic priorities and objectives of the REIT LP as at the periods indicated and may not be appropriate for other purposes. Forward-looking statements contained in this MD&A are not guarantees of future performance and, while forward-looking statements are based on certain assumptions that we consider reasonable, actual events and results could differ materially from those expressed or implied by forward-looking statements made by us. Readers are cautioned to consider these and other factors carefully when making decisions with respect to the REIT LP and not place undue reliance on forward looking statements. Circumstances affecting us may change rapidly. Except as may be expressly required by applicable law, the REIT LP does not undertake any obligation to update publicly or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.

Nature of Activities

The REIT LP is a limited partnership formed under the *Limited Partnerships Act* (Ontario) for the purpose of effecting, directly or indirectly, an acquisition of one or more businesses or assets, by way of a merger, amalgamation,

arrangement, equity exchange, asset acquisition, equity purchase, reorganization, or any other similar business combination involving the REIT LP (a “**Qualifying Transaction**”). The REIT LP is a special purpose acquisition corporation for purposes of the rules of the Neo Exchange Inc. (the “**NEO**”). The REIT LP was established on November 12, 2019. The REIT LP’s head office is located at 135 Grand Street, 2nd Floor, New York, New York 10013 and its registered office is located at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7, Canada.

The REIT LP intends to focus its search for target real estate businesses and/or assets that are involved in the cannabis industry and/or related sectors; however, it is not limited to the acquisition of cannabis-related real estate businesses and/or assets or to a particular geographic region and may acquire other classes of real estate businesses and/or assets and/or non-real estate businesses or assets for purposes of completing its Qualifying Transaction. The REIT LP is targeting a Qualifying Transaction that will aggregate a portfolio of properties with an estimated aggregate enterprise value of between U.S.\$200 million and U.S.\$650 million.

Subversive Real Estate Acquisition REIT (GP) Inc. (the “**General Partner**”) is the general partner of the REIT LP. The General Partner was incorporated under the laws of British Columbia on November 5, 2019. The General Partner’s head office is located at 135 Grand Street, 2nd Floor, New York, New York 10013 and its registered office is located at 700 West Georgia Street, Suite 2500, Vancouver, British Columbia V7Y 1B3. The amended & restated limited partnership agreement (the “**A&R LP Agreement**”) of the REIT LP provides for the management and control of the REIT LP by the General Partner. A copy of the A&R LP Agreement can be obtained on SEDAR at www.sedar.com.

The REIT LP’s business activities are carried out in a single business segment.

Significant Events

On January 8, 2020, the REIT LP closed its initial public offering (the “**Offering**”) of 20,000,000 Class A Restricted Voting units (the “**Class A Restricted Voting Units**”) at U.S.\$10.00 per Class A Restricted Voting Unit, for gross proceeds of U.S.\$200,000,000. Each Class A Restricted Voting Unit consists of one restricted voting unit of the REIT LP (each, a “**Restricted Voting Unit**”) and one right of the REIT LP (each, a “**Right**”). Each Restricted Voting Unit, unless previously redeemed, will be automatically renamed “Limited Partnership Units” following the closing of a Qualifying Transaction. Each Right represents the entitlement to automatically receive, for no additional consideration, one-eighth (1/8) of one Restricted Voting Unit (which at such time will represent one-eighth (1/8) of a Limited Partnership Unit, subject to adjustment under the terms of the Qualifying Transaction). The REIT LP’s Class A Restricted Voting Units commenced trading on the Exchange under the symbol SVX.UN on January 8, 2020. The Class A Restricted Voting Units separated into Restricted Voting Units and Rights on February 18, 2020, and trade under the symbols “SVX.U” and “SVX.RT.U”, respectively.

In connection with the Offering, the REIT LP granted the underwriters a 30-day non-transferable option to purchase up to an additional 3,000,000 Class A Restricted Voting Units, at a price of U.S.\$10.00 per Class A Restricted Voting Unit, to cover over-allotments, if any, and for market stabilization purposes. The underwriters partially exercised the over-allotment option to acquire 2,500,000 Class A Restricted Voting Units and the over-allotment closed on January 23, 2020. Due to the partial exercise of the over-allotment option, an aggregate of 1,259 Proportionate Voting Units were relinquished without compensation by the Sponsors on January 23, 2020. As a result, following the exercise of the over-allotment option and relinquishment of the 1,259 Proportionate Voting Units, the Founders own an aggregate of 57,561 Proportionate Voting Units (excluding Proportionate Voting Units underlying the Class B Units).

Concurrent with the closing of the Offering, the Sponsors purchased an aggregate of 512,000 class B units (“**Class B Units**”) at an offering price of U.S.\$10.00 per Class B Unit, for gross proceeds of U.S.\$5,120,000. Each Class B Unit consists of 1/100 of a Proportionate Voting Unit and one Right. In connection with the partial exercise of the over-allotment, the Sponsors purchased an aggregate of 12,500 additional Class B Units, for additional gross proceeds of U.S.\$125,000.

The proceeds of U.S.\$225,000,000 from the Offering and over-allotment are held by Olympia Trust Company, as escrow agent, in an escrow account at a Canadian chartered bank (the “**Escrow Account**”) or subsidiary thereof, in accordance with the escrow agreement. Subject to applicable law and payment of certain taxes, permitted redemptions

and certain expenses, as further described herein, none of the funds held in the Escrow Account will be released to the REIT LP prior to the closing of a Qualifying Transaction. The escrowed funds will be held to enable the REIT LP to (i) satisfy redemptions made by holders of Restricted Voting Units (including in the event of a Qualifying Transaction or an extension to the Permitted Timeline or up to 15 months with unitholders approval from the holders of Restricted Voting Units and the General Partner's board of directors, or in the event a Qualifying Transaction does not occur within the Permitted Timeline), (ii) fund a Qualifying Transaction with the net proceeds following payment of any such redemptions and deferred underwriting commissions, and/or (iii) pay taxes on amounts earned on the escrowed funds and certain permitted expenses. Such escrowed funds and all amounts earned, subject to such obligations and applicable law, will be assets of the REIT LP.

If we are unable to consummate a Qualifying Transaction within the Permitted Timeline of 12 months from the closing date of the Offering (the "**Closing Date**") (or 15 months from the Closing Date if we have executed a definitive agreement for a Qualifying Transaction within 12 months from the Closing Date but have not completed the Qualifying Transaction within such 12-month period), we will be required to redeem each of the outstanding Restricted Voting Units, for an amount per unit, payable in cash, equal to the pro-rata portion (per Restricted Voting Unit) of: (A) the escrowed funds available in the Escrow Account, including any interest and other amounts earned thereon, less (B) an amount equal to the total of (i) any applicable taxes payable by the REIT LP on such interest and other amounts earned in the Escrow Account, and (ii) up to a maximum of U.S.\$50,000 of interest and other amounts earned from the proceeds in the Escrow Account to pay actual and expected winding-up expenses and certain other related costs (as described in the Prospectus), each as reasonably determined by the General Partner. In such event, the Rights will expire and be worthless. The underwriters of the Offering will have no right to the deferred underwriting commission held in the Escrow Account in such circumstances.

Such Permitted Timeline, however, could be extended to up to 36 months with unitholder approval, by ordinary resolution of holders of Restricted Voting Units, with approval by the board of directors of the General Partner. If such approvals are obtained, holders of Restricted Voting Units, irrespective of whether such holders voted for or against, or did not vote on, the extension of the Permitted Timeline, would be permitted to deposit all or a portion of their units for redemption prior to the second business day before the meeting of the holders of Restricted Voting Units in respect of the extension. Upon the requisite approval of the extension of the Permitted Timeline, and subject to applicable law, we will be required to redeem such Restricted Voting Units so deposited at an amount per unit, payable in cash, equal to the pro-rata portion (per Restricted Voting Unit) of: (A) the escrowed funds available in the Escrow Account at the time of the meeting in respect of the extension, including any interest and other amounts earned thereon, less (B) an amount equal to the total of (i) any applicable taxes payable by the REIT LP on such interest and other amounts earned in the Escrow Account; and (ii) actual and expected expenses directly related to the redemption, each as reasonably determined by the General Partner. For greater certainty, such amount will not be reduced by the deferred underwriting commission per Restricted Voting Unit held in the Escrow Account.

Consummation of the Qualifying Transaction will require approval by a majority of the General Partner's directors unrelated to the Qualifying Transaction. In connection with seeking to complete a Qualifying Transaction, we will provide holders of our Restricted Voting Units with the opportunity to redeem all or a portion of their Restricted Voting Units, provided that they deposit their units for redemption prior to the deadline specified by the REIT LP, following public disclosure of the details of the Qualifying Transaction and prior to the closing of the Qualifying Transaction, of which prior notice had been provided to the holders of the Restricted Voting Units by any means permitted by the Exchange, not less than 21 days nor more than 60 days in advance of such deadline, in each case, with effect, subject to applicable law, immediately prior to the closing of our Qualifying Transaction, for an amount per unit, payable in cash, equal to the pro-rata portion (per Restricted Voting Unit) of: (A) the escrowed funds available in the Escrow Account at the time immediately prior to the redemption deposit deadline, including interest and other amounts earned thereon; less (B) an amount equal to the total of (i) any applicable taxes payable by the REIT LP on such interest and other amounts earned in the Escrow Account, and (ii) actual and expected expenses directly related to the redemption, each as reasonably determined by the General Partner, subject to the limitations described in the Prospectus. For greater certainty, such amount will not be reduced by the deferred underwriting commission per Restricted Voting Unit held in escrow. If approval of the Qualifying Transaction by unitholders is otherwise required under applicable law, holders of Restricted Voting Units shall have the option to redeem their Restricted Voting Units

irrespective of whether they vote for or against, or do not vote on, the Qualifying Transaction at any meeting of the REIT LP's unitholders to be held, if required under applicable law, to vote on our Qualifying Transaction (a **"Qualifying Transaction Meeting"**), as further described in the Prospectus under "Qualifying Transaction – Redemption Rights" and "Description of Securities – Restricted Voting Units and Proportionate Voting Units" in the Prospectus. Holders of Restricted Voting Units will be given not less than 21 days' notice of the Qualifying Transaction Meeting (if such meeting is required under applicable law) and of the corresponding redemption deposit deadline if such Qualifying Transaction Meeting is required. Participants through CDS Clearing and Depository Services Inc. ("**CDS**") may have earlier deadlines for accepting deposits of Restricted Voting Units for redemption. If a CDS participant's deadline is not met by a holder of Restricted Voting Units, such holder's Restricted Voting Units may not be eligible for redemption.

Our Founders will not be entitled to redeem the Founders' Proportionate Voting Units (as defined in the Prospectus) or Class B Units (including their underlying securities) in connection with a Qualifying Transaction or an extension to the Permitted Timeline or entitled to access the Escrow Account should a Qualifying Transaction not occur within the Permitted Timeline, as further described in the Prospectus. Our Founders (including our Sponsors) will, however, participate in any liquidation distribution with respect to any Restricted Voting Units they acquired in connection with the Offering through possible purchases on the secondary market.

Selected Quarterly Information

Below is selected information from the statement of income for the three and six month period ending June 30, 2020. The following should be read in conjunction with the Interim Financial Statements. There is no comparative interim period available as the REIT LP was formed on November 12, 2019.

	For the 3 month period from April 1, 2020 to June 30, 2020 U.S.\$	For the 6 month period from January 1, 2020 June 30, 2020 U.S.\$
Revenue		
Interest	239,215	887,813
Total Revenue	239,215	887,813
Expenses		
Amortization of issue costs on Class A rights	5,634,913	10,545,333
General and administrative	386,560	742,734
Interest expense	241,381	892,011
Total Expenses	6,262,854	12,180,078
Net loss	(6,023,639)	(11,292,265)
Weighted average units outstanding, basic and diluted ¹	582,063	582,063
Net loss per unit - basic and diluted	(10.35)	(19.40)

1. Includes Class B Units, Proportionate Voting Units and the General Partnership Unit.

Overall Performance and Results of Operations

The REIT LP has not conducted commercial operations and it is focused on the identification and evaluation of businesses or assets to acquire and there were no notable events that occurred during the reporting period presented.

In the interim, we expect to generate small amounts of non-operating income in the form of interest income on cash and short-term investments, including restricted cash and short-term investments held in escrow. For the three month period ended June 30, 2020, the REIT LP earned interest income of \$239,215 and reported a loss of \$6,023,639 (\$10.35 basic and diluted loss per unit). For the six month period ended June 30, 2020, the REIT LP earned interest income of \$887,813 and reported a loss of \$11,292,265 (\$19.40 basic and diluted loss per unit). Excluding the \$5,634,913 of non-cash amortization of issue costs on the Class A Rights as of June 30, 2020, the basic and diluted

loss per unit would equal \$0.67. In the event the REIT LP had consummated a Qualify Transaction as of June 30, 2020, and there were no redemptions, the fully diluted loss per unit would equal \$0.19 (or \$0.01, excluding the non-cash amortization of issue costs on the Class A Rights).

Transaction costs are directly related to the Offering and consist mainly of legal, accounting, printing, filing and underwriting costs. Transaction costs incurred from November 12, 2019 (date of formation) through June 30, 2020 were allocated between Unitholders' Equity and units subject to redemption on the following basis:

	Class A Restricted Voting Units	Class A Rights	Class B Units	Total
Professional fees (legal, accounting, etc.)	\$ 847,411	\$ 82,622	\$ 21,784	\$ 951,817
Underwriters' commission	\$ 1,765,836	\$ 172,168	-	\$1,938,005
Listing	\$ 155,996	\$ 15,460	-	\$ 171,455
Other	\$ 177,279	\$ 17,285	\$ 4,557	\$ 199,121
Total	\$ 2,946,522	\$ 287,535	\$ 26,341	\$3,260,398

The Underwriters are entitled to an underwriting commission equal up to \$12,375,000 or 5.5% of the gross proceeds of the Class A Restricted Voting Units issued under the Offering. The REIT LP paid \$1,938,005 to the Underwriters at the closing of the Offering, of which \$1,413,750 was used to fund CG Investment Inc. IV's Class B Unit sponsor share purchase obligation. The balance of the underwriting commission of \$10,436,995, or 4.6% of the gross proceeds (the "Deferred Amount") of the Class A Restricted Voting Units, has been deferred and will only be paid upon successful completion of a Qualifying Transaction as follows: (A) as to 3.6% of the gross proceeds to the Underwriters; and (B) as to 1.0% of the gross proceeds, released only at the General Partner's sole discretion, in whole or in part, as it sees fit, for payment to parties of the General Partner's choosing and may be paid to the Underwriters. If no Qualifying Transaction is consummated within the permitted timeline, no Deferred Amount shall be payable. Due to its association with an uncertain future Qualifying Transaction, the contingent liability of deferred underwriting commission balance has not been recorded in the Interim Financial Statements. Transaction costs were prorated between Class A Restricted Voting Units, Class A Rights and Class B Units by the amount of proceeds received.

Working capital, which consists of current assets less current liabilities (excluding all proceeds held in escrow), is \$1,262,681 as at June 30, 2020. Management believes the REIT LP's working capital is sufficient for the REIT LP to meet its ongoing obligations and meet its objective of completing a Qualifying Transaction.

Current liabilities as at June 30, 2020 total \$138,555.

General and Administrative Expenses

The REIT LP's general and administrative expenses consist of costs required to maintain its public company status in good standing, and expenses incurred to evaluate and identify companies, businesses, assets or properties for potential acquisition. The REIT LP had the following general and administrative expenses for the three and six month period ending June 30, 2020:

	For the 3 month period from April 1, 2020 to June 30, 2020	For the 6 month period from January 1, 2020 to June 30, 2020
Fees connected to qualifying transaction	\$ 350,856	\$ 643,490
Fees related to public vehicle	\$ -	\$ -
Regulatory	\$ 1,507	\$ 27,201
Administrative	\$ 30,669	\$ 61,023
Miscellaneous	\$ 3,528	\$ 11,020
Total	\$ 386,560	\$ 742,734

Liquidity and Capital Resources

We intend to use substantially all of the funds held in the Escrow Account, including interest (which interest shall be net of taxes payable and certain expenses) to consummate a Qualifying Transaction. To the extent that, after redemptions, our units or debt is used, in whole or in part, as consideration to consummate a Qualifying Transaction, we may apply the cash balance that is not applied to the purchase price and released to us from the Escrow Account for general corporate purposes, including maintenance or expansion of operations of acquired businesses, payment of principal or interest due on indebtedness incurred in consummating the Qualifying Transaction, funding of subsequent acquisitions, payment of distributions, general ongoing expenses or payment of the deferred underwriting commissions.

Restricted cash and short-term investments held in escrow		June 30, 2020	
Asset		Value ¹	
Bank of Montreal GIC - USD due 14-Aug-2020		\$	22,481,018
Bank of Montreal GIC - USD due 15-Jul-2020		\$	25,004,315
National Bank of Canada GIC - USD due 15-Jul-2020		\$	19,500,401
National Bank of Canada - USD High Interest Savings Account		\$	5,000,512
Canadian Imperial Bank of Commerce - USD High Interest Savings Account		\$	7,500,922
Province of British Columbia CP - USD due 8-Jul-2020		\$	140,994,780
Public Sector Pension Investment Board CP - USD due 9-Jul-2020		\$	5,405,865
Cash		\$	-
Total Restricted cash and short-term investments held in escrow		\$	225,887,813
Per Class A Restricted Voting Units subject to redemption		\$	10.00
Cash held outside of Escrow Account		\$	1,283,974

1. These balances are valued at amortized cost which approximates fair value due to the short-term nature of the items.

As at June 30, 2020, we had cash of U.S.\$1,283,974 outside of the Escrow Account which is available to fund our working capital requirements, including any further transaction costs that may be incurred. We expect to generate negative cash flow from operating activities in the future until our Qualifying Transaction is completed and we commence revenue generation. Management seeks to ensure that our operational and administrative costs are minimal prior to the completion of a Qualifying Transaction, with a view to preserving the REIT LP's working capital.

To the extent that the REIT LP may require funding for general ongoing expenses or in connection with sourcing a proposed Qualifying Transaction that is over and above the funds raised prior to and concurrently with the Offering, the REIT LP may obtain such funding by way of unsecured loans from the Sponsors and/or their affiliates, which loans would, bear interest at no more than the prime rate plus 1.0%. The Sponsors would not have recourse under such loans against the Escrow Account, and thus the loans would not reduce the value of such Escrow Account.

Otherwise, and subject to any relief granted by the NEO, the REIT LP may seek to raise additional funds through a rights offering as specified in the AIF in respect of units available to its unitholders, in accordance with the requirements of applicable securities legislation, and subject to placing the required funds raised in the Escrow Account in accordance with applicable NEO rules.

Proposed Transactions

Although the REIT LP has commenced the process of identifying potential acquisitions with a view of completing a Qualifying Transaction, the REIT LP has not entered into a definitive agreement with respect thereto.

Outstanding Units

As of the date of this MD&A, the REIT LP had 22,500,000 Class A Restricted Voting Units, 524,500 Class B Units and 57,562 Proportionate Voting Units and 1 General Partnership Unit issued and outstanding. In addition, the REIT LP had an aggregate of 23,024,500 Rights issued and outstanding.

Related Party Transactions

On March 12, 2020 the REIT LP formally engaged Atlas Management, LLC (“**Atlas**”) as an independent contractor for the provision of consulting services (the “**Services**”). Such Services include assistance with the identification and evaluation of real estate assets as potential acquisition targets for our Qualifying Transaction; and the negotiation, execution and closing of such acquisitions, together with such ancillary services as may reasonably be requested from time to time by the REIT LP. Atlas has agreed to make its “Management Team” available to perform the Services. Its Management Team includes Richard Acosta, Michael Miller, and Eric Clarke, all of whom are Founders of the REIT LP. The term of the REIT LP’s engagement with Atlas will continue until the REIT LP successfully closes a Qualifying Transaction, or if no such transaction takes place on or prior to such time, at the end of any period (including any extensions) permitted for the REIT LP to complete the Qualifying Transaction. During the term, the REIT LP shall pay a consulting fee of \$62,500 per month (inclusive of applicable taxes) to Atlas.

The REIT LP has executed an administrative services agreement with Subversive Sponsor, which will make available to the REIT LP administrative support and certain related services as may be required by the REIT LP, including the utilization of office space and utilities. Pursuant to the agreement, in exchange for the administrative services the REIT LP shall pay to Subversive Sponsor a payment of \$10,000 per month. For the period from April 1, 2020 to June 30, 2020, the REIT LP did not make any payments to Subversive Sponsor. The REIT LP did accrue for the obligation, recording \$30,000 of administrative fees, which such amount is included in General & Administrative expenses in the REIT LP’s statement of income and in Accrued Expenses in the REIT LP’s balance sheet.

Off-Balance Sheet Transactions

The REIT LP has no off-balance sheet arrangements.

Significant Accounting Policies and Critical Accounting Estimates

For further information about the accounting policies used by the REIT LP, please refer to the Interim Financial Statements and notes thereto for the period ended June 30, 2020, which have been prepared in accordance with IFRS and with interpretation of the IFRIC. These financial statements meet the requirements of International Accounting Standard 34, “Interim Financial Reporting”.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Interim Financial Statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Significant assumptions were used in determining the fair value of the Class A Restricted Voting Units and Class A Rights at inception.

Critical accounting estimates represent estimates made by management that are, by their very nature, uncertain. Management evaluates its estimates on an ongoing basis. Such estimates are based on assumptions that management believes are reasonable under the circumstances, and these estimates form the basis for making judgments about the carrying value of assets and liabilities and the reported amounts of revenues and expenses that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. A summary of the significant accounting policies used by management in the preparation of its financial information is provided in Note 4 to the Interim Financial Statements.

There were no changes made in our internal control over financial reporting that occurred during the period ended June 30, 2020, that have materially affected, or are reasonably likely to materially affect, our internal control over

financial reporting.

Future Accounting Changes

The REIT LP does not believe that any accounting standards that have been recently issued but which are not yet effective would have a material effect on the Financial Statements if such accounting standards were currently adopted.

Controls and Procedures

As of June 30, 2020, an evaluation was carried out, under the supervision of and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as defined under National Instrument 52-109. Based on that evaluation, the CEO and the Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective as of and during the quarter ended June 30, 2020.

Internal Control over Financial reporting

Management, including the Chief Executive Officer and the Chief Financial Officer, has designed internal control over financial reporting as defined under National Instrument 52-109 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the REIT LP's internal control over financial reporting was designed and operating effectively as of and during the quarter ended June 30, 2020 and that there were no material weaknesses in our internal control over financial reporting.

Managing Risk

Except as otherwise disclosed in this MD&A and in the REIT LP's financial statements for the quarter ended June 30, 2020, there have been no significant changes to the nature and scope of the risks faced by the REIT LP as described in the Prospectus, which is available on SEDAR at www.sedar.com. These business risks should be considered by interested parties when evaluating the REIT LP's performance and its outlook.

Contingency

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. It is uncertain what impact this volatility and weakness will have on the REIT LP's securities held at fair value and short term investments. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the REIT LP in future periods.

Subversive Real Estate Acquisition REIT LP

Financial Statements

(Audited)

As at December 31, 2019
and for the period from inception on November 12, 2019 to December 31, 2019
(Expressed in United States dollars)

Independent Auditor's Report

To the Partners of Subversive Real Estate Acquisition REIT LP.

Opinion

We have audited the financial statements of Subversive Real Estate Acquisition REIT LP (the "REIT LP") which comprise the balance sheet as at December 31, 2019, and the statements of income, equity and cash flows for the period from November 12, 2019 to December 31, 2019, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the REIT LP as at December 31, 2019, and its financial performance and its cash flows for the period from November 12, 2019 to December 31, 2019 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the REIT LP in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises of the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the REIT LP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the REIT LP or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the REIT LP's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the REIT LP's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the REIT LP's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the REIT LP to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Mervyn Ramos.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
February 10, 2020

SUBVERSIVE REAL ESTATE ACQUISITION REIT LP

BALANCE SHEET

(expressed in U.S. dollars)

	As at December 31, 2019 U.S.\$
ASSETS	
Current	
Cash	25,011
	25,011
EQUITY	
Capital [note 3]	25,011
	25,011

The accompanying notes are an integral part of these financial statements

SUBVERSIVE REAL ESTATE ACQUISITION REIT LP

STATEMENT OF INCOME

(expressed in U.S. dollars)

	For the period from November 12, 2019 to December 31, 2019
	U.S.\$
REVENUE	
Revenue	-
EXPENSES	
Expenses	-
Income before income taxes	-
Provision for income taxes	-
Net income and comprehensive income for the period	-
EARNINGS PER UNIT	
Basic	-
Diluted	-

The accompanying notes are an integral part of these financial statements

SUBVERSIVE REAL ESTATE ACQUISITION REIT LP

STATEMENT OF EQUITY

*For the period from November 12, 2019 to December 31, 2019
(expressed in U.S. dollars, except for number of units outstanding amounts)*

Limited Partner

	Number of Units	U.S.\$
CAPITAL		
Outstanding, beginning of period	-	-
Issuance of Proportionate Voting Unit [note 3]	1	1
Issuance of Founders Proportionate Voting Units [note 3]	58,820	25,000
Outstanding, end of period	58,821	25,001

General Partner

	Number of Units	U.S.\$
CAPITAL		
Outstanding, beginning of period	-	-
Issuance of general partnership unit	1	10
Outstanding, end of period	1	10

The accompanying notes are an integral part of these financial statements

SUBVERSIVE REAL ESTATE ACQUISITION REIT LP

STATEMENT OF CASH FLOW

(expressed in U.S. dollars)

	For the period from November 12, 2019 to December 31, 2019 U.S.\$
OPERATING ACTIVITIES	
Net income for the period	-
Cash provided by operating activities	-
FINANCING ACTIVITIES	
Issuance of Proportionate Voting Unit [note 3]	1
Issuance of General Partnership Unit	10
Issuance of Founders Proportionate Voting Units [note 3]	25,000
Cash provided by financing activities	25,011
Net increase in cash during the period	25,011
Cash, beginning of period	-
Cash, end of period	25,011

The accompanying notes are an integral part of these financial statements

SUBVERSIVE REAL ESTATE ACQUISITION REIT LP NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2019 and for the period from November 12, 2019 (the date of formation) to December 31, 2019

1. CORPORATE INFORMATION

Subversive Real Estate Acquisition REIT LP (the “**REIT LP**”, “**we**”, “**our**” or “**us**”) is a newly established limited partnership formed under the laws of the Province of Ontario for the purpose of effecting, directly or indirectly, an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, equity exchange, asset acquisition, equity purchase, reorganization, or any other similar business combination involving the REIT LP, which we refer to as our “Qualifying Transaction”. Subversive Real Estate Sponsor LLC (“**Subversive Sponsor**”), Inception Altanova Sponsor, LLC and CG Investments Inc. IV are sponsors of the REIT LP (collectively, the “**Sponsors**”). The amended and restated limited partnership agreement (the “**A&R LPA**”) of the REIT LP is filed on SEDAR at www.sedar.com.

The REIT LP was established under the *Limited Partnership Act* (Ontario) on November 12, 2019. The REIT LP’s head office is located at 135 Grand Street, 2nd Floor, New York, New York 10013 and its registered office is located at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7, Canada.

The financial statements were authorized for issuance by the Board of Directors of the general partner of the REIT LP on February 12, 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements of the REIT LP as at December 31, 2019 and for the period from November 12, 2019 (the date of formation) to December 31, 2019 have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The financial statements of the REIT LP have been prepared on a historical cost basis. The REIT LP’s functional and presentation currency is the U.S. dollar.

Cash

Cash is comprised of amounts held in trust.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

3. CAPITAL

The REIT LP is authorized to issue an unlimited number of proportionate voting units (“**Proportionate Voting Unit**”) and an unlimited number of restricted voting units (“**Restricted Voting Units**”). The Restricted Voting Units form part of the Class A Restricted Voting Units that were issued to the public as described in Note 4.

On November 12, 2019, the REIT LP issued the general partner interest to Subversive Real Estate Acquisition REIT (GP) Inc.(the “**General Partner**”), the REIT LP’s general partner, in exchange for proceeds of U.S.\$10.00. The General Partner is responsible for the management and control of the REIT LP in accordance with the A&R LPA. On November 12, 2019, the REIT LP issued one proportionate voting unit to Subversive Sponsor. On December 31, 2019, the REIT LP issued 58,820 Proportionate Voting Unit of the REIT LP to the Founders (“**Founders’ Proportionate Voting Units**”) at approximately U.S.\$0.425 per Proportionate Voting Unit for aggregate proceeds of U.S.\$25,000. Our Sponsors and the General Partners’ directors and officers, Michael Auerbach, Leland Hensch, Richard Acosta, Omar Mangalji, Scott Baker, Octavio Boccalandro, Craig Hatkoff, Anne Sullivan, Eric Clarke, Michael Miller, Dylan Marcoot and Dylan Hart, comprise our Founders.

The Proportionate Voting Units form part of the Class B Units. The Proportionate Voting Units, including fractions thereof, may at any time following the closing of the Qualifying Transaction, subject to the FPI Condition (as defined below), at the option of the holder, be converted into Limited Partnership Units at a ratio of 100 Limited Partnership Units per Proportionate Voting Unit with fractional Proportionate Voting Units convertible into Limited Partnership Units at the same ratio. Further, the General Partner’s board of directors may determine at any time following the closing of the Qualifying Transaction that it is no longer advisable to maintain the Proportionate Voting Units as a separate class of units and may cause all of the issued and outstanding Proportionate Voting Units to be converted into Limited Partnership Units at a ratio of 100 Limited Partnership Units per Proportionate Voting Unit with fractional Proportionate Voting Units convertible into Limited Partnership Units at the same ratio and the General Partner’s board of directors shall not be entitled to issue any more Proportionate Voting Units under the A&R LP Agreement thereafter.

The Proportionate Voting Units are not transferrable without approval of the General Partner’s board of directors, except to Permitted Holders, as defined in our initial public offering final prospectus dated December 23, 2019 (the “**Prospectus**”) filed on SEDAR at www.sedar.com and in compliance with U.S. securities laws.

The right of the Proportionate Voting Units to convert into Limited Partnership Units is subject to certain conditions in order to maintain the REIT LP’s status as a “foreign private issuer” under U.S. securities laws. Unless otherwise waived by the board of directors of the General Partner, the right to convert the Proportionate Voting Units is subject to the condition that the aggregate number of Limited Partnership Units and Proportionate Voting Units (calculated as a single class) held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 and 12g3-2(a) under the Securities Exchange Act of 1934, as amended) may not exceed forty percent (40%) of the aggregate number of Limited Partnership Units and Proportionate Voting Unit issued and outstanding after giving effect to such conversions (calculated as a single class) (the “**FPI Condition**”).

The Class B units consist of 1/100 of a Proportionate Voting Unit and one right of the REIT LP (each, a “**Right**”). The Class B units were subscribed by the Sponsors on closing of the public offering as described in Note 4. Each Right shall entitle the holder, upon the closing of our qualifying transaction, to receive one-eighth (1/8) of a Restricted Voting Unit (which at such time will represent one-eighth (1/8) of a Limited Partnership Unit, subject to adjustment under the terms of the qualifying transaction).

4. SUBSEQUENT EVENTS

On January 8, 2020, the REIT LP closed its initial public offering (the “**Offering**”) of 20,000,000 Class A Restricted Voting units (the “**Class A Restricted Voting Units**”) at U.S.\$10.00 per Class A Restricted Voting Unit, for gross proceeds of U.S.\$200,000,000. Each Class A Restricted Voting Unit consists of one restricted voting unit of the REIT LP (each, a “**Restricted Voting Unit**”) and one Right. Each Restricted Voting Unit, unless previously redeemed, will be automatically renamed “Limited Partnership Units” following the closing of a Qualifying Transaction. Each Right represents the entitlement to automatically receive, for no additional consideration, one-eighth (1/8) of one Restricted Voting Unit (which at such time will represent one-eighth (1/8) of a Limited Partnership Unit, subject to adjustment under the terms of the Qualifying Transaction). The REIT LP’s Class A Restricted Voting Units commenced trading

on the Neo Exchange Inc. (“**Exchange**”) under the symbol SVX.UN on January 8, 2020. The Class A Restricted Voting Units will separate into Restricted Voting Units and Rights on February 18, 2020, being 40 days following the closing of the Offering, and will trade under the symbols “SVX.U” and “SVX.RT.U”, respectively.

In connection with the Offering, the REIT LP granted the underwriters a 30-day non-transferable option to purchase up to an additional 3,000,000 Class A Restricted Voting Units, at a price of U.S.\$10.00 per Class A Restricted Voting Unit, to cover over-allotments, if any, and for market stabilization purposes. The underwriters partially exercised the over-allotment option and acquired 2,500,000 Class A Restricted Voting Units on January 23, 2020. Due to the partial exercise of the over-allotment option, an aggregate of 1,259 Proportionate Voting Units were relinquished without compensation by the Sponsors on January 23, 2020. As a result, following the exercise of the over-allotment option and relinquishment of the 1,259 Proportionate Voting Units, the Founders own an aggregate of 57,562 Proportionate Voting Units (excluding Proportionate Voting Units underlying the Class B Units).

Concurrent with closing of the Offering, the Sponsors purchased an aggregate of 512,000 class B units (“**Class B Units**”) at an offering price of U.S.\$10.00 per Class B Unit, for gross proceeds of U.S.\$5,120,000. In connection with the partial exercise of the over-allotment, the Sponsors purchased an aggregate of 12,500 additional Class B Units, for additional gross proceeds of U.S.\$125,000.

The proceeds of U.S.\$225,000,000 from the Offering and over-allotment are held by Olympia Trust Company, as escrow agent, in an escrow account at a Canadian chartered bank (the “**Escrow Account**”) or subsidiary thereof, in accordance with the escrow agreement. Subject to applicable law and payment of certain taxes, permitted redemptions and certain expenses, as further described herein, none of the funds held in the Escrow Account will be released to the REIT LP prior to the closing of a Qualifying Transaction. The escrowed funds will be held to enable the REIT LP to (i) satisfy redemptions made by holders of Restricted Voting Units (including in the event of a Qualifying Transaction or an extension to the Permitted Timeline (as defined in the Prospectus) or up to 15 months with unitholders approval from the holders of Restricted Voting Units and the General Partner’s board of directors, or in the event a Qualifying Transaction does not occur within the Permitted Timeline), (ii) fund a Qualifying Transaction with the net proceeds following payment of any such redemptions and deferred underwriting commissions, and/or (iii) pay taxes on amounts earned on the escrowed funds and certain permitted expenses. Such escrowed funds and all amounts earned, subject to such obligations and applicable law, will be assets of the REIT LP.

If we are unable to consummate a Qualifying Transaction within the Permitted Timeline of 12 months from the closing date of the Offering (the “**Closing Date**”) (or 15 months from the Closing Date if we have executed a definitive agreement for a Qualifying Transaction within 12 months from the Closing Date but have not completed the qualifying transaction within such 12-month period), we will be required to redeem each of the outstanding Restricted Voting Units, for an amount per unit, payable in cash, equal to the pro-rata portion (per Restricted Voting Unit) of: (A) the escrowed funds available in the escrow account, including any interest and other amounts earned thereon, less (B) an amount equal to the total of (i) any applicable taxes payable by the REIT LP on such interest and other amounts earned in the escrow account, and (ii) up to a maximum of U.S.\$50,000 of interest and other amounts earned from the proceeds in the escrow account to pay actual and expected winding-up expenses and certain other related costs (as described in the Prospectus), each as reasonably determined by the General Partner. In such event, the Rights will expire and be worthless. The underwriters of the Offering will have no right to the deferred underwriting commission held in the escrow account in such circumstances.

Such Permitted Timeline, however, could be extended to up to 36 months with unitholder approval, by ordinary resolution of holders of Restricted Voting Units, with approval by the board of directors of the General Partner. If such approvals are obtained, holders of Restricted Voting Units, irrespective of whether such holders voted for or against, or did not vote on, the extension of the Permitted Timeline, would be permitted to deposit all or a portion of their units for redemption prior to the second business day before the meeting of the holders of Restricted Voting Units in respect of the extension. Upon the requisite approval of the extension of the Permitted Timeline, and subject to applicable law, we will be required to redeem such Restricted Voting Units so deposited at an amount per unit, payable in cash, equal to the pro-rata portion (per Restricted Voting Unit) of: (A) the escrowed funds available in the escrow account at the time of the meeting in respect of the extension, including any interest and other amounts earned thereon, less (B) an amount equal to the total of (i) any applicable taxes payable by the REIT LP on such interest and other

amounts earned in the escrow account; and (ii) actual and expected expenses directly related to the redemption, each as reasonably determined by the General Partner. For greater certainty, such amount will not be reduced by the deferred underwriting commission per Restricted Voting Unit held in the escrow account.

Consummation of the Qualifying Transaction will require approval by a majority of the General Partner's directors unrelated to the Qualifying Transaction. In connection with seeking to complete a Qualifying Transaction, we will provide holders of our Restricted Voting Units with the opportunity to redeem all or a portion of their Restricted Voting Units, provided that they deposit their units for redemption prior to the deadline specified by the REIT LP, following public disclosure of the details of the Qualifying Transaction and prior to the closing of the Qualifying Transaction, of which prior notice had been provided to the holders of the Restricted Voting Units by any means permitted by the Exchange, not less than 21 days nor more than 60 days in advance of such deadline, in each case, with effect, subject to applicable law, immediately prior to the closing of our Qualifying Transaction, for an amount per unit, payable in cash, equal to the pro-rata portion (per Restricted Voting Unit) of: (A) the escrowed funds available in the escrow account at the time immediately prior to the redemption deposit deadline, including interest and other amounts earned thereon; less (B) an amount equal to the total of (i) any applicable taxes payable by the REIT LP on such interest and other amounts earned in the escrow account, and (ii) actual and expected expenses directly related to the redemption, each as reasonably determined by the General Partner, subject to the limitations described in the Prospectus.

For greater certainty, such amount will not be reduced by the deferred underwriting commission per Restricted Voting Unit held in escrow. If approval of the Qualifying Transaction by unitholders is otherwise required under applicable law, holders of Restricted Voting Units shall have the option to redeem their Restricted Voting Units irrespective of whether they vote for or against, or do not vote on, the Qualifying Transaction at any meeting of the REIT LP's unitholders to be held, if required under applicable law, to vote on our Qualifying Transaction (a **"Qualifying Transaction Meeting"**), as further described in the Prospectus under "Qualifying Transaction – Redemption Rights" and "Description of Securities – Restricted Voting Units and Proportionate Voting Units". Holders of Restricted Voting Units will be given not less than 21 days' notice of the Qualifying Transaction Meeting (if such meeting is required under applicable law) and of the corresponding redemption deposit deadline if such Qualifying Transaction Meeting is required. Participants through CDS Clearing and Depositary Services Inc. ("**CDS**") may have earlier deadlines for accepting deposits of Restricted Voting Units for redemption. If a CDS participant's deadline is not met by a holder of Restricted Voting Units, such holder's Restricted Voting Units may not be eligible for redemption.

Our Founders will not be entitled to redeem the Founders' Proportionate Voting Units (as defined in the Prospectus) or Class B Units (including their underlying securities) in connection with a Qualifying Transaction or an extension to the Permitted Timeline or entitled to access the escrow account should a Qualifying Transaction not occur within the Permitted Timeline, as further described in the Prospectus. Our Founders (including our Sponsors) will, however, participate in any liquidation distribution with respect to any Restricted Voting Units they acquired in connection with the Offering through possible purchases on the secondary market.

Outstanding Units

As of the date of this report, the REIT LP had 22,500,000 Class A Restricted Voting Units, 524,500 Class B Units and 57,562 Proportionate Voting Units issued and outstanding. In addition, the REIT LP had an aggregate of 23,027,000 Rights issued and outstanding.

Subversive Real Estate Acquisition REIT LP

Management's Discussion and Analysis

As at December 31, 2019

And for the period from inception on November 12, 2019 to December 31, 2019

(Expressed in U.S. dollars)

Management's Discussion & Analysis

The following discussion of performance, financial condition and future prospects of Subversive Real Estate Acquisition REIT LP (the "**REIT LP**", "**we**", "**our**" or "**us**") should be read in conjunction with the audited financial statements ("**Audited Financial Statements**") for the period from inception on November 12, 2019 to December 31, 2019 and the accompanying notes thereto.

This Management's Discussion and Analysis ("**MD&A**") has been prepared with an effective date of February 12, 2020. The Audited Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("**IFRS**") and with interpretation of the International Financial Reporting Interpretations Committee ("**IFRIC**"). The REIT LP's financial information is expressed in United States dollars unless otherwise specified. In addition to reviewing this MD&A, readers are encouraged to read our public information filings available on the REIT LP's profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

Cautionary Statement Regarding Forward-Looking Statements

This document may contain "forward-looking statements" (as defined under applicable securities laws). These forward-looking statements relate to future events or future performance including with respect to our objectives and priorities for fiscal year 2020 and beyond, and strategies or further actions with respect to the REIT LP, a Qualifying Transaction (as defined below) and the REIT LP's business operations, financial performance and condition.

Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target", "intend", "could" or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and many factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating forward-looking statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions and the risks and uncertainties discussed in the section entitled "Risk Factors" in our initial public offering prospectus dated December 23, 2019 (the "**Prospectus**").

The forward-looking statements contained in this MD&A is presented for the purpose of assisting investors in understanding business and strategic priorities and objectives of the REIT LP as at the periods indicated and may not be appropriate for other purposes. Forward-looking statements contained in this MD&A are not guarantees of future performance and, while forward-looking statements are based on certain assumptions that we consider reasonable, actual events and results could differ materially from those expressed or implied by forward-looking statements made by us. Readers are cautioned to consider these and other factors carefully when making decisions with respect to the REIT LP and not place undue reliance on forward looking statements. Circumstances affecting us may change rapidly. Except as may be expressly required by applicable law, the REIT LP does not undertake any obligation to update publicly or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.

Nature of Activities

The REIT LP is a newly established limited partnership formed under the *Limited Partnerships Act* (Ontario) for the purpose of effecting, directly or indirectly, an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, equity exchange, asset acquisition, equity purchase, reorganization, or any other similar business combination involving the REIT LP (a “**Qualifying Transaction**”). The REIT LP is a special purpose acquisition corporation (“**SPAC**”) for purposes of the rules of the Neo Exchange Inc. (the “**NEO**”). The REIT LP was established on November 12, 2019. The REIT LP’s head office is located at 135 Grand Street, 2nd Floor, New York, New York 10013 and its registered office is located at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7, Canada.

The REIT LP intends to focus its search for target real estate businesses and/or assets that are involved in the cannabis industry and/or related sectors; however, it is not limited to the acquisition of cannabis-related real estate businesses and/or assets or to a particular geographic region and may acquire other classes of real estate businesses and/or assets and/or non-real estate businesses or assets for purposes of completing its Qualifying Transaction. The REIT LP is targeting a Qualifying Transaction that will aggregate a portfolio of properties with an estimated aggregate enterprise value of between U.S.\$200 million and U.S.\$650 million.

Subversive Real Estate Acquisition REIT (GP) Inc. (the “**General Partner**”) is the general partner of the REIT LP. The General Partner was incorporated under the laws of British Columbia on November 5, 2019. The General Partner’s head office is located at 135 Grand Street, 2nd Floor, New York, New York 10013 and its registered office is located at 700 West Georgia Street, Suite 2500, Vancouver, British Columbia V7Y 1B3. The amended & restated limited partnership agreement (the “**A&R LP Agreement**”) of the REIT LP provides for the management and control of the REIT LP by the General Partner. A copy of the A&R LP Agreement can be obtained on SEDAR at www.sedar.com.

The REIT LP’s business activities are carried out in a single business segment.

Significant Events

On November 12, 2019, the REIT LP issued the general partner interest to the General Partner in exchange for proceeds of U.S.\$10.00. On November 12, 2019, the REIT LP issued one proportionate voting unit (a “**Proportionate Voting Unit**”) to Subversive Real Estate Sponsor LLC (“**Subversive Sponsor**”) in exchange for proceeds of U.S.\$1.00.

On December 31, 2019, Subversive Sponsor, a limited liability company incorporated under the laws of Delaware, Inception Altanova Sponsor, LLC, a limited liability company incorporated under the laws of Delaware (“**Inception Sponsor**”), CG Investments Inc. IV, a corporation incorporated under the laws of the province of Ontario (“**CG IV**”) and together with Subversive Sponsor and Inception Sponsor, the “**Sponsors**”) and the General Partner’s directors and officers, Michael Auerbach, Leland Hensch, Richard Acosta, Omar Mangalji, Scott Baker, Octavio Boccalandro, Craig Hatkoff, Anne Sullivan, Eric Clarke, Michael Miller, Dylan Marcoot and Dylan Hart (collectively with the Sponsors, the “**Founders**”) purchased an aggregate of 58,820 Proportionate Voting Units of the REIT LP at approximately U.S.\$0.425 per Proportionate Voting Unit, for total proceeds of U.S.\$25,000.

Selected Annual Financial Information

The following table summarizes the relevant financial data for our business and should be read with the Audited Financial Statements. Only the following balance sheet information is presented, as the REIT LP has not had any significant operations to date. There is no comparative period available as the REIT LP was established on November 12, 2019.

Cash	\$25,011
Capital	\$25,011

Results of Operations

The REIT LP had no operations for the period November 12, 2019 to December 31, 2019.

The REIT LP has not conducted commercial operations from its formation on November 12, 2019 to December 31, 2019, except the receipt of the proceeds and the issuance of the securities noted above. Accordingly no statement of operations has been presented.

Liquidity and Capital Resources

On November 12, 2019, the REIT LP issued a general partner interest to the General Partner in exchange for proceeds of U.S.\$10.00. On November 12, 2019, the REIT LP issued one Proportionate Voting Unit to Subversive Sponsor. On December 31, 2019, the REIT LP issued 58,820 Proportionate Voting Units of the REIT LP to the Founders at approximately U.S.\$0.425 per Proportionate Voting Unit for aggregate proceeds of U.S.\$25,000.

As at December 31, 2019, we had cash of U.S.\$25,011 which is available to fund our working capital requirements, including any further transaction costs that may be incurred. We expect to generate negative cash flow from operating activities in the future until our Qualifying Transaction is completed and we commence revenue generation. Management seeks to ensure that our operational and administrative costs are minimal prior to the completion of a Qualifying Transaction, with a view to preserving the REIT LP's working capital.

As the Offering (as defined below) has been closed, the REIT LP is confident that it will be able to finance its operations primarily through the issuance of class A restricted voting units and class B units. Please see "Subsequent Events" below.

To the extent that the REIT LP may require funding for general ongoing expenses or in connection with sourcing a proposed Qualifying Transaction that is over and above the funds raised prior to and concurrently with the Offering, the REIT LP may obtain such funding by way of unsecured loans from the Sponsors and/or their affiliates, which loans would, bear interest at no more than the prime rate plus 1%. The Sponsors would not have recourse under such loans against the Escrow Account (as defined below), and thus the loans would not reduce the value of such Escrow Account.

Otherwise, and subject to any relief granted by the NEO, the REIT LP may seek to raise additional funds through a rights offering in respect of units available to its unitholders, in accordance with the requirements of applicable securities legislation, and subject to placing the required funds raised in the Escrow Account in accordance with applicable NEO rules.

Proposed Transactions

Although the REIT LP has commenced the process of identifying potential acquisitions with a view of completing a Qualifying Transaction, the REIT LP has not entered into a definitive agreement with respect thereto.

Significant Accounting Policies and Critical Accounting Estimates

For further information about the accounting policies used by the REIT LP, please refer to the Audited Financial Statements and notes thereto for the period ended December 31, 2019, which have been prepared in accordance with IFRS and with interpretation of the IFRIC.

The preparation of Audited Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Audited Financial Statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments

Fair value of financial instruments

The REIT LP held cash in trust of \$25,011 and the carrying amounts of this balance approximate the fair values due to the short-term nature of the instruments.

Off-Balance Sheet Transactions

The REIT LP has no off-balance sheet arrangements.

Related Party Transactions

There were no related party transactions during the period as the REIT LP was recently established.

Future Accounting Changes

There are no future accounting changes that are expected to impact the financial statements of the REIT LP.

Subsequent Events

On January 8, 2020, the REIT LP closed its initial public offering (the “**Offering**”) of 20,000,000 Class A Restricted Voting units (the “**Class A Restricted Voting Units**”) at U.S.\$10.00 per Class A Restricted Voting Unit, for gross proceeds of U.S.\$200,000,000. Each Class A Restricted Voting Unit consists of one restricted voting unit of the REIT LP (each, a “**Restricted Voting Unit**”) and one right of the REIT LP (each, a “**Right**”). Each Restricted Voting Unit, unless previously redeemed, will be automatically renamed “Limited Partnership Units” following the closing of a Qualifying Transaction. Each Right represents the entitlement to automatically receive, for no additional consideration, one-eighth (1/8) of one Restricted Voting Unit (which at such time will represent one-eighth (1/8) of a Limited Partnership Unit, subject to adjustment under the terms of the Qualifying Transaction). The REIT LP’s Class A Restricted Voting Units commenced trading on the NEO under the symbol SVX.UN on January 8, 2020. The Class A Restricted Voting Units will separate into Restricted Voting Units and Rights on February 18, 2020, being 40 days following the closing of the Offering, and will trade under the symbols “SVX.U” and “SVX.RT.U”, respectively.

In connection with the Offering, the REIT LP granted the underwriters a 30-day non-transferable option to purchase up to an additional 3,000,000 Class A Restricted Voting Units, at a price of U.S.\$10.00 per Class A Restricted Voting Unit, to cover over-allotments, if any, and for market stabilization purposes. The underwriters partially exercised the over-allotment option and acquired 2,500,000 Class A Restricted Voting Units on January 23, 2020. Due to the partial exercise of the over-allotment option, an aggregate of 1,259 Proportionate Voting Units were relinquished without compensation by the Sponsors on January 23, 2020. As a result, following the exercise of the over-allotment option and relinquishment of the 1,259 Proportionate Voting Units, the Founders own an aggregate of 57,562 Proportionate Voting Units (excluding Proportionate Voting Units underlying the Class B Units).

Concurrent with Closing, the Sponsors purchased an aggregate of 512,000 class B units (“**Class B Units**”) at an offering price of U.S.\$10.00 per Class B Unit, for gross proceeds of U.S.\$5,120,000. Each Class B Unit consists of 1/100 of a Proportionate Voting Unit and one Right. In connection with the partial exercise of the over-allotment, the Sponsors purchased an aggregate of 12,500 additional Class B Units, for additional gross proceeds of U.S.\$125,000.

The proceeds of U.S.\$225,000,000 from the Offering and over-allotment are held by Olympia Trust Company, as escrow agent, in an escrow account at a Canadian chartered bank (the “**Escrow Account**”) or subsidiary thereof, in accordance with the escrow agreement. Subject to applicable law and payment of certain taxes, permitted redemptions and certain expenses, as further described herein, none of the funds held in the Escrow Account will be released to the REIT LP prior to the closing of a Qualifying Transaction. The escrowed funds will be held to enable the REIT LP to (i) satisfy redemptions made by holders of Restricted Voting Units (including in the event of a Qualifying Transaction or an extension to the Permitted Timeline (as defined in the Prospectus) or up to 15 months with unitholders approval from the holders of Restricted Voting Units and the General Partner’s board of directors, or in the event a Qualifying Transaction does not occur within the Permitted Timeline), (ii) fund a Qualifying Transaction with the net proceeds following payment of any such redemptions and deferred underwriting commissions, and/or (iii) pay taxes on amounts

earned on the escrowed funds and certain permitted expenses. Such escrowed funds and all amounts earned, subject to such obligations and applicable law, will be assets of the REIT LP.

If we are unable to consummate a Qualifying Transaction within the Permitted Timeline of 12 months from the closing date of the Offering (the “**Closing Date**”) (or 15 months from the Closing Date if we have executed a definitive agreement for a Qualifying Transaction within 12 months from the Closing Date but have not completed the qualifying transaction within such 12-month period), we will be required to redeem each of the outstanding Restricted Voting Units, for an amount per unit, payable in cash, equal to the pro-rata portion (per Restricted Voting Unit) of: (A) the escrowed funds available in the escrow account, including any interest and other amounts earned thereon, less (B) an amount equal to the total of (i) any applicable taxes payable by the REIT LP on such interest and other amounts earned in the escrow account, and (ii) up to a maximum of U.S.\$50,000 of interest and other amounts earned from the proceeds in the escrow account to pay actual and expected winding-up expenses and certain other related costs (as described in the Prospectus), each as reasonably determined by the General Partner. In such event, the Rights will expire and be worthless. The underwriters of the Offering will have no right to the deferred underwriting commission held in the escrow account in such circumstances.

Such Permitted Timeline, however, could be extended to up to 36 months with unitholder approval, by ordinary resolution of holders of Restricted Voting Units, with approval by the board of directors of the General Partner. If such approvals are obtained, holders of Restricted Voting Units, irrespective of whether such holders voted for or against, or did not vote on, the extension of the Permitted Timeline, would be permitted to deposit all or a portion of their units for redemption prior to the second business day before the meeting of the holders of Restricted Voting Units in respect of the extension. Upon the requisite approval of the extension of the Permitted Timeline, and subject to applicable law, we will be required to redeem such Restricted Voting Units so deposited at an amount per unit, payable in cash, equal to the pro-rata portion (per Restricted Voting Unit) of: (A) the escrowed funds available in the escrow account at the time of the meeting in respect of the extension, including any interest and other amounts earned thereon, less (B) an amount equal to the total of (i) any applicable taxes payable by the REIT LP on such interest and other amounts earned in the escrow account; and (ii) actual and expected expenses directly related to the redemption, each as reasonably determined by the General Partner. For greater certainty, such amount will not be reduced by the deferred underwriting commission per Restricted Voting Unit held in the escrow account.

Consummation of the Qualifying Transaction will require approval by a majority of the General Partner’s directors unrelated to the Qualifying Transaction. In connection with seeking to complete a Qualifying Transaction, we will provide holders of our Restricted Voting Units with the opportunity to redeem all or a portion of their Restricted Voting Units, provided that they deposit their units for redemption prior to the deadline specified by the REIT LP, following public disclosure of the details of the Qualifying Transaction and prior to the closing of the Qualifying Transaction, of which prior notice had been provided to the holders of the Restricted Voting Units by any means permitted by the Exchange, not less than 21 days nor more than 60 days in advance of such deadline, in each case, with effect, subject to applicable law, immediately prior to the closing of our Qualifying Transaction, for an amount per unit, payable in cash, equal to the pro-rata portion (per Restricted Voting Unit) of: (A) the escrowed funds available in the escrow account at the time immediately prior to the redemption deposit deadline, including interest and other amounts earned thereon; less (B) an amount equal to the total of (i) any applicable taxes payable by the REIT LP on such interest and other amounts earned in the escrow account, and (ii) actual and expected expenses directly related to the redemption, each as reasonably determined by the General Partner, subject to the limitations described in the Prospectus. For greater certainty, such amount will not be reduced by the deferred underwriting commission per Restricted Voting Unit held in escrow. If approval of the Qualifying Transaction by unitholders is otherwise required under applicable law, holders of Restricted Voting Units shall have the option to redeem their Restricted Voting Units irrespective of whether they vote for or against, or do not vote on, the Qualifying Transaction at any meeting of the REIT LP’s unitholders to be held, if required under applicable law, to vote on our Qualifying Transaction (a “**Qualifying Transaction Meeting**”), as further described in the Prospectus under “Qualifying Transaction – Redemption Rights” and “Description of Securities – Restricted Voting Units and Proportionate Voting Units” in the Prospectus. Holders of Restricted Voting Units will be given not less than 21 days’ notice of the Qualifying Transaction Meeting (if such meeting is required under applicable law) and of the corresponding redemption deposit deadline if such Qualifying Transaction Meeting is required. Participants through CDS Clearing and Depository

Services Inc. (“CDS”) may have earlier deadlines for accepting deposits of Restricted Voting Units for redemption. If a CDS participant’s deadline is not met by a holder of Restricted Voting Units, such holder’s Restricted Voting Units may not be eligible for redemption.

Our Founders will not be entitled to redeem the Founders’ Proportionate Voting Units (as defined in the Prospectus) or Class B Units (including their underlying securities) in connection with a Qualifying Transaction or an extension to the Permitted Timeline or entitled to access the escrow account should a Qualifying Transaction not occur within the Permitted Timeline, as further described in the Prospectus. Our Founders (including our Sponsors) will, however, participate in any liquidation distribution with respect to any Restricted Voting Units they acquired in connection with the Offering through possible purchases on the secondary market.

Outstanding Units

As of the date of this MD&A, the REIT LP had 22,500,000 Class A Restricted Voting Units, 524,500 Class B Units and 57,562 Proportionate Voting Units issued and outstanding. In addition, the REIT LP had an aggregate of 23,027,000 Rights issued and outstanding.

Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting as defined in National Instrument 52-109 – Certification of Disclosure in Issuers’ Annual and Interim Filings. As the REIT LP became a reporting issuer on December 23, 2019, the REIT LP has elected to file the alternative form of Chief Executive Officer and Chief Financial Officer interim certificates under Form 52-109F1 IPO/RTO. This filing option is available to the REIT LP under NI 52-109 as this period is the REIT LP’s first financial period ended since it became a reporting issuer.

Managing Risk

Except as otherwise disclosed in this MD&A and in the Audited Financial Statements, there have been no significant changes to the nature and scope of the risks faced by the REIT LP as described in the Prospectus, which is available on the REIT LP’s profile on SEDAR at www.sedar.com. Such business risks should be considered by interested parties when evaluating the REIT LP’s performance and its outlook.

APPENDIX B
INCEPTION REIT FINANCIAL STATEMENTS

The unaudited interim financial statements of Inception REIT, Inc. and Subsidiaries for the second quarter of 2020	B-2
The audited consolidated annual financial statements of Inception REIT, Inc. and Subsidiaries as of December 31, 2019 and 2018, together with the notes thereto and the auditors' report thereon.....	B-17
The management's discussion and analysis of financial condition and results of operations of Inception REIT, Inc.	B-42

INCEPTION REIT, INC. AND SUBSIDIARIES

INTERIM FINANCIAL STATEMENTS

SECOND QUARTER 2020

(UNAUDITED)

INCEPTION REIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

As At (In United States Dollars)	Note	June 30, 2020	December 31, 2019
Assets			
Non-current asset			
Investment properties	5	\$ 13,300,000	\$ 13,650,000
Loan receivable, net	6	1,382,213	1,381,168
		14,682,213	15,031,168
Current assets			
Other Assets	7	191,012	13,959
Prepaid Expenses		74,140	142,314
Tenant and other receivables		306,502	276,477
Cash and cash equivalents		534,856	807,332
		1,106,510	1,240,082
Total assets		\$ 15,788,723	\$ 16,271,250
Liabilities			
Non-current liabilities			
Notes Payable	8	1,953,677	-
Security deposits		216,719	216,719
		2,170,396	216,719
Current liabilities			
Notes Payable	8	\$ 3,010,112	\$ 5,107,014
Accounts Payable and accrued liabilities		710,071	736,561
Total liabilities		5,890,579	6,060,294
Equity			
Unitholders' equity	14	5,049,464	5,142,911
Non-controlling interests	13	4,848,680	5,068,045
Total equity		9,898,144	10,210,956
Total liabilities and equity		\$ 15,788,723	\$ 16,271,250

The accompanying notes are an integral part of the condensed consolidated financial statements

Approved by the Board

/s/ David A Karp _____, Director

/s/ Thomas Christopoul _____, Director

INCEPTION REIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)

<i>(In United States Dollars)</i>		Note		Three Months ended		Six Months ended	
For the periods ended June 30,				2020	2019	2020	2019
Rental revenue	9	\$	445,580	\$	185,800	\$	885,022
Property expense	11		(42,716)		(38,018)		(91,391)
		\$	402,864	\$	147,782	\$	793,631
Fair value adjustment on investment properties	5		150,000		-		(350,000)
Total income from investment properties		\$	552,864	\$	147,782	\$	443,631
							\$ 129,222
Interest income	6		42,523		54,650		85,046
Total income		\$	595,387	\$	202,432	\$	528,677
							\$ 226,397
Expenses							
General and administrative expense	10	\$	(256,673)	\$	(144,996)	\$	(434,344)
Asset management fee to affiliate	12		(17,036)		(11,598)		(33,819)
Interest expense			(141,021)		(105,463)		(241,941)
Total expenses		\$	(414,730)	\$	(262,057)	\$	(710,104)
Net income (loss) and comprehensive income (loss)		\$	180,657	\$	(59,625)	\$	(181,427)
							\$ (74,646)
Net income (loss) and comprehensive income (loss) attributable to:							
Unitholders		\$	93,838	\$	(59,625)	\$	(32,983)
Non-controlling interests	13		86,819		-		(148,444)
Net income (loss) attributable to Inception REIT		\$	180,657	\$	(59,625)	\$	(181,427)
							\$ (74,646)

The accompanying notes are an integral part of the condensed consolidated financial statements

INCEPTION REIT, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

<i>(In United States Dollars)</i>	Note	Number of Shares	Amount	Contributed Surplus	Accumulated Income (Deficit)	Non-controlling interests	Syndication Costs	Total Equity
Balance at December 31, 2019	14	361,501	\$ 3,615	\$ 4,631,395	\$ 507,901	\$ 5,068,045	\$ -	\$ 10,210,956
Issuance of common shares	14	66	1	659	-	-	-	\$ 660
Issuance of Series B preferred shares	14	74	1	73,999	-	-	-	\$ 74,000
Distributions to non-controlling interests	14	-	-	-	-	(70,921)	-	\$ (70,921)
Income allocation to non-controlling interests	13	-	-	-	-	(148,444)	-	\$ (148,444)
Distributions on preferred and common shares	14	-	-	-	(118,124)	-	-	\$ (118,124)
Syndication Costs	-	-	-	-	-	-	(17,000)	\$ (17,000)
Net income and comprehensive income for the period	-	-	-	-	(32,983)	-	-	\$ (32,983)
Balance at June 30, 2020	-	361,641	\$ 3,617	\$ 4,706,053	\$ 356,794	\$ 4,848,680	\$ (17,000)	\$ 9,898,144

	Note	Number of Shares	Amount	Contributed Surplus	Accumulated Income (Deficit)	Non-controlling interests	Syndication Costs	Total Equity
Balance at December 31, 2018	14	173,800	\$ 1,738	\$ 2,756,262	\$ (88,220)	\$ -	\$ -	\$ 2,669,780
Issuance of common shares	14	182,508	1,825	1,823,256	-	-	-	\$ 1,825,081
Distributions on preferred and common shares	14	-	-	-	(66,750)	-	-	\$ (66,750)
Net income and comprehensive income for the period	-	-	-	-	(74,646)	-	-	\$ (74,646)
Balance at June 30, 2019	-	356,308	\$ 3,563	\$ 4,579,518	\$ (229,616)	\$ -	\$ -	\$ 4,353,465

The accompanying notes are an integral part of the condensed consolidated financial statements

INCEPTION REIT, INC AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

For the periods ended June 30 (In United States Dollars)	Note	Six months ended	
		2020	2019
Cash generated from (used for): Operating Activities			
Net income/(loss)		\$ (181,427)	\$ (74,646)
Add/(Deduct):			
Fair value adjustments on investment properties	5	\$ 350,000	\$ -
Amortization of financing costs included in interest expense		53,691	-
Amortization of deferred loan fees included in interest expense		-	(3,070)
Amortization of loan fees included in interest revenue		(1,045)	-
Share-based payments		84,364	128,330
Changes in net assets and liabilities		-	-
Tenant and other receivables		(30,025)	(202,538)
Other assets		28,174	21,815
Due from affiliate		(137,053)	(870)
Security deposits		-	40,000
Accounts payable and accrued expenses		(110,834)	137,536
Cash generated from (used for) operating activities		\$ 55,845	\$ 46,557
Investing activities			
Addition to investment properties	5	\$ -	\$ (4,675,034)
Disbursement of loan receivables	6	-	(3,040,000)
Cash used for investing activities		\$ -	\$ (7,715,034)
Financing activities			
Proceeds from notes payables	8	\$ 2,000,000	\$ 5,000,000
Principal repayments of secured notes payable		(2,079,732)	(83,078)
Proceeds from issuance of common stock	14	640	1,753,000
Proceeds from issuance of preferred stock	14	74,000	-
Dividends paid on common stocks	14	(51,374)	-
Dividends paid on preferred stocks	14	(66,750)	(66,750)
Distributions to non-controlling interests	14	(70,921)	-
Payment of financing costs related to secured notes payable		(117,184)	-
Payments of syndication costs		(17,000)	-
Cash used generated from financing activities		\$ (328,321)	\$ 6,603,172
Cash generated from (used for) the period		(272,476)	(1,065,305)
Cash and cash equivalents, beginning of period		807,332	1,384,729
Cash and cash equivalents, end of period		\$ 534,856	\$ 319,424
Supplemental disclosure of cash flow information			
Cash paid for interest		\$ 36,842	\$ 1,954
Supplemental disclosure of noncash financing activities			
Acquisition of investment property through issuance of debt		\$ -	\$ 2,858,891
Dividend declared on preferred stock		\$ 33,375	\$ 33,375
Dividend declared on common stock		\$ 51,374	\$ -

The accompanying notes are an integral part of the condensed consolidated financial statements

INCEPTION REIT, INC. AND SUBSIDIARIES

NOTES TO THE UNAUDITED INTERIM PERIOD CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(In the United States dollars, unless otherwise noted)

Note 1. Nature and Description of the Trust

Inception REIT, Inc., a Maryland corporation, (the "Company") was formed on July 18, 2018 (inception), according to its charter ("the Charter"). The Company was organized primarily to, directly or through one or more subsidiaries, originate, invest in and manage a portfolio of cannabis real estate-related assets, including (1) debt securities such as commercial mortgages, mortgage loan participations, commercial mortgage-backed securities and debt securities issued by other real estate companies, (2) mezzanine loans, bridge loans, (3) certain equity securities such as common stocks, preferred stocks and convertible preferred securities of public or private real estate companies such as other real estate investment trusts ("REITs") and other real estate operating companies, and (4) direct ownership of operating real estate properties. The Company is focused on being a one-stop real estate financing solution to the Regulated Cannabis Industry.

On July 19, 2018, Inception REIT, LP (the "Operating Partnership") was formed by the Company, as its general partner. An affiliate of the Company, IA REIT Advisors, LLC (the "Advisor") holds a 0.0% interest in the Operating Partnership as an initial special limited partner. The Advisor is wholly-owned by the Company's sponsor, Inception Altanova, LLC (the "Sponsor"). Subject to certain conditions in the Operating Partnership's limited partnership agreement, a performance participation interest in the Operating Partnership entitles the Advisor to receive an allocation equal to 15% of the Total Return, as defined in the operating agreement. Such allocation will be made annually and accrue monthly.

On December 5, 2018, the Operating Partnership formed a wholly-owned subsidiary, Inception RE Credit Holdings, LLC, ("Credit Holdings") to be the primary real estate loan holding entity.

On April 2, 2019, the Operating Partnership formed a wholly-owned subsidiary, 13310 LMR2A, LLC ("LMR2A"), to acquire and hold ownership of an industrial asset in Desert Hot Springs, California, as further described in Note 5.

On August 30, 2019, the Operating Partnership acquired 100% of the membership interests in Moved 1031, LLC ("Moved"), which holds ownership of a retail asset property in Los Angeles, California in exchange for 405,258 membership units in the Operating Partnership, representing a 46.4% non-controlling interest in the Operating Partnership, as further described in Note 5.

The business affairs of the Company are managed by or under the direction of the Company's board of directors (the "Board"). Subject to certain restrictions and limitations, the Advisor was engaged by the Board to manage day-to-day operations of the Company pursuant to a management agreement dated January 8, 2019.

The head office of the Company is located at 345 N. Maple Drive #205, Beverly Hills, CA 90210.

Note 2. Summary of significant accounting policies

a. Statement of Compliance

These unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The Operating Partnership prepared these interim financial statements for the three and six months ended June 30, 2020 in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting ("IAS 34"). These interim financial statements should be read in conjunction with the 2019 audited annual consolidated financial statements. Other than standards, amendments and interpretations adopted as disclosed in Note 4, these interim financial statements have been prepared using the accounting policies that are described in Note 2 to the Company's 2019 audited annual consolidated financial statements.

The consolidated financial statements of the Company also include the Operating Partnership and its wholly-owned subsidiaries:

- Credit Holdings
- LMR2A
- Moved

All significant intercompany balances and transactions have been eliminated upon consolidation. These unaudited interim period consolidated financial statements were approved for issuance by the Board, on the recommendation of its Audit Committee, on October 14, 2020.

b. Basis of Preparation

The consolidated financial statements are prepared on a historical cost basis except for investment properties, which are measured at fair value.

Although the operations of the Company and its subsidiaries to provide financing and leasing of property to companies operating in the cannabis industry may be legal within certain states, cannabis is an illegal drug under the Controlled Substances Act of the United States of America (the "Act"). Accordingly, the Company could be considered to be participating in an illegal activity under the Act and; therefore, all of the Company's future assets may be at risk of seizure or confiscation by government agencies. However, management believes this is unlikely to occur. Due to the significant business risk involved in leasing to companies operating in the cannabis industry, there is substantial doubt about the Company's ability to continue as a going concern. In addition, cannabis companies may incur significant tax obligations as most of its expenses are non-deductible for U.S. federal income tax purposes due to the illegal nature of its business.

These financial statements are presented in US dollars, which is the Company's functional currency.

Note 3. Impact of COVID 19

Despite the economic headwinds posed by COVID-19, the Company has experienced no disruption in rent and interest payment collections from its tenants and sole borrower. Cannabis has been designated as an "essential business" in California, allowing the Company's portfolio assets to remain open and operational during the pandemic.

It is not possible to forecast with certainty the duration and full scope of the economic impact of COVID-19 and other consequential changes it will have on the Company's business and operations. The financial and real estate markets are in a state of uncertainty associated with the pandemic. The outbreak of COVID-19 is a rapidly evolving situation and the effects on real estate markets are currently unclear. As such, it is difficult to predict the effects both on a near-term and long-term basis. The impact of COVID-19 will be extensive, but will vary by location, property type and general economic conditions.

In preparation of these unaudited interim period condensed consolidated financial statements, the Company has incorporated the potential impact of COVID-19 into its estimates and assumptions that affect the valuation of its investment properties and the reported amount of its results using the best available information as of June 30, 2020. Actual results could differ from those estimates.

Note 4. Future accounting changes

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2020, and accordingly, have not been applied in preparing these consolidated financial statements.

a. IASB annual improvements

In 2020, the IASB issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and the impact on the Company is currently being assessed.

In 2020, the IASB issued 'Annual Improvements to IFRS Standards 2018-2020'. The pronouncement contains amendments to four International Financial Reporting Standards (IFRSs) as a result of the IASB's annual improvements project. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and the impact on the Company is currently being assessed.

In 2020, the IASB issued 'Reference to the Conceptual Framework (Amendments to IFRS 3)' with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and impact on the Company is currently being assessed.

Note 5. Investment properties

As at June 30, 2020, all properties were valued using the 12-month triple –net rent cash flows using the capitalization rates utilized by the qualified independent valuator at December 31, 2019. The Company acquired all their investment properties in 2019 and the fair value of the properties as at June 30, 2020 is \$13,300,000 (December 31, 2019 - \$13,650,000 as valued by a qualified independent valuator).

As at	June 30, 2020		December 31, 2019	
Balance at the beginning of the period	\$	13,650,000	\$	-
Acquisition		-		11,936,958
Fair value adjustment on investment properties		(350,000)		1,713,042
Balance at the end of the period	\$	13,300,000	\$	13,650,000

13310 LMR2A, LLC

On April 26, 2019, the Company acquired an industrial asset in Desert Hot Springs, California for total consideration of \$7,663,570, which consisted of a \$7,358,891 purchase price and \$304,679 in acquisition costs ("LMR2A Property"). The total consideration was allocated to identifiable assets acquired based on their relative fair values at the date of the acquisition. The Company also incurred \$11,260 of initial direct costs associated with the lease which was recorded as part of the acquisition of the identifiable assets.

The total consideration of \$7,663,570 consisted of \$4,804,679 of cash consideration and \$2,858,891 of additional purchase consideration in the form of a promissory note ("Seller Financing Note") at a non-compounding rate of seven percent (7%) per annum. The maturity term on the Seller Financing Note was 175 days. On October 18, 2019, the Company repaid the Seller Financing Note in full with a \$10,000 holdback in accordance with the Pay-off Agreement.

As at June 30, 2020, the Company has used an 11.50% capitalization rate in evaluating the investment property.

The Company views its 13310 LMR2A investment property asset as more insulated from COVID risks given its use – as an indoor greenhouse grow facility – as a critical component in the cannabis supply chain as well as its location – Riverside County – acting as a critical distribution point to the broader Southern California retail market. As a result, the Company has maintained the valuation methodology for 13310 LMR2A for the periods ended March 31, 2020 and June 30, 2020, consistent with prior quarter assessments.

Moved 1031, LLC

The Company acquired 614 Mateo property ("Moved Property") through a share exchange whereby Zevo Drive Holding, LLC, an arms-length third party, contributed all of its equity interest in Moved 1031, LLC to the Company's Operating Partnership, in exchange for 405,258 Class A units of the Operating Partnership valued at \$4,052,580. As a result of this acquisition, Zevo Drive Holding, LLC owns 46.4% equity interest in the Operating Partnership which is recorded as non-controlling interest (see Note 13). In conjunction with the acquisition, the Company incurred an additional \$209,548 in acquisition costs which along with the purchase price were allocated to the identifiable assets acquired based on their relative fair values at the date of acquisition.

As at June 30, 2020, the Company has used an 11.25% capitalization rate in evaluating the investment property.

The property rental income earned by the Company from its investment properties, all of which are leased out under operating leases, amounted to \$391,367 (Q2 2019 - \$185,800) and \$782,734 (six months ended June 30, 2019 - \$185,800) for the three and six months ended June 30, 2020 respectively. For the three and six months ended June 30, 2020, direct operating expenses arising on the investment properties, all of which generated rental income in the year, amounted to \$54,213 (Q2 2019 - \$0) and \$102,288 (six months ended June 30, 2019 - \$0), respectively.

In consideration of the impacts of COVID-19, the Company expects the economic fallout of COVID-19 to be more pronounced in Los Angeles County in comparison to Riverside County. Therefore, the Company has adopted a valuation methodology which considers this uncertainty for the periods ended March 31, 2020 and June 30, 2020 for the Moved 1031 investment property.

Note 6. Loan Receivable

Promissory Note Receivable

On December 17, 2018, Inception RE Credit Holding, LLC provided a \$1.4 million secured promissory note to an arms-length party at an annual interest rate of twelve percent (12%). The maturity term of the promissory note is 10 years from the funding date with the maturity date of December 20, 2028. The note is an interest only loan with interest on the principal amount payable on a monthly basis. The loan is secured by real property in Coachella, California. The balance of the promissory note as at June 30, 2020 is \$1,382,213 (December 31, 2019 - \$1,381,168) and interest receivable is \$14,000 (December 31, 2019 - \$14,000). For the three and six months ended June 30, 2020, interest income on the promissory note was \$42,523 (Q1 2019 - \$54,650) and \$85,046 (YTD 2019 - \$97,175), respectively.

Mortgage Loan Receivable

On June 18, 2019, Inception RE Credit Holding, LLC provided a \$7 million secured mortgage loan to PDX 13635 N. Lombard, LLC ("Lombard Loan Receivable"). The Company funded the first advance of \$3.04 million on June 18, 2019. The Lombard Loan Receivable had a maturity date of June 17, 2024, and was an interest-only loan, with interest receivable monthly at 10% per annum. On October 11, 2019, the Lombard Loan Receivable was repaid in full including the remaining interest of \$9,289 and prepayment penalty of \$30,400 at 1.0% of the principal balance.

On October 11, 2019, in conjunction with the loan payoff, the loan origination fees were fully amortized.

Note 7. Other Assets

As at June 30, 2020, the other assets balance of \$191,012 (2019 - \$13,959) includes due from affiliate of \$137,053 (2019 - \$nil), retainer deposit related to the board's special transaction committee of \$50,000 (2019 - \$nil), preacquisition costs of \$3,959 (2019 - \$3,959) and a refundable deposit related to loan refinancing of \$nil (2019-\$10,000).

Note 8. Notes Payable

As at		June 30, 2020		December 31, 2019
Notes Payable	\$	1,963,789	\$	107,014
Notes payable to related parties		3,000,000		5,000,000
Total	\$	4,963,789	\$	5,107,014

Notes Payable

On November 15, 2019, the Company entered into a commercial premium finance agreement with First Insurance Funding to finance the unpaid premium balance for the corporate insurance policy. The amount financed is \$150,000 at annual interest rate of 7.9% with nine monthly payments of \$13,776 beginning December 15, 2019. The note payable balance as at June 30, 2020 is \$27,282 (December 31, 2019: \$107,014). Interest expense as at June 30, 2020 was \$2,662.

On February 17, 2020, the Company borrowed a \$2.0 million bank first mortgage loan secured by the Moved asset ("Bank Mortgage"). The Bank Mortgage bears interest at an annual rate of five and one-half percent (5.5%) and has a maturity date of February 17, 2025. The Bank Mortgage is payable monthly and is structured as interest-only for the first 12-months and thereafter converts to a 24-month amortization schedule for the remainder of the term. Interest expense as at June 30, 2020 was \$37,583.

Notes payable to related parties

On April 1, 2019, the Company borrowed \$3 million from Bellevue Edgewater Holdings Ltd an affiliate of the Company's Sponsor ("Bellevue Note Payable"). The Bellevue Note Payable bears interest at a rate per annum equal to eight percent (8%) and had an original maturity date of October 1, 2019. On October 1, 2019, the Company obtained an extension on the note with a new extended maturity date of October 1, 2020. For the three and six months ended June 30, 2020, interest expense on Bellevue Note Payable was \$59,836 (Q2 2019 - \$59,178) and \$119,671 (YTD 2019 - \$180,164), respectively.

On June 13, 2019 the Company borrowed \$2 million from an investor of the Company, InReCa Investors, LLC ("InReCa Note Payable"). The InReCa Note Payable bears interest at a rate per annum equal to eight and one-half percent (8.5%) and had an original maturity date of November 30, 2019. On November 30, 2019, the Company obtained an extension on the note with the new extended maturity date of December 21, 2019. On December 21, 2019, the Company obtained a further extension on the note with the new extended maturity date of March 2, 2020. The note was fully repaid on March 2, 2020. For the three and six months ended June 30, 2020,

interest expense on the InReCa Note Payable was \$0 (Q2 2019 - \$8,384) and \$28,333 (YTD 2019 - \$94,082), respectively.

Note 9. Rental Revenue

For the three and six months ended June 30, 2020, the Company recognized total rental income of \$445,580 (Q2 2019 - \$185,800) and \$885,022 (YTD 2019 - \$185,800). This comprised of \$391,367 (Q2 2019 - \$185,800) and \$782,734 (YTD 2019 - \$185,800) of rental income and \$54,213 (Q2 2019 - \$nil) and \$102,288 (YTD 2019 - \$nil) of property tax and insurance recoveries for the three months ended and six months ended June 30, 2020, respectively.

The Company has long-term lease contracts with tenants for space in its properties. Initial lease terms are between 5 to 10 years with an option to extend 5-year terms. The lease contracts provide the tenant to pay the Company base rent plus property tax and insurance recoveries.

Note 10. General and administrative expenses

	Three Months Ended		Six Months Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Legal and other professional	\$ 41,541	\$ 28,991	\$ 43,344	\$ 34,768
Audit and Accounting	60,810	19,255	93,258	42,420
Board compensation	93,750	75,000	187,500	75,000
Marketing	-	1,500	-	1,500
Other	60,572	20,250	110,242	29,218
	\$ 256,673	\$ 144,996	\$ 434,344	\$ 182,906

Note 11. Property expense

For the three and six months ended June 30, 2020, the Company incurred property expenses of \$42,716 (Q2 2019- \$38,018) and \$91,391 (YTD 2019 - \$56,578) which comprised of \$35,632 (Q2 2019 - \$16,809) and \$77,695 (YTD 2019 - \$16,809) of property taxes and property insurance of \$7,083 (Q2 2019 - \$21,409) and \$13,696 (YTD 2019 - \$39,970).

Note 12. Related Party Transactions

During the period, the Company entered into the following transactions with related parties:

The balances due to related party were as follows:

As at	June 30, 2020	December 31, 2019
Note payable to Bellevue (Note 8)	\$ 3,000,000	\$ 3,000,000
Note payable to InReCa LLP (Note 8)	-	2,000,000
Reimbursable expense to IA REIT Advisors, LLC	78,341	90,787
Board Compensation Payable	416,183	228,702
Balances due to related party	\$ 3,494,524	\$ 5,319,489

Advisory Agreement

Asset Management Fee and Reimbursable Expense

The Company obtains asset management services from IA REIT Advisors, LLC (the "Advisor") a wholly-owned subsidiary of Inception Altanova, LLC, the Company sponsor for which the Company incurred \$17,036 (Q2 2019 - \$11,598) and \$33,819 (YTD 2019 - \$11,598) in asset management fees and reimbursable expenses of \$0 (Q2 2019 - \$11,316) and \$63,253 (YTD 2019 - \$19,876).

Organization and Offering Expenses

For the three and six months ended June 30, 2020, there is \$455,290 (Q2 2019 - \$326,485) and \$455,290 (YTD 2019 - \$326,485) of Organization and Offering expenses under the Advisory agreement that are reimbursable to

IA REIT Advisors, LLC in the event that \$25 million of offering proceeds are generated. These amounts have not been accrued as of June 30, 2020.

Compensation for independent directors

The compensation of the Company's independent directors for the three and six months ended June 30, 2020 was \$93,750 (Q2 2019 - \$75,000) and \$187,500 (six months ended June 30, 2019 - \$75,000). For the six months ended 2020 and December 31, 2019, the Company granted 8,601 and 13,331 shares of restricted common stock, respectively to the independent directors as payment for their compensation. As per the Inception REIT Inc. Equity Incentive Plan (the "Plan"), at no time will the aggregate amount of restricted common stock grants to independent directors exceed 2.5% of the Company's outstanding common shares. In the event any grant exceeds the limit, the grant is accrued and will not be issued unless and until such stock issuance does not exceed the limit. For the three and six months ended June 30, 2020 0 (Q2 -2019 2,956) and 2 (December 31, 2019 - 7,338) shares of restricted common stock were issued to the independent directors at a value of \$10 per share. As at June 30, 2020 and December 31, 2019, the Company has accrued Board Compensation Payable of \$416,183 and \$228,703 respectively, which includes 18,342 and 9,743 shares that have not been issued. Restricted Stock may only be resold pursuant to a valid registration.

Note 13. Non-Controlling Interest

The allocation of income or loss between the unitholders and the non-controlling interest is dictated by the income allocation waterfall as outlined in the Operating Partnership's limited partnership agreement. The income allocation provisions include a preferred return to the preferred partnership units owned by the Company which results in an allocation of more income to the Company for the respective reporting period.

	Proportion of ownership held by non-controlling interest		Net income (loss) and comprehensive income (loss) allocated to non-controlling interest		
	As at June 30, 2020	As at June 30, 2019	For the three months ended June 30, 2020	For the three months ended June 30, 2019	
Inception REIT, LP	46.40%	0%	\$ 86,819	\$ -	

	Proportion of ownership held by non-controlling interest		Net income (loss) and comprehensive income (loss) allocated to non-controlling interest		
	As at June 30, 2020	As at June 30, 2019	For the six months ended June 30, 2020	For the six months ended June 30, 2019	
Inception REIT, LP	46.40%	0%	(148,444)	-	

14. Equity

Authorized and outstanding units

The Company is authorized to issue 9,000,000 Class A common shares, 500,000 Series A preferred shares, 100,000 Series F preferred shares, and 75 Series B preferred shares.

The following tables summarize the changes in Common Shares and Preferred Share Units:

	As at June 30, 2020				
	Class A Common shares units	Series A Preferred share units	Series F Preferred share units	Series B Preferred share units	Total
Total outstanding at beginning of year	293,501	20,000	48,000	-	361,501
Units issued common	66	-	-	-	66
Units issued preferred	-	-	-	74	74
Total outstanding at end of period	293,567	20,000	48,000	74	361,641

	As at December 31, 2019				
	Class A Common shares units	Series A Preferred share units	Series F Preferred share units	Series B Preferred share units	Total
Total outstanding at beginning of year	105,800	20,000	48,000	-	173,800
Units issued common	187,701	-	-	-	187,701
Units issued preferred	-	-	-	-	-
Total outstanding at end of period	293,501	20,000	48,000	-	361,501

Effective March 19, 2020, the Company granted cash and stock compensation with a total value of \$93,750 to the independent board members to retain their services as board members. As a result, the Company granted 8,601 shares of restricted common stock of which, under the terms of the grant, 0 of 8,601 shares granted have been issued to the independent directors and are reflected as issued and outstanding.

Proceeds from issuance of common share units were \$660 for the year ended June 30, 2020. This includes \$20 of shares issued to board members pursuant to the board compensation agreement.

Class A Common Share Units

Subject to the preferential rights of the other class or series of share units, the holders of Common share units are entitled to distributions from the Company, whether of net income, net realized capital gains, or other amounts, and in the event of the termination or winding-up of the Company, in the Company's net assets remaining after satisfaction of all liabilities. Each Unit entitles the holder thereof to one vote at all meetings of Unitholders on all matters submitted to a vote, including election of directors. The Units have no conversion, exchange, sinking fund or redemption rights.

Series A Preferred Units

Series A Preferred units rank senior to Common Shares with respect to dividend rights and rights upon voluntary or involuntary liquidation, dissolutions or winding up. With respect to dividends, holders of units of Series A Preferred shares are entitled to receive, when authorized by the board of directors and declared by the Company, cumulative cash dividends from the date of original issue, at a rate of 7.5% per annum of the \$25.00 liquidation preference (equivalent to fixed annual amount of \$1.875 per share of the Series A Preferred Units). In the event of any liquidation, dissolution, winding or sale or merger of the Company, whether voluntarily or involuntarily, each holder of Series A Preferred units is entitled to receive, in preference to the holders of common shares, a per share amount equal to the original issue price of \$25.00, plus all declared but unpaid dividends.

Holders of Series A Preferred share units have no voting rights except if dividends on the Series A Preferred units are in arrears for six or more quarterly periods, the holders will be entitled to vote, at a special meeting called upon or at the next annual meeting.

The Series A preferred units have no stated maturity date and is not subject to mandatory redemption or any sinking fund. The Company is not required to set apart funds to redeem the Series A Preferred units. The units will remain outstanding indefinitely unless the Company decides to redeem the shares at the Company's option or under circumstances where the holders of the Series A Preferred units have a conversion right, such holders decide to convert the Series A Preferred units into Class A common share units.

Series A Preferred shares are convertible into shares of the Company's common units at the option of the holder

beginning one year after its issuance at a conversion ratio based upon the net asset value ("NAV") per share of the common share unit. As of June 30, 2020, no Series A Preferred units were converted to common share units (nil – December 31, 2019).

Series F Preferred Share Units

Series F Preferred units have substantially similar rights as and is on parity with Series A Preferred share units. With respect to dividends, holders of units of Series F Preferred shares are entitled to receive, when authorized by the board of directors and declared by the Company, cumulative share dividends at a rate of 8.00% per annum of the \$25.00 per share liquidation preference (equivalent to the fixed amount of \$2.00 per share of the Series F Preferred units). In the event of any liquidation, dissolution, winding or sale or merger of the Company, whether voluntarily or involuntarily, each holder of Series F Preferred units is entitled to receive, in preference to the holders of common shares, a per share amount equal to the original issue price of \$25.00, plus all declared but unpaid dividends.

The Series F Preferred share units are convertible into shares of the Company's Common Share units at the option of the holder beginning one year after its issuance at the conversion ratio based upon 110% of the NAV per share of the Common Share unit.

Series B Preferred Share Units

On January 29, 2020, the Company raised a net \$57,000 in proceeds from the issuance of 12% Series B Cumulative Non-Voting Preferred Stock from 74 investors that allowed the Company to meet the 100-investor minimum requirement to qualify as a REIT.

Series B Preferred units have substantially similar rights as and is on parity with Series A and F Preferred share units. With respect to dividends, holders of units of Series B Preferred shares are entitled to receive, when authorized by the board of directors and declared by the Company, cumulative share dividends at a rate of 12% per annum of the sum of the \$1,000 purchase price. In the event of any liquidation, dissolution, winding or sale or merger of the Company, whether voluntarily or involuntarily, each holder of Series B Preferred units is entitled to receive, in preference to the holders of common shares, a per share amount equal to the original issue price of \$1,000, plus all declared but unpaid dividends.

The Series B Preferred share units are not convertible into or exchangeable for any other property or securities of the Company.

Distributions on common shares and preferred shares

The following table presents total distributions paid on common share units and preferred share units:

As at	June 30, 2020	December 31, 2019
	Distributions per unit	Distributions per unit
Class A common share units	\$51,374	\$51,351
Series A preferred share units	18,750	28,125
Series F preferred share units	48,000	72,000
Series B preferred share units	-	-

Cash dividends totaling \$33,375 were declared to Series A and Series F preferred stockholders for the period from January 1, 2020 through March 31, 2020. The distributions were paid to preferred stockholders in April of 2020.

On June 22, 2020, the Company's Board declared a distribution of \$0.175 per Unit payable on July 15, 2020 to holders of Class A common share units of record as of June 30, 2020.

On June 22, 2020, the Company's Board declared a distribution of \$0.47 per Unit payable on July 15, 2020 to holders of Series A preferred share units of record as of June 30, 2020.

On June 22, 2020, the Company's Board declared a distribution of \$0.50 per Unit payable on July 15, 2020 to holders of Series F preferred share units of record as of June 30, 2020.

Note 15. Capital Management

The Company manages its loans, common shares and stock options as capital. The Company's objectives when

managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash it holds.

The Company is in compliance with all of its debt and financial covenants as it relates to its loans at June 30, 2020.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Note 16. Financial Risk Management

In the normal course of business, the Company is exposed to financial risk and manages that risk, as follows:

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The primary source of liquidity is net operating income, which is used to finance working capital and capital expenditure requirements, and to meet the Company's financial obligations associated with financial liabilities. Additional sources of liquidity are debt and equity financing, which is used to fund additional operating and other expenses and retire debt obligations, if any, at their maturity.

If the Company is unable to satisfy its current liabilities through suitable agreements for debt refinancing, equity financing or other measures, planned operations could be scaled back and a portion of the Company's assets could be sold.

With the exception of the Bank Mortgage, the contractual maturities of the Company's financial liabilities are all current and due within one year. The amount of interest associated with the Company's financial liabilities is approximately \$121,000.

Credit Risk

Credit risk rises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, the stated amount is typically the gross carrying amount, net of any amounts offset and any impairment losses. As of the date of these financial statements, the Company's principal debtors are the Company's tenants who may experience financial difficulty and be unable to meet their rental obligations. The Company mitigates its risk of credit loss with respect to tenants by evaluating credit worthiness of new tenants, obtaining security deposits wherever permitted by legislation and obtaining parental guarantees of leases.

Market Risk

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. The Company only has fixed rate notes payable. The company does not have any floating rate loans or mortgages and is not exposed to interest rate risk.

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Company does not have any material transactions denominated in foreign currency and is not exposed to foreign currency risk.

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with financial instruments of the Company are not exposed to other price risk.

Note 17. Fair value measurement

The Company has classified and disclosed each fair value measurement based on the fair value hierarchy in accordance with IFRS 13 – Fair Value Measurement. The fair value hierarchy distinguishes between market value data obtained from independent sources and the Company’s own assumptions about market value.

The Financial instruments include cash, accounts receivable, deposits, and notes payable, accounts payable and accrued liabilities are classified at amortized costs. The carrying values of these financial instruments approximate fair value due to their short term nature.

The fair value of investment properties as at June 30, 2020 is \$13,300,000 (December 31, 2019: \$13,650,000). The fair value measurement of the investment properties is based on level 3 inputs.

The fair value of the restricted common shares to the independent directors is based on \$10/per share. The fair value measurement is based on level 3 inputs as the entity is not publicly traded.

The Company’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Note 18. Subsequent Events

On June 30, 2020, the Company granted cash and stock compensation with a total value of \$93,750 to the independent board members to retain their services as board members. As a result, the Company granted 4,383 shares of restricted common stock of which, under the terms of the grant, 0 of 4,383 shares granted have been issued to the independent directors.

On August 10, 2020, the Company’s Board declared a distribution of \$0.175 per share / unit payable by August 31, 2020 to holders of Class A common shares / units of record as of August 18, 2020.

On October 6, 2020, the Company’s Board formally approved the proposed Agreement and Plan of Merger (the “Merger Agreement”), to be entered into among Subversive Real Estate Acquisition REIT LP, a limited partnership established under the Limited Partnerships Act (Ontario) (“Subversive”), SVX HoldCo, Inc., a Delaware corporation and wholly-owned subsidiary of Subversive (“Merger Sub”), and the Stockholders’ Representative (as defined therein), pursuant to which (i) the Company will merge with and into Merger Sub (the “Merger”) with Merger Sub surviving the Merger; (ii) immediately prior to the Effective Time (as defined in the Merger Agreement), each outstanding share of Company Series A Preferred Stock and Company Series F Preferred Stock (collectively, the “Convertible Preferred Stock”) will be cancelled and converted into common stock of the Company; (iii) each outstanding share of common stock of the Company after giving effect to such conversions (“Common Stock”) will be cancelled and converted into the right to receive the merger consideration set forth in the Merger Agreement; and (iv) each outstanding share of Company Series B Preferred Stock (the “Series B Stock,” together with the Convertible Preferred Stock, the “Preferred Stock”) will be redeemed for cash consideration.

On October 12, 2020, the Company’s Board declared a distribution of \$0.175 per share / unit payable by October 15, 2020 to holders of Class A common shares / units of record as of October 12, 2020.

On October 12, 2020, the Company’s Board declared a distribution of \$0.47 per Unit payable on October 15, 2020 to holders of Series A preferred share units of record as of October 12, 2020.

On October 12, 2020, the Company’s Board declared a distribution of \$0.50 per Unit payable on October 15, 2020 to holders of Series F preferred share units of record as of October 12, 2020.

INCEPTION REIT, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Inception REIT, Inc.

Opinion

We have audited the accompanying consolidated financial statements of Inception REIT, Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the year ended December 31, 2019 and the period from inception on July 18, 2018 to December 31, 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

The accompanying consolidated financial statements have been prepared assuming that Inception REIT, Inc. will continue as a going concern. As discussed in Note 1 to the consolidated financial statements, although the nature of Inception REIT, Inc.'s business is legalized within the states in which it operates, it may be considered to be an illegal activity under the Controlled Substances Act of the United States of America. Inception REIT, Inc. is subject to certain significant risks and uncertainties associated with conducting operations subject to conflicting federal, state and local laws in an industry with a complex regulatory environment which is continuously evolving. These risks and uncertainties include the risk that all of Inception REIT, Inc.'s future assets may be subject to seizure or confiscation by governmental agencies and the uncertainty that regulatory changes might adversely affect Inception REIT, Inc.'s operations, or possibly even compel it to cease its operations. These matters raise substantial doubt about Inception REIT, Inc.'s ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.



Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Erez Bahar.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

October 15, 2020

INCEPTION REIT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As At (In United States Dollars)	Note	December 31, 2019	December 31, 2018
Assets			
Non-current asset			
Investment properties	5	\$ 13,650,000	\$ -
Loans receivable, net	6	1,381,168	1,379,073
		15,031,168	1,379,073
Current assets			
Other Assets	7	13,959	-
Prepaid Expenses		142,314	64,522
Tenant and other receivables	8	276,477	-
Cash		807,332	1,384,729
		1,240,082	1,449,251
Total assets		\$ 16,271,250	\$ 2,828,324
Liabilities			
Non-current liabilities			
Security deposits		\$ 216,719	-
		216,719	-
Current liabilities			
Notes Payable	10	5,107,014	\$ 48,966
Accounts Payable and accrued liabilities	9	736,561	109,578
		5,843,575	158,544
Total liabilities		\$ 6,060,294	158,544
Equity			
Unitholders' equity	17	5,142,911	2,669,780
Non-controlling interests	16	5,068,045	-
Total equity		10,210,956	2,669,780
Total liabilities and equity		\$ 16,271,250	\$ 2,828,324

See accompanying notes to the consolidated financial statements.

Nature and Description of the Trust and Going Concern (Note 1)

Subsequent Events (Note 22)

INCEPTION REIT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

<i>(In United States Dollars)</i>	Note	For the year ended December 31, 2019	For the period from inception on July 18, 2018 to December 31, 2018
Rental revenue	11	\$ 986,587	\$ -
Property expense	13	(104,414)	-
		\$ 882,173	\$ -
Fair value adjustment on investment properties	5	1,713,042	-
Total income from investment properties		\$ 2,595,215	\$ -
Interest income and other income	6	329,467	6,170
Total income		\$ 2,924,682	\$ 6,170
Expenses			
General and administrative expense	12	\$ (611,506)	\$ (64,817)
Asset management fee to affiliate	15	(61,238)	-
Interest expense	14	(379,710)	(677)
Total expenses		\$ (1,052,454)	\$ (65,494)
Net income (loss) and comprehensive income (loss)		\$ 1,872,228	\$ (59,324)
Net income (loss) and comprehensive income (loss) attributable to:			
Unitholders		\$ 832,335	\$ (59,324)
Non-controlling interests	16	1,039,893	-
Net income (loss) attributable to Inception REIT		\$ 1,872,228	\$ (59,324)

See accompanying notes to the consolidated financial statements.

INCEPTION REIT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

<i>(In United States Dollars)</i>	Note	Number of Units	Amount	Contributed Surplus	Accumulated Income (Deficit)	Non-controlling interests	Total Equity
Balance at December 31, 2018	17	173,800	\$ 1,738	\$ 2,756,262	\$ (88,220)	\$ -	\$ 2,669,780
Issuance of common shares	17	187,701	1,877	1,875,133	-	-	1,877,010
Contribution from non-controlling interests	5	-	-	-	-	4,052,580	4,052,580
Distributions to non-controlling interests	17	-	-	-	-	(24,428)	(24,428)
Income allocation to non-controlling interests	16	-	-	-	-	1,039,893	1,039,893
Distributions on preferred and common shares	17	-	-	-	(236,214)	-	(236,214)
Net income and comprehensive income for the period		-	-	-	832,335	-	832,335
Balance at Decemeber 31, 2019		361,501	\$ 3,615	\$ 4,631,395	\$ 507,901	\$ 5,068,045	\$ 10,210,956

<i>(In United States Dollars)</i>	Note	Number of Units	Amount	Contributed Surplus	Accumulated Income (Deficit)	Non-controlling interests	Total Equity
Balance at July 18, 2018 (inception)		-	\$ -	\$ -	\$ -	\$ -	\$ -
Issuance of common shares	17	105,800	1,058	1,056,942	-	-	1,058,000
Issuance of Series A preferred shares	17	20,000	200	499,800	-	-	500,000
Issuance of Series F preferred shares	17	48,000	480	1,199,520	-	-	1,200,000
Distributions on preferred and common shares	17	-	-	-	(28,896)	-	(28,896)
Net loss and comprehensive loss for the period		-	-	-	(59,324)	-	(59,324)
Balance at Decemeber 31, 2018		173,800	\$ 1,738	\$ 2,756,262	\$ (88,220)	\$ -	\$ 2,669,780

See accompanying notes to the consolidated financial statements.

INCEPTION REIT, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<i>(In United States Dollars)</i>		For year ended December, 31 2019	For the period from inception on July 18, 2018 to December 31, 2018
	Note		
Cash generated from (used for): Operating Activities			
Net income/(loss)		\$ 1,872,228	\$ (59,324)
Add/(Deduct):			
Fair value adjustments on investment properties	5	\$ (1,713,042)	\$ -
Amortization of financing costs included in interest expense		10,815	-
Amortization of loan fees included in interest revenue		(32,389)	(73)
Share-based payments		133,310	37,500
Changes in net assets and liabilities			
Tenant and other receivables		(276,477)	-
Prepaid expenses		(77,792)	(64,522)
Other assets		(13,959)	-
Security deposits		216,719	-
Accounts payable and accrued expenses		511,211	43,182
Cash generated from (used for) operating activities		\$ 630,624	\$ (43,237)
Investing activities			
Additions to investment properties	5	\$ (5,014,227)	\$ -
Principal repayment on loan receivables	6	\$ 3,040,000	\$ -
Disbursement of loan receivables	6	(3,040,000)	(1,400,000)
Payment of leasing costs		(11,260)	-
Proceeds from real estate loan fees		30,294	21,000
Cash used for investing activities		\$ (4,995,193)	\$ (1,379,000)
Financing activities			
Proceeds from notes payables	10	\$ 5,150,000	\$ 54,211
Principal repayments of secured notes payable		(2,950,843)	(5,245)
Proceeds from issuance of common stock	17	1,803,630	1,058,000
Proceeds from issuance of preferred stock	17	-	1,700,000
Dividends paid on common stocks	17	(51,351)	-
Dividends paid on preferred stocks	17	(129,021)	-
Distributions to non-controlling interests	17	(24,428)	-
Payment of financing costs related to secured notes payable		(10,815)	-
Cash used generated from financing activities		\$ 3,787,172	\$ 2,806,966
Cash generated from (used for) the period		(577,397)	1,384,729
Cash and cash equivalents, beginning of period		1,384,729	-
Cash and cash equivalents, end of period		\$ 807,332	\$ 1,384,729
Supplemental disclosure of cash flow information			
Cash paid for interest		\$ 94,648	\$ 677
Supplemental disclosure of noncash investment and financing activities			
Acquisition of investment properties through issuance of membership interest in operating partnership		\$ 4,052,580	\$ -
Acquisition of investment property through issuance of debt		\$ 2,858,891	\$ -
Dividend declared on preferred stock		\$ 33,375	\$ 28,896
Dividend declared on common stock		\$ 51,363	\$ -

See accompanying notes to the consolidated financial statements.

INCEPTION REIT, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In United States Dollars, unless otherwise noted)

Note 1. Nature and Description of the Trust and Going Concern

Inception REIT, Inc., a Maryland corporation, (the "Company") was formed on July 18, 2018 (inception), according to its charter ("the Charter"). The Company was organized primarily to, directly or through one or more subsidiaries, originate, invest in and manage a portfolio of cannabis real estate-related assets, including (1) debt securities such as commercial mortgages, mortgage loan participations, commercial mortgage-backed securities and debt securities issued by other real estate companies, (2) mezzanine loans, bridge loans, (3) certain equity securities such as common stocks, preferred stocks and convertible preferred securities of public or private real estate companies such as other real estate investment trusts ("REITs") and other real estate operating companies, and (4) direct ownership of operating real estate properties. The Company is focused on being a one-stop real estate financing solution to the Regulated Cannabis Industry.

On July 19, 2018, Inception REIT, LP (the "Operating Partnership") was formed by the Company, as its general partner. An affiliate of the Company, IA REIT Advisors, LLC (the "Advisor") holds a 0.0% interest in the Operating Partnership as an initial special limited partner. The Advisor is wholly-owned by the Company's sponsor, Inception Altanova, LLC (the "Sponsor"). As of December 31, 2019 and 2018, the Sponsor held 6.8% and 18.9% ownership, respectively, of the outstanding common stock in the Company. Subject to certain conditions in the Operating Partnership's limited partnership agreement, a performance participation interest in the Operating Partnership entitles the Advisor to receive an allocation equal to 15% of the Total Return, as defined in the operating agreement. Such allocation will be made annually and accrue monthly.

On December 5, 2018, the Operating Partnership formed a wholly-owned subsidiary, Inception RE Credit Holdings, LLC, ("Credit Holdings") to be the primary real estate loan holding entity.

On April 2, 2019, the Operating partnership formed a wholly-owned subsidiary, 13310 LMR2A, LLC ("LMR2A"), to acquire and hold ownership of an industrial asset in Desert Hot Springs, California, as further described in Note 5.

On August 30, 2019, the Operating Partnership acquired 100% of the membership interests in Moved 1031, LLC ("Moved"), which holds ownership of a retail asset property in Los Angeles, California in exchange for 405,258 membership units in the Operating Partnership, representing a 46.4% non-controlling interest in the Operating Partnership, as further described in Note 5.

The business affairs of the Company are managed by or under the direction of the Company's board of directors (the "Board"). Subject to certain restrictions and limitations, the Advisor was engaged by the Board to manage day-to-day operations of the Company pursuant to a management agreement dated October 15, 2018.

The head office of the Company is located at 345 N. Maple Drive #205, Beverly Hills, CA 90210.

Although the operations of the Company and its subsidiaries to provide financing and leasing of property to companies operating in the cannabis industry may be legal within certain states, cannabis is an illegal drug under the Controlled Substances Act of the United States of America (the "Act"). Accordingly, the Company could be considered to be participating in an illegal activity under the Act and; therefore, all of the Company's future assets may be at risk of seizure or confiscation by government agencies. However, management believes this is unlikely to occur. Due to the significant business risk involved in leasing to companies operating in the cannabis industry, there is substantial doubt about the Company's ability to continue as a going concern. In addition, cannabis companies may incur significant tax obligations as most its expenses are non-deductible for U.S. federal income tax purposes due to the illegal nature of its business.

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. Management estimates that the Company's minimally leveraged assets could be utilized to secure additional financing to discharge its liabilities if need be. Management estimates that the Company has sufficient resources to sustain operations for the next twelve months.

Note 2. Summary of significant accounting policies

a. Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") using the accounting policies that are described herein.

The consolidated financial statements of the Company also include the Operating Partnership and its wholly-owned subsidiaries:

- Credit Holdings
- LMR2A
- Moved

All significant intercompany balances and transactions have been eliminated upon consolidation.

These consolidated financial statements were approved for issuance by the board, on the recommendation of its Audit Committee, on October 14, 2020.

b. Basis of Preparation

The consolidated financial statements are prepared on a historical cost basis except for investment properties, which are measured as fair value.

These financial statements are presented in US dollars, which is the Company's functional currency.

c. Basis of Consolidation

The consolidated financial statements include the accounts of the Company and other entities controlled by the Company (its subsidiaries). Control is achieved when the Company has power over the entity, has exposure, or rights, to variable returns from its involvement with the entity, and has the ability to use its power to affect its return. The Company reassesses control on an ongoing basis.

When the Company does not own all of the equity in a subsidiary, the non-controlling equity interest is disclosed in the consolidated balance sheet as a separate component of total equity. Changes in the Company's ownership interests in subsidiaries that do not result in the Company losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Company's interests and any non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the stockholders of the Company. When the Company loses control of a subsidiary, for example through sale or partial sale, a gain or loss is recognized and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interests.

d. Investment Properties

The Company accounts for its investment properties in accordance with International Accounting Standard ("IAS") 40 Investment Property ("IAS 40"). For acquired investment properties that meet the definition of a business, the acquisition is accounted for as a business combination; otherwise they are initially measured at cost including directly attributable expenses. Subsequent to acquisition, investment properties are carried at fair value.

Investment properties are externally appraised every reporting period and are reported in the consolidated statement of financial position at their fair values. Fair value is based on valuations prepared by a nationally recognized and qualified independent professional appraiser with sufficient experience with respect to both the geographic location and the nature of the investment property and supported by market evidence. Any gain or loss resulting from a change in the fair value of an investment property is immediately recognized in the Consolidated Statements of Income and Comprehensive Income. The fair value of each investment property is based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions at the balance sheet date, less future estimated cash outflows in respect of such properties.

The independent professional appraiser engaged by the Company predominantly uses the direct capitalization method to determine fair value, whereby the income generated from the properties are divided by the capitalization rate. Valuations of investment properties are most sensitive to changes in the capitalization rates.

e. Revenue Recognition

The Company has retained substantially all of the risks and benefits of ownership of its investment properties and therefore accounts for leases with its tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. Generally, this occurs on the lease inception date or, where the Company is required to make additions to the property in the form of tenant improvements that enhance the value of the property, upon substantial completion of those improvements. Property revenue includes all amounts earned from tenants related to lease agreements including property tax, operating cost and other recoveries.

Rental Revenue is recognized when due from tenants under the contractual terms of the leases. Rental revenue from leases with scheduled rent increases and free rent periods are recognized on a straight-line basis over the respective lease term. Reimbursement revenue includes recovery of the tenants' pro rata share of the specified operating expenses.

Interest income is accrued and recognized as revenue when earned according to the terms of the underlying loan and when management determines it is collectible. The accrual of interest on loans is discontinued when management determines the interest is not collectible in the normal course of business, but in all cases when payment becomes greater than 90 days delinquent. The loans return to accrual status when principal and interest become current and are anticipated to be fully collectible. Loan fee revenue is recognized using the effective interest rate method over the term of the related loan.

f. Cash

At times, balances in the Company's cash accounts may exceed FDIC limit. The Company has not experienced any losses in these accounts.

g. Income Taxes

The Company elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended, and has operated as such beginning with its taxable year ended December 31, 2018 and for the taxable year ended December 31, 2019. To qualify as a REIT, the Company must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of the Company's annual REIT taxable income to its stockholders (which is computed without regard to the dividends paid deduction or net capital gain and which does not necessarily equal net income as calculated in accordance with IFRS). As a REIT, the Company generally will not be subjected to federal income tax to the extent it distributes qualifying dividends to its stockholders. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal income tax on its taxable income at regular corporate income tax rates and generally will not be permitted to qualify for treatment as a REIT for federal income tax purposes for the four taxable years following the year during which qualification is lost unless the Internal Revenue Service grants the Company relief under certain statutory provisions. Such an event could materially and adversely affect the Company's net income and net cash available for distribution to stockholders. However, the Company has been organized and operates in such a manner as to qualify for treatment as a REIT.

Even if the Company qualifies as a REIT for U.S. federal income tax purposes, the Company may be subject to some U.S. federal, state and local taxes on its income and property, as well as U.S. federal excise taxes on undistributed income. To the extent the Company is required to pay U.S. federal state or local taxes due to the existing laws or changes to them, it will have less cash available for distribution to its stockholders.

As of December 31, 2019, the Company has concluded that there are no significant uncertain tax positions requiring recognition in its consolidated financial statements. Neither the Company nor its subsidiaries has been assessed interest or penalties by any major tax jurisdictions.

As of the date of the issuance of these consolidated financial statements, the Company has not established any taxable REIT subsidiary ("TRS") or qualified REIT subsidiary ("QRS"), though it may form such entities as required in the future to facilitate certain transactions that might otherwise have an adverse impact on the Company's status as a REIT.

h. Equity Issuance Costs

These costs relate directly to the issuance of share capital by the Company. These costs were paid by the Sponsor on behalf of the Company and will be reimbursed by the Company in the event that \$25 million of offering proceeds are generated. These costs have not been accrued for as of December 31, 2019 and 2018 in the Company's consolidated financial statements, as further described in Note 15.

i. Comprehensive Loss

Comprehensive loss includes all changes in equity of the Company, except those resulting from investments by owners and distributions to owners. Comprehensive loss is the total of net loss and other comprehensive loss. Other comprehensive loss comprises expenses and losses that, in accordance with IFRS, require recognition, but are excluded from net loss. The Company does not have any items giving rise to other comprehensive loss, nor is there any accumulated balance of other comprehensive loss. All gains and losses, including those arising from measurement of all financial instruments have been recognized in net loss for the period.

j. Financial Instruments

Financial assets and liabilities are recognised when the Company becomes a party to the contractual provision of the financial instrument.

Classification and Measurement

Financial assets are classified and measured based on three categories: amortized cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL"). Financial liabilities are classified and measured on two categories: amortized cost or FVTPL. Derivatives embedded in contracts where the host is a financial asset in the scope of IFRS 9, "Financial Instruments" are not separated, but the hybrid financial instrument as a whole is assessed for classification.

The classification and measurement of financial assets based on the Company's business model for managing these financial assets and their contractual cash flow characteristics, is summarized as follows:

- Assets held for the purpose of collecting contractual cash flows that represent solely payments of principal and interest ("SPPI") are measured at amortized cost
- Assets held within a business model where assets are held for both the purpose of collecting contractual cash flows and selling financial assets prior to maturity, and the contractual cash flows represent solely payments of principal and interest, are measured at FVOCI; and
- Assets held within another business model or assets that do not have contractual cash flow characteristics that are SPPI are measured at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, unless the Company identifies changes in its business model in managing financial assets and would reassess the classification of financial assets. All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL.

The following summarizes the classification and measurement of financial assets and liabilities:

<i>Asset/Liability</i>	<i>Classification and Measurement Basis</i>
Tenant and other receivables	Amortized cost
Loans receivable - SPPI	Amortized cost
Cash and cash equivalents	Amortized cost
Note payables	Amortized cost
Accounts payable and accrued liabilities	Amortized cost

Impairment

An allowance for expected credit losses ("ECL") is recognized at each balance sheet date for all financial assets measured at amortized cost or those measured at FVOCI, except for investments in equity instruments. The ECL model requires considerable judgment, including consideration of how changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

Impairment losses, if incurred, would be recorded as expenses in the consolidated statements of income and comprehensive income with the carrying amount of the financial asset or group of financial assets reduced through the use of impairment allowance accounts. In periods subsequent to the impairment where the impairment loss has decreased, and such decrease can be related objectively to conditions and changes in factors occurring after the impairment was initially recognized, the previously recognized impairment

loss would be reversed through the consolidated statement of income and comprehensive income. The impairment reversal would be limited to the lesser of the decrease in impairment or the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized, after the reversal.

Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and for disclosure purposes in these consolidated financial statements is determined on such basis, unless otherwise noted.

The Company measures financial assets and financial liabilities under the following fair value hierarchy. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Determination of fair value and the resulting hierarchy requires the use of observable market data whenever available. The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value.

Acquisition costs, other than those related to financial instruments classified as FVTPL which are expensed as incurred, are capitalized to the carrying amount of the instrument and amortized using the effective interest method.

Derecognition of Financial Instruments

Financial assets are derecognized when the contractual rights to receive cash flows and benefits from the financial asset expire, or if the Company transfers the control or substantially all the risks and rewards of ownership of the financial asset to another party. The difference between the assets carrying amount and the sum of the consideration received and receivable is recognized in net income.

Financial liabilities are derecognized when obligations under the contract expire, are discharged or cancelled. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in net income.

Loan Receivables

The Company's loan receivables would be classified into two categories as incurred: (1) those held for the purpose of collecting contractual cash flows that represent SPPI and are classified and measured at amortized cost; and (2) those do not meet the SPPI criteria that are classified and measured at FVTPL.

Interest income for loan receivables is recognized using the effective interest method. At the end of each reporting period management reviews its SPPI loan receivables to determine whether there is an event or change in circumstance that indicates a possible impairment loss. If such indication exists, the recoverable amount of the asset is estimated in order to measure any impairment loss and an allowance for expected credit losses is recorded.

An impairment indicator is present when there is objective evidence of impairment as a result of one or more events, such as a deterioration in the credit quality of the borrower to the extent that there is a reasonable doubt as to the timely collection of the principal and interest. An impairment loss is recognized if the present value of estimated future cash flows discounted at the original effective interest rate inherent in the loan is less than its carrying value and is measured as the difference between the two amounts. When the amounts and timing of future cash flows cannot be estimated with reasonable reliability, impairment is recognized if either (a) the fair value of the underlying security, net of any realization costs and amounts legally required to be paid to the borrowers, or (b) the observable market price for the loan, is less than the carrying value. The valuation of such amounts is subjective and is based upon assumptions regarding market conditions that could differ materially from actual results in future periods.

Note 3. Critical Accounting Estimates, Assumptions, and Judgments

The following are the critical judgments that have been made in applying the Company's accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

a. Leases

The Company as a lessor

The Company's policy for revenue recognition as a lessor is described in Note 2e. In applying this policy, judgments are made with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased property, which determines whether such amounts are treated as additions to investment property as well as the point in time at which revenue recognition under the lease commences, or constitutes a tenant incentive that is amortized as a reduction of lease revenue over the initial term of the lease.

The Company also makes judgments in assessing the classification of its leases with tenants as operating leases, in particular long-term leases in single tenant properties. The Company has determined that all of its leases are operating leases.

b. Investment properties

The Company applies judgment in determining whether the properties it acquires are considered to be asset acquisitions or business combinations. The Company considers all properties acquired to date to be asset acquisitions.

Judgment is applied in determining whether certain costs are additions to the carrying amount of the investment property.

The Company obtains independent appraisals such that its properties, by value, will be externally appraised for the year-end period.

c. Income taxes

The Company makes judgments that deferred income taxes are not recognized in the Company's financial statements on the basis that the Company can deduct distributions paid such that its liability for income taxes is substantially reduced or eliminated for the period, and the Company intends to continue to distribute its taxable income and continue to qualify as a real estate investment trust for the foreseeable future.

d. Segment information

The assessment of the Corporation as one operating and reportable segment is based on management's judgement that resources allocation decisions and performance assessment associated with its properties are done at a consolidated company.

Note 4. Future accounting changes

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2019, and accordingly, have not been applied in preparing these consolidated financial statements.

a. IASB annual improvements

In 2020, the IASB issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and the impact on the Company is currently being assessed.

In 2020, the IASB issued 'Annual Improvements to IFRS Standards 2018–2020'. The pronouncement contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and the impact on the Company is currently being assessed.

In 2020, the IASB issued 'Reference to the Conceptual Framework (Amendments to IFRS 3)' with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and impact on the Company is currently being assessed.

b. Definition of material

In October 2018, the IASB issued amendments to IAS 1 - Presentation of Financial Statements and IAS - 8

Accounting Policies, Changes in Accounting Estimates and Errors, clarifying the definition of material. Under the amended definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments also clarify the explanations accompanying the definition of material.

The amendments are effective from January 1, 2020 and are required to be applied prospectively. Early application is permitted. The implementation of these amendments is not expected to have a significant impact on the Company.

c. Definition of business

In October 2018, the IASB issued amendments to IFRS 3 - Business Combination. The amendments narrowed and clarified the definition of a business. The amendments will help companies determine whether an acquisition is of a business or a group of assets. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. Distinguishing between a business and a group of assets is important because an acquirer recognizes goodwill only when acquiring a business. The amendments apply to transactions for which the acquisition date is effective the beginning of the first annual reporting period beginning on or after January 1, 2020. Earlier adoption is permitted. The implementation of these amendments is not expected to have a significant impact on the Company.

Note 5. Investment properties

For the year ended December 31, 2019, all properties were valued by a qualified independent valuator, and the Company relied on these professional appraisals to determine the fair value of investment properties. The Company acquired all their investment properties in 2019 and the fair value of the properties as at December 31, 2019 is \$13,650,000.

As At		December 31, 2019
Balance at the beginning of the period	\$	-
Acquisition		11,936,958
Fair value adjustment on investment properties		1,713,042
Balance at the end of the period	\$	13,650,000

13310 LMR2A, LLC

On April 26, 2019, the Company acquired an industrial asset in Desert Hot Springs, California for total consideration of \$7,663,570, which consisted of a \$7,358,891 purchase price and \$304,679 in acquisition costs ("LMR2A Property"). The Company also incurred \$11,260 of initial direct costs associated with the lease which was recorded as part of the acquisition of the identifiable assets.

The total consideration of \$7,663,570 consisted of \$4,804,679 of cash consideration and \$2,858,891 of additional purchase consideration in the form of a promissory note ("Seller Financing Note") at a non-compounding rate of seven percent (7%) per annum. The maturity term on the Seller Financing Note was 175 days. On October 18, 2019, the Company repaid the Seller Financing Note in full with a \$10,000 holdback in accordance with the Pay-off Agreement.

Moved 1031, LLC

The Company acquired 614 Mateo property ("Moved Property") through a share exchange whereby Zevo Drive Holding, LLC, an arms-length third party, contributed all of its equity interest in Moved 1031, LLC to the Company's Operating Partnership, in exchange for 405,258 Class A units of the Operating Partnership valued at \$4,052,580. As a result of this acquisition, Zevo Drive Holding, LLC owns 46.4% equity interest in the Operating Partnership which is recorded as non-controlling interest (see Note 17). In conjunction with the acquisition, the Company incurred an additional \$209,548 in acquisition costs.

The property rental income earned by the Company from its investment properties, all of which are leased out under operating leases, amounted to \$986,587 (2018 - \$nil). Direct operating expenses arising on the investment properties, all of which generated rental income in the year, amounted to \$104,414 (2018 - \$nil).

Valuation Methodology

The appraised fair value of investment properties is most commonly determined using the following methodologies:

- (a) Income capitalization approach- This approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two common valuation techniques associated with the income capitalization approach are direct capitalization and the discounted cash flow (DCF) analysis. The direct capitalization method is normally more appropriate for properties with relatively stable operating histories and expectations. The DCF analysis is more appropriate for investment properties with multiple tenants with roll over exposure.
- (b) Sales Comparison method- This approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject. Valuation is typically accomplished using physical units of comparison such as price per square foot, price per unit, price per floor, etc., or economic units of comparison such as gross rent multiplier. Adjustments are applied to the property units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value.

In accordance with its policy, the Company measures and records its investment properties using valuations under the supervision of Management with the support of an independent external appraiser. The Company's investment properties are revalued by the external appraiser for each reporting period. Management verifies all major inputs to the valuations, analyzes the change in fair values at the end of each reporting period and reviews the results with the independent appraiser every reporting period. There were no material changes to the valuation techniques during the year.

Significant Inputs

There are significant unobservable inputs used, such as capitalization rates, in determining the fair value of each investment property. Accordingly, all investment properties are measured in accordance with the fair value measurement hierarchy levels and the inputs for investment properties comprise Level 3 unobservable inputs, reflecting Management's best estimate of what market participants would use in pricing the asset at the measurement date. Fair values are most sensitive to changes in capitalization rates and stabilized or forecasted Net Operating Income ("NOI"). Generally, an increase in NOI will result in an increase in the fair value of investment properties and an increase in capitalization rates will result in a decrease in the fair value of investment properties.

For December 31, 2019 both properties were valued using the direct capitalization method and the rates used in the modeling process were as follows:

	Overall capitalization rate
LMR2A Property	11.50%
Moved Property	10.14%

The analysis below shows the maximum impact on fair values of possible changes in the capitalization rate assuming no changes in NOI:

Change in capitalization rate of	-0.50%	-0.25%	+0.25%	+0.50%
Increase (decrease) in fair value				
Investment properties	\$641,164	\$317,534	(\$311,879)	(\$618,500)

Note 6. Loans Receivable

Promissory Note Receivable

On December 17, 2018, Inception RE Credit Holding, LLC provided a \$1.4 million secured promissory note to an arms-length party at an annual interest rate of twelve percent (12%). The maturity term of the promissory note is 10 years from the funding date with the maturity date of December 20, 2028. The note is an interest only loan with interest on the principal amount payable on a monthly basis. The loan is secured by real property in Coachella, California. The net balance of the promissory note as at December 31, 2019 is \$1,381,168 (2018: \$1,379,073) and interest receivable is \$14,000 (2018 - \$nil). For year ended December 31, 2019 and the period from July 18, 2018 to December 31, 2018, interest income on the promissory note was \$170,818 and \$6,170, respectively.

Mortgage Loan Receivable

On June 18, 2019, Inception RE Credit Holding, LLC provided a \$7 million secured mortgage loan to PDX 13635 N. Lombard, LLC ("Lombard Loan Receivable"). The Company funded the first advance of \$3.04 million on June 18, 2019. The Lombard Loan Receivable had a maturity date of June 17, 2024, and was an interest-only loan, with interest receivable monthly at 10% per annum. On October 11, 2019, the Lombard Loan Receivable was repaid in full including the remaining interest of \$9,289 and prepayment penalty of \$30,400 at 1.0% of the principal balance.

Interest income on the Lombard Loan Receivable for year ended December 31, 2019 was \$97,956. In conjunction with the Lombard Loan Receivable issuance on June 18, 2019, \$30,294 of loan origination fees were received. On October 11, 2019, in conjunction with the loan payoff, the loan origination fees were fully amortized.

Note 7. Other Assets

For the year ended December 31, 2019, the other assets balance of \$13,959 (2018: \$nil) includes a refundable deposit related to loan refinancing of \$10,000 (2018: \$nil) and other assets of \$3,959 (2018: \$nil).

Note 8. Tenants Receivables and Other Receivables

For the year ended December 31, 2019, the tenants receivables and other receivables balance of \$276,477 (2018: \$nil) includes rent receivable from investment properties of \$245,525 (2018: \$nil), tenant reimbursement of \$16,952 (2018: \$nil) and interest receivable on promissory note receivable of \$14,000 (2018: \$nil).

Note 9. Accounts payable and accrued expenses

As at	December 31, 2019		December 31, 2018	
Trade payables	\$	34,174	\$	-
Dividend payable		84,738		28,896
Board compensation payable		228,702		37,500
Due to related party		90,787		43,182
Accrued interest payable		274,247		-
Accrued admin expense		23,913		-
Total	\$	736,561	\$	109,578

Note 10. Notes Payable

As at	December 31, 2019		December 31, 2018	
Notes Payable	\$	107,014	\$	48,966
Notes payable to related parties		5,000,000	\$	-
Total	\$	5,107,014	\$	48,966

Notes Payable

The Company has a financing agreement with gotoPremiumFinance, payable in monthly installments of \$5,641, including interest of 8.750% per annum, through October 2019, for financed insurance premiums ("Premium Finance Insurance Note Payable"). The outstanding balance of \$54,211 (2018: \$48,966) was fully paid off as at December 31, 2019. For the year ended December 31, 2019 and for the period July 18, 2018 to December 31, 2018, interest expense on the Premium Finance Insurance Note Payable was \$1,804 and \$395, respectively.

On November 15, 2019, the Company entered into a commercial premium finance agreement with First Insurance Funding to finance the unpaid premium balance for the corporate insurance policy. The amount financed is \$150,000 at an annual interest rate of 7.9% with nine monthly payments of \$13,776 beginning December 15, 2019. The note

payable balance as at December 31, 2019 is \$107,014. Interest expense for the year ended December 31, 2019 was \$1,142.

As part of the acquisition of LMR2A Property, the Company secured the Seller Financing Note with Morongo Equity Partners II, LLC for \$2,858,891 on April 26, 2019. The Seller Financing Note was repaid in full on October 18, 2019. For the year ended December 31, 2019, interest expense of \$91,703 was incurred on the Seller Financing Note. To secure the Seller Financing Note, the Company also incurred financing costs of \$10,815 which was fully amortized and included in interest expense upon payoff of the Seller Financing Note.

Notes payable to related parties

On April 1, 2019, the Company borrowed \$3 million from Bellevue Edgewater Holdings Ltd an affiliate to the Company's Sponsor ("Bellevue Note Payable"). The Bellevue Note Payable bears interest at a rate of per annum equal to eight percent (8%) and had an original maturity date of October 1, 2019. On October 1, 2019, the Company obtained an extension on the note with a new extended maturity date of October 1, 2020. For the year ended December 31, 2019, interest expense on Bellevue Note Payable was \$180,164.

On June 13, 2019 the Company borrowed \$2 million from an investor of the Company, InReCa Investors, LLC ("InReCa Note Payable"). The InReCa Note Payable bears interest at a rate of per annum equal to eight and one-half percent (8.5%) and had an original maturity date of November 30, 2019. On November 30, 2019, the Company obtained an extension on the note with the new extended maturity date of December 21, 2019. On December 21, 2019, the Company obtained a further extension on the note with the new extended maturity date of March 2, 2020. The note was fully repaid on March 2, 2020. For the year ended December 31, 2019, interest expense on the InReCa Note Payable was \$94,082.

Note 11. Rental Revenue

For the year-ended December 31, 2019, the Company recognized total rental income of \$986,587 (2018: \$nil) which comprised \$882,013(2018: \$nil) of rental income and \$104,574 (2018: \$nil) of property tax and insurance recoveries.

The Company has long-term lease contracts with tenants for space in its properties. Initial lease terms are between 5 to 10 years with an option to extend 5-year terms. The lease contracts provide the tenant to pay the Company base rent plus property tax and insurance recoveries.

Note 12. General and administrative expenses

	For the year ended December 31, 2019	For the period from Inception on July 18, 2018 to December 31, 2018
Legal and other professional	\$ 85,159	\$ 255
Audit and Accounting	101,574	-
Board compensation	264,583	37,500
Marketing	5,377	-
Travel, Meals and Entertainment	9,793	98
Other	145,020	26,964
	\$ 611,506	\$ 64,817

Note 13. Property expense

For the year-ended December 31, 2019, the Company incurred property expenses of \$104,414 (2018: \$nil) which comprised of \$90,859 (2018: \$nil) of property taxes and property insurance of \$13,555 (2018: \$nil).

Note 14. Interest Expense

		For the year ended December 31, 2019	For the period from Inception on July 18, 2018 to December 31, 2018
Interest on notes payable (Note 10)	\$	368,895	\$ 677
Amortization of financing costs (Note 10)		10,815	-
	\$	379,710	\$ 677

Note 15. Related Party Transactions

During the year, the Company entered into the following transactions with related parties:

The balances due to related party were as follows:

As At		December 31, 2019	December 31, 2018
Note payable to Bellevue (Note 10)	\$	3,000,000	\$ -
Note payable to InReCa LLP (Note 10)		2,000,000	-
Reimbursable expense to IA REIT Advisors, LLC (Note 9)		90,787	43,182
Board Compensation Payable (Note 9)		228,702	37,500
	\$	5,319,489	\$ 80,682

Advisory Agreement**Asset Management Fee and Reimbursable Expense**

The Company obtains asset management services from IA REIT Advisors, LLC (the "Advisor") a wholly-owned subsidiary of Inception Altanova, LLC, the Company sponsor for which the Company incurred \$61,238 (2018: \$nil) in asset management fees and reimbursable expenses of \$90,787 (2018: \$43,182).

Acquisition Fee

In accordance with the Advisory Agreement, the Company incurred \$228,230 of acquisition fees which was paid to the Advisor as 2.0% of the cost of investments acquired. The Company capitalized the acquisition fee in conjunction with the acquisition of Investment Properties. No acquisition fees were incurred during the period from July 18, 2018 to December 31, 2018.

Organization and Offering Expenses

As of December 31, 2019, there is \$631,000 (2018: \$285,000) of Organization and Offering expenses under the Advisory agreement that are reimbursable to IA REIT Advisors, LLC in the event that \$25 million of offering proceeds are generated. These amounts have not been accrued as of December 31, 2019 and 2018.

Subsequent to year end, a settlement was reached with a vendor and the Company and offering expenses incurred by IA REIT Advisors, LLC decreased by approximately \$212,000.

Compensation for independent directors

For the year ended December 31, 2019 and the period from July 18, 2018 (inception) through December 31, 2018, the Company incurred \$264,583 and \$37,500 in compensation to independent board members, respectively, which are included in other expenses on the accompanying consolidated statements of operations. During 2019 and 2018, the Company granted 13,331 and 3,750 shares of restricted common stock, respectively, to the independent board members as payment for their compensation. As per the Inception REIT Inc. Equity Incentive Plan (the "Plan"), at no time will the aggregate amount of restricted common stock grants to independent directors exceed 2.5% of the Company's outstanding common shares. In the event any grant exceeds the limit, the grant is accrued and will not be issued unless and until such stock issuance does not exceed the limit. During 2019, 7,338 shares of restricted common stock were issued to the independent board members at a value of \$10 per share. As at December 31, 2019 and 2018, the Company has accrued Board Compensation Payable of \$228,703 and \$37,500, respectively, which are included in due to affiliates on the consolidated balance sheet. The accrued compensation amounts represent restricted common stock grants that have not been issued of 9,743 and 3,750 shares as at December 31, 2019 and 2018, respectively. Restricted Stock may only be resold pursuant to a valid registration.

Note 16. Non-Controlling Interest

The allocation of income or loss between the unitholders and the non-controlling interest is dictated by the income allocation waterfall as outlined in the Operating Partnership's limited partnership agreement. The income allocation provisions include a preferred return to the preferred partnership units owned by the Company which results in an allocation of more income to the Company for the respective reporting period.

Proportion of ownership held by non-controlling interest		Net loss and comprehensive loss allocated to non-controlling interest	
As at December 31, 2019	As at December 31, 2018	For the year ended December 31, 2019	For the period from inception on July 18, 2018 to December 31, 2018
Inception REIT, LP	46.40%	0%	\$ 1,039,893

The consolidated assets and liabilities of the Company as presented on the statement of Financial Position are all within the scope of the non-controlling interest.

17. Equity

Authorized and outstanding units

The Company is authorized to issue 9,000,000 Class A common shares, 500,000 Series A preferred shares and 100,000 Series F preferred shares.

The following tables summarize the changes in Common Shares and Preferred Share Units:

As at December 31, 2019				
	Class A Common share units	Series A Preferred share units	Series F Preferred share units	Total
Total outstanding at beginning of year	105,800	20,000	48,000	173,800
Units issued common	187,701			187,701
Units issued preferred				
Total outstanding at end of year	293,501	20,000	48,000	361,501

As at December 31, 2018				
	Class A Common share unit	Series A Preferred share units	Series F Preferred share units	Total
Total outstanding at July 18, 2018 (inception)	-	-	-	-
Units issued common	105,800			105,800
Units issued preferred		20,000	48,000	68,000
Total outstanding at end of period	105,800	20,000	48,000	173,800

On October 15, 2018, as part of the Company's formation, the Company issued in a private offering the following shares for a total aggregate investment of \$1,575,000.

- 20,000 common share units with \$0.01 par value per share to Inception Altanova, LLC, at price of \$10.00 per share;
- 17,500 common share units for \$10.00 per share to an accredited investor; and
- 48,000 Series F Preferred share units for \$25.00 per share to an accredited investor.

On October 15, 2018, the Company also launched a private placement with an initial offering comprised of the issuance of 4,120,000 shares of common stock with \$0.01 par value per share at an initial price of \$10.00 per share with a minimum initial investment of \$25,000 (or 2,500 shares) and 352,000 shares of 7.50% Series A cumulative redeemable preferred stock at \$0.01 par value per shares, at a price of \$25.00 per share with a minimum initial investment of \$250,000 (or 10,000 shares).

The proceeds from the private placement in 2018 were \$683,000 of common shares units and \$500,000 of Series A preferred share units. The proceeds in 2019 was \$1,877,010 of common share units.

Class A Common Share Units

Subject to the preferential rights of the other class or series of share units, the holders of Common share units are entitled to distributions from the REIT, whether of net income, net realized capital gains, or other amounts, and in the event of the termination or winding-up of the Company, in the Company's net assets remaining after satisfaction of all liabilities. Each Unit entitles the holder thereof to one vote at all meetings of Unitholders on all matters submitted to a vote, including election of directors. The Units have no conversion, exchange, sinking fund or redemption rights.

Series A Preferred Units

Series A Preferred units rank senior to Common Shares with respect to dividend rights and rights upon voluntary or involuntary liquidation, dissolutions or winding up. With respect to dividends, holder of units of Series A Preferred shares are entitled to receive, when authorized by the board of directors and declared by the Company, cumulative cash dividends from the date of original issue, at a rate of 7.5% per annum of the \$25.00 liquidation preference (equivalent to fixed annual amount of \$1.875 per share of the Series A Preferred Units). In the event of any liquidation, dissolution, winding or sale or merger of the Company, whether voluntarily or involuntarily, each holder of Series A Preferred units is entitled to receive, in preference to the holders of common shares, a per share amount equal to the original issue price of \$25.00, plus all declared but unpaid dividends.

Holders of Series A Preferred share units have no voting rights except if dividends on the Series A Preferred units are in arrears for six or more quarterly periods, the holders will be entitled to vote, at a special meeting called upon or at the next annual meeting.

The Series A preferred units have no stated maturity date and is not subject to mandatory redemption or any sinking fund. The Company is not required to set apart funds to redeem the Series A Preferred units. The units will remain outstanding indefinitely unless the Company decides to redeem the shares at the Company's option or under circumstances where the holders of the Series A Preferred units have a conversion right, such holders decide to convert the Series A Preferred units into Class A common share units.

Series A Preferred shares are convertible into shares of the Company's common units at the option of the holder beginning one year after its issuance at a conversion ratio based upon the net asset value ("NAV") per share of the common share unit. As of December 31, 2019, no Series A Preferred units were converted to common share units.

Series B Preferred Share Units

Series B Preferred units have substantially similar rights as and is on parity with Series A and F Preferred share units. With respect to dividends, holder of units of Series B Preferred shares are entitled to receive, when authorized by the board of directors and declared by the Company, cumulative share dividends at a rate of 12.00% per annum of the \$1,000.00 per share. In the event of any liquidation, dissolution, winding or sale or merger of the Company, whether voluntarily or involuntarily, each holder the holders of shares of Series B Preferred Stock will be entitled to receive pro rata in cash out of the assets of the Company available therefor, before any distribution of the assets may be made to the holders of the Common Stock or any other securities ranking junior to the Series B Preferred Stock, an amount per share of Series B Preferred Stock equal to the Purchase Price, plus all accumulated and unpaid dividends thereon.

As of December 31, 2019, no Series B Preferred were issued.

Series F Preferred Share Units

Series F Preferred units have substantially similar rights as and is on parity with Series A Preferred share units. With respect to dividends, holder of units of Series F Preferred shares are entitled to receive, when authorized by the board of directors and declared by the Company, cumulative share dividends at a rate of 8.00% per annum of the \$25.00 per share liquidation preference (equivalent to the fixed amount of \$2.00 per share of the Series F Preferred units). In the event of any liquidation, dissolution, winding or sale or merger of the Company, whether voluntarily or involuntarily, each holder of Series F Preferred units is entitled to receive, in preference to the holders of common shares, a per share amount equal to the original issue price of \$25.00, plus all declared but unpaid dividends.

The Series F Preferred share units are convertible into shares of the Company's Common Share units at the option of the holder beginning one year after its issuance at the conversion ratio based upon 110% of the NAV per share of the Common Share unit.

Distributions on common shares and preferred shares

The following table presents total distributions paid on common share units and preferred share units:

For the year ended December 31,	2019	2018
	Distributions per unit	Distributions per unit
Class A common share units	\$51,351	\$-
Series A preferred share units	28,125	-
Series F preferred share units	72,000	-

On December 23, 2019, the Company's Board declared a distribution of \$0.175 per Unit payable on January 15, 2020 to holders of Class A common share units of record as of December 31, 2019.

On December 23, 2019, the Company's Board declared a distribution of \$0.47 per Unit payable on January 15, 2020 to holders of Series A preferred share units of record as of December 31, 2019.

On December 23, 2019, the Company's Board declared a distribution of \$0.50 per Unit payable on January 15, 2020 to holders of Series F preferred share units of record as of December 31, 2019.

The Company pays dividend on Class A Common share units and Series A preferred share units quarterly in arrears on January 15, April 15, July 15, and October 15 of each year, commencing on January 15, 2019. The dividends on Series A Preferred share units is a pro-rata dividend from and including the original issue date to and including December 31, 2018. The unit holders are entitled to receive the dividend upon authorization by the board of directors and declared by the Company.

Note 18. Capital Management

The Company manages its loans, common shares and stock options as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash it holds.

The Company has no debt and financial covenants associated with any loans as at December 31, 2019.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

There were no changes made to the Company's capital management strategy.

Note 19. Financial Risk Management

In the normal course of business, the Company is exposed to financial risk and manages that risk, as follows:

Liquidity Risk

Liquidity risk is the risk that the Company cannot meet its financial obligations associated with financial liabilities in full. The primary source of liquidity is net operating income, which is used to finance working capital and capital expenditure requirements, and to meet the Company's financial obligations associated with financial liabilities. Additional sources of liquidity are debt and equity financing, which is used to fund additional operating and other expenses and retire debt obligations, if any, at their maturity.

If the Company is unable to satisfy its current liabilities through suitable agreements for debt refinancing, equity financing or other measures, planned operations could be scaled back and a portion of the Company's asset could be sold.

The contractual maturities of the Company's financial liabilities are all current and due within one year. The amount of interest associated with the Company's financial liabilities is approximately \$276,800.

Credit Risk

Credit risk rises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, the stated amount is typically the gross carrying amount, net of any amounts offset and any expected credit losses. As of the date of these financial statements, the Company's principal debtors are the Company's tenants who may experience financial difficulty and be unable to meet their rental obligations. The Company mitigates its risk of credit loss with respect to tenants by evaluating credit worthiness of new tenants, obtaining security deposits and interest reserves (as applicable) wherever permitted by legislation and obtaining parental guarantees of resident leases.

Market Risk

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. The Company only has fixed rate notes payables. The fixed rate notes payable were entered into during the year and they are short term ranging from six months to one year. The Company does not have any floating rate loans or mortgages and is not exposed to interest rate risk.

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Company does not have any material transactions denominated in foreign currency and is not exposed to foreign currency risk.

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with financial instruments of the Company are not exposed to other price risk.

Note 20. Fair value measurement

The Company has classified and disclosed each fair value measurement based on the fair value hierarchy in accordance with IFRS 13 – Fair Value Measurement. The fair value hierarchy distinguishes between market value data obtained from independent sources and the Company's own assumptions about market value.

The Financial instruments include cash, account receivables, tenant and other receivables, loan receivable and notes payable, accounts payable and accrued liabilities are classified at amortized costs. The carrying values of these financial instruments approximate fair value due to their short term nature.

The fair value of investment properties as at December 31, 2019 is \$13,650,000. The fair value measurement of the investment properties is based on level 3 inputs, described in Note 5.

The fair value of the restricted common share units granted to the independent directors is based on level 3 inputs as the entity is not publicly traded. These inputs include the price that investors are paying for unrestricted common share units, reduced by the estimated value of the restriction, which to date has been valued at \$Nil.

The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Note 21. Operating Lease Arrangements

The Company, through its consolidated subsidiaries, leases the properties to tenants subject to non-cancelable operating leases expiring on various dates through 2029. Future minimum rent due to the Company under these non-cancelable operating leases for the next five years and thereafter subsequent to December 31, 2019 are as follows:

2020	\$	1,506,976
2021		1,541,842
2022		1,577,548
2023		1,597,894
2024		1,613,390
Thereafter		3,504,533
Total	\$	<u>11,342,183</u>

Note 22. Subsequent Events

Subsequent to December 31 2019, through the date of this report, the Company has issued an additional 66 shares of common stock which brings the total shares issued to 293,567.

Effective March 19, 2020, the Company granted cash and stock compensation with a total value of \$93,750 to the independent board members to retain their services as board members. As a result, the Company granted 4,218 shares of restricted common stock of which, under the terms of the grant, 2 of 4,218 shares granted have been issued to the independent directors and are reflected as issued and outstanding in the preceding paragraph.

On January 29, 2020, the Company raised a net \$57,000 in proceeds from the issuance 74 shares of 12% Series B Cumulative Non-Voting Preferred Stock.

Cash dividends totaling \$33,375 were declared to preferred stockholders for the period from January 1, 2020 through March 31, 2020. The distributions were paid to preferred stockholders in April of 2020.

On June 22, 2020, the Company's Board declared a distribution of \$0.175 per Unit payable on July 15, 2020 to holders of Class A common share units of record as of June 30, 2020.

On June 22, 2020, the Company's Board declared a distribution of \$0.47 per Unit payable on July 15, 2020 to holders of Series A preferred share units of record as of June 30, 2020.

On June 22, 2020, the Company's Board declared a distribution of \$0.50 per Unit payable on July 15, 2020 to holders of Series F preferred share units of record as of June 30, 2020.

On February 17, 2020, the Company borrowed a \$2.0 million bank first mortgage loan secured by the Moved asset ("Bank Mortgage"). The Bank Mortgage bears interest at an annual rate of five and one-half percent (5.5%) and has a maturity date of February 17, 2025. The Bank Mortgage is payable monthly and is structured as interest-only for the first 12-months and thereafter converts to a 24-month amortization schedule for the remainder of the term. Proceeds from the Bank Mortgage were used to repay the entirety of the InReCa Note Payable plus accrued interest on March 2, 2020.

On June 30, 2020, the Company granted cash and stock compensation with a total value of \$93,750 to the independent board members to retain their services as board members. As a result, the Company granted 4,383 shares of restricted common stock of which, under the terms of the grant, 0 of 4,383 shares granted have been issued to the independent directors.

On August 10, 2020, the Company's Board declared a distribution of \$0.175 per share / unit payable by August 31, 2020 to holders of Class A common shares / units of record as of August 18, 2020. The distribution has been paid.

On October 6, 2020, the Company's Board formally approved the proposed Agreement and Plan of Merger (the "Merger Agreement"), to be entered into among Subversive Real Estate Acquisition REIT LP, a limited partnership established under the Limited Partnerships Act (Ontario) ("Subversive"), SVX HoldCo, Inc., a Delaware corporation and wholly-owned subsidiary of Subversive("Merger Sub"), and the Stockholders' Representative (as defined therein), pursuant to which (i) the Company will merge with and into Merger Sub (the "Merger") with Merger Sub surviving the Merger; (ii) immediately prior to the Effective Time (as defined in the Merger Agreement), each outstanding share of Company Series A Preferred Stock and Company Series F Preferred Stock (collectively, the "Convertible Preferred Stock") will be cancelled and converted into common stock of the Company; (iii) each outstanding share of common stock of the Company after giving effect to such conversions ("Common Stock") will be cancelled and converted into the right to receive the merger consideration set forth in the Merger Agreement; and (iv) each outstanding share of Company Series B Preferred Stock (the "Series B Stock," together with the Convertible Preferred Stock, the "Preferred Stock") will be redeemed for cash consideration.

On October 12, 2020, the Company's Board declared a distribution of \$0.175 per share / unit payable by October 15, 2020 to holders of Class A common shares / units of record as of October 12, 2020.

On October 12, 2020, the Company's Board declared a distribution of \$0.47 per Unit payable on October 15, 2020 to holders of Series A preferred share units of record as of October 12, 2020.

On October 12, 2020, the Company's Board declared a distribution of \$0.50 per Unit payable on October 15, 2020 to holders of Series F preferred share units of record as of October 12, 2020.

In early 2020, there has been a negative impact on the financial markets as a result of the global outbreak of the COVID-19 virus. On March 12, 2020 the World Health Organization declared COVID-19 a pandemic. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of this uncertainty. Therefore, while the Company expects this matter may negatively impact the Company's financial condition, results of operations or cash flows, the extent of financial impact and duration cannot be reasonably estimated at this time.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF INCEPTION REIT, INC.

Overview

The following Management's Discussion and Analysis ("MD&A") prepared as of the date of this prospectus discusses the consolidated financial condition and results of operations relating to Inception REIT, Inc. together with its subsidiaries (collectively, "Inception REIT," the "Company," "our," "we"), comprised of its ownership interest in 2 properties and 1 mortgage loan, with rental and interest income from third parties. As of the date of this MD&A there are no proposed transactions.

Inception REIT was formed on July 18, 2018 (inception). The Company was organized primarily to, directly or through one or more subsidiaries, originate, invest in and manage a portfolio of cannabis real estate-related assets, including (1) debt securities such as commercial mortgages, mortgage loan participations, commercial mortgage-backed securities and debt securities issued by other real estate companies, (2) mezzanine loans and bridge loans, (3) certain equity securities, such as common stocks, preferred stocks and convertible preferred securities of public or private real estate companies, such as other real estate investment trusts ("REITs") and other real estate operating companies, and (4) direct ownership of operating real estate properties. The Company is focused on being a one-stop real estate financing solution to the Regulated Cannabis Industry.

On July 19, 2018, Inception REIT, LP (the "Operating Partnership") was formed by the Company, as its general partner. An affiliate of the Company, IA REIT Advisors, LLC (the "Advisor") holds a 0.0% interest in the Operating Partnership as an initial special limited partner. The Advisor is wholly-owned by the Company's sponsor, Inception Altanova, LLC (the "Sponsor"). Subject to certain conditions in the Operating Partnership's limited partnership agreement, a performance participation interest in the Operating Partnership entitles the Advisor to receive an allocation equal to 15% of the Total Return, as defined in the operating agreement. Such allocation will be made annually and accrue monthly.

On December 5, 2018, the Operating Partnership formed a wholly-owned subsidiary, Inception RE Credit Holdings, LLC, ("Credit Holdings") to be the primary real estate loan holding entity.

On April 2, 2019, the Operating partnership formed a wholly-owned subsidiary, 13310 LMR2A, LLC ("LMR2A"), to acquire and hold ownership of an industrial asset in Desert Hot Springs, California.

On August 30, 2019, the Operating Partnership acquired 100% of the membership interests in Moved 1031, LLC ("Moved"), which holds ownership of a retail asset property in Los Angeles, California in exchange for 405,258 membership units in the Operating Partnership, representing a 46.4% non-controlling interest in the Operating Partnership.

The business affairs of the Company are managed by or under the direction of the Company's board of directors (the "Board"). Subject to certain restrictions and limitations, the Advisor was engaged by the Board to manage day-to-day operations of the Company pursuant to a management agreement dated October 15, 2018.

The head office of the Company is located at 345 N. Maple Drive #205, Beverly Hills, CA 90210.

The consolidated financial statements and accompanying notes of Inception REIT for the three and six month interim periods ended June 30, 2020 and June 30, 2019 and the fiscal years ended December 31, 2019 and December 31, 2018 are prepared in accordance with International Financial Reporting Standards

(“IFRS”) and are reported in thousands of US dollars, except where otherwise indicated. This MD&A should be read in conjunction with the consolidated financial statements and accompanying notes.

The financial statements discussed in this MD&A have been prepared on a consolidated basis and present the financial position, financial performance and cash flows of Inception REIT for the periods presented.

The objective of this discussion is to provide a prospective purchaser of securities of Subversive REIT’s initial public offering (the “Closing”) with an analysis of the historical assets, liabilities, revenues and operating expenses of Inception REIT for the above-mentioned periods.

Selected Financial and Operational Information

The following table highlights selected financial information for Inception REIT as at and for the six months ended June 30, 2020 and as at and for the years ended December 31, 2019 and 2018. This information has been compiled from the consolidated financial statements and notes thereto and should be read in conjunction with those consolidated financial statements and notes included elsewhere in this MD&A:

(\$ thousands except where otherwise indicated)	June 30, 2020	December 31, 2019	December 31, 2018
Number of properties	2	2	-
Number of mortgage loan receivables	1	1	1
Fair value of investment properties	\$ 13,300	\$ 13,650	\$ -
Loan receivables, net	\$ 1,382	\$ 1,381	\$ 1,379
Net operating income	\$ 794	\$ 882	\$ -
Average rent per square foot (\$/ft ²) ⁽¹⁾	41.55	23.17	-
Occupancy rate	100.0%	100.0%	100.0%

(1) Figure for the six months ended June 30, 2020 has been annualized.

Net Operating Income (“NOI”) is a non-IFRS measure used by management and represents property revenue less property expenses as presented in the consolidated financial statements of net income and comprehensive income. Management believes NOI is useful in assessing Inception REIT’s underlying operating performance and in making decisions regarding the ongoing operations. This measure does not have a standardized meaning prescribed by GAAP and therefore it may not be comparable to similarly titled measures presented by other entities.

Financial Statement Analysis

The following table highlights selected financial information for Inception REIT as at and for the years ended December 31, 2019 and 2018, and as at and for the three and six months ended June 30, 2020.

Financial Condition (\$ thousands except where otherwise indicated)	As at		
	June 30, 2020	December 31, 2019	December 31, 2018
Investment properties	\$ 13,300	\$ 13,650	\$ -
Loan receivables, net	1,382	1,381	1,379
Other assets	191	14	-
Prepaid expenses	74	142	65
Tenant and other receivables	307	276	-
Notes payable	4,964	5,107	49
Accounts payable and accrued liabilities	710	737	110

Results of Operations (\$ thousands except where otherwise indicated)	Three month period ended June 30, 2020	Six month period ended June 30, 2020	Year ended December 31, 2019	Period ended December 31, 2018
Rental revenue	\$ 446	\$ 885	\$ 987	\$ -
Property expense	(43)	(91)	(104)	-
Net operating income	403	794	882	-
Fair value adjustment on investment properties	150	(350)	1,713	-
Total income from investment properties	553	444	2,595	-
Interest income	43	85	329	6
Total income	596	529	2,925	6
General and administrative expense	(257)	(434)	(612)	(65)
Asset management fee to affiliate	(17)	(34)	(61)	-
Interest expense	(141)	(242)	(380)	(1)
Total expenses	(415)	(710)	(1,052)	(65)
Net income (loss) and comprehensive income (loss)	\$ 181	\$ (181)	\$ 1,872	\$ (59)
Net income (loss) and comprehensive income (loss) attributable to:				
Unitholders	94	(33)	832	(59)
Non-controlling interests	87	(148)	1,040	-

Financial Condition

Investment Properties

The fair value of the investment properties was determined by undertaking a direct capitalization approach whereby a capitalization rate is applied to the forward-looking twelve month cash flows based on the lease agreements currently in place. In determining the appropriateness of the methodology applied, the anticipated timing and amount of expected cash flows and the impact local market conditions would have in arriving at a reliable estimate of fair value was considered.

As at June 30, 2020, the properties were valued using a weighted average capitalization rate of 11.4% applied to stabilized cash flows, compared to 11.0% as at December 31, 2019. Inception REIT did not own any properties as at December 31, 2018.

The aggregate fair value of our investment properties has decreased each period primarily to account for the uncertainty associated with COVID-19 and its impact on financial and real estate markets. Given that we expect the economic fallout of the Coronavirus to be more pronounced in Los Angeles County in comparison to Riverside County, we adopted a valuation methodology which considers this uncertainty for the periods ended March 31, 2020 and June 30, 2020 for Moved. Meanwhile, we believe LMR2A is more insulated from COVID-19 risks given its use (as an indoor greenhouse grow facility) as a critical component in the cannabis supply chain and its location (in Riverside County) as a critical distribution point to the broader Southern California retail market. As a result, we maintained our valuation methodology for LMR2A for the periods ended March 31, 2020 and June 30, 2020, consistent with prior quarter assessments.

Despite the economic headwinds posed by the pandemic, we have experienced no disruption in rent and interest payment collections from our tenants and sole borrower. Cannabis has been designated as “essential business” in California, allowing our portfolio assets to remain open and operational during the pandemic.

Loan receivables, net

On December 17, 2018, we originated a \$1.4 million first mortgage secured by a retail asset in the city of Coachella, California through our lending subsidiary, Credit Holdings, at an annual interest rate of twelve

percent (12.0%) (the “Coachella Mortgage”). The term of the promissory note is 10 years from the funding date with a maturity date of December 20, 2028. The note is an interest only loan with interest on the principal amount payable on a monthly basis. The balance of the promissory note, net of unamortized origination fees, was \$1,382 as at June 30, 2020 compared to \$1,381 as at December 31, 2019 and \$1,379 as at December 31, 2018.

On June 18, 2019, we originated a \$7 million senior secured mortgage loan to PDX 13635 N. Lombard, LLC (the “Lombard Loan Receivable”). We funded the first advance of \$3 million on June 18, 2019. The Lombard Loan Receivable had a maturity date of June 17, 2024, and was an interest-only loan, with interest receivable monthly at 10.0% per annum. On October 11, 2019, the Lombard Loan Receivable was repaid in full including the remaining interest of \$9 and prepayment penalty of \$30 at 1.0% of the principal balance. On October 11, 2019, in conjunction with the loan payoff, the loan origination fees were fully amortized.

Other assets

Other assets consist of pre-acquisition costs, amounts due from affiliates and a retainer deposit related to the Board’s special transaction committee. These amounts totaled \$191 as at June 30, 2020, \$14 as at December 31, 2019 and \$0 as at December 31, 2018.

The increase of \$177 as at June 30, 2020 from \$14 as at December 31, 2019 was primarily driven by retention of counsel for the Board’s special transaction committee and organizational legal expenses.

Prepaid expenses

Prepaid expenses consist of property insurance and corporate insurance and were \$74 as at June 30, 2020, \$142 as at December 31, 2019 and \$65 as at December 31, 2018.

The decrease of \$68 from \$142 as at December 31, 2019 to \$74 as at June 30, 2020 was primarily driven by the amortization of our corporate insurance policies that took effect in November 2019.

The increase of \$77 to \$142 as at December 31, 2019 from \$65 as at December 31, 2018, was due to an increase in the coverage limit of our Director’s & Officer’s liability insurance policy.

Tenant and other receivables

Tenant and other receivables consist of straight-line rent, interest receivable and property tax reimbursement and were \$307 as at June 30, 2020, \$276 as at December 31, 2019 and \$0 as at December 31, 2018.

The increase of \$31 from \$276 as at December 31, 2019 to \$307 as at June 30, 2020 was primarily driven by timing differences between actual rent received and our straight-line rent methodology as well as the interest payment on our Credit Holdings mortgage received after quarter end, in-line with the note payment schedule in arrears.

Notes Payable

Notes payable consist of an unsecured note from an affiliate of our Sponsor, a bank mortgage note secured by Moved and financing for our corporate insurance policy.

On November 16, 2018 we entered into a financing agreement with gotoPremiumFinance to finance the unpaid premium balance for our corporate insurance policy. The amount financed was \$54 plus \$2 of finance charges for a total payment of \$56 at an annual interest rate of 8.8% with 10 monthly payments of

\$6, which began on December 16, 2018. The outstanding balance was \$49 as at December 31, 2018 and was fully paid off as at December 31, 2019.

On April 1, 2019, we borrowed \$3.0 million from Bellevue Edgewater Holdings Ltd an affiliate of our Sponsor (“Bellevue Note Payable”) to partially fund the acquisition of LMR2A. The Bellevue Note Payable bears interest at an annual rate of eight percent (8.0%) and had an original maturity date of October 1, 2019. On October 1, 2019, the Company obtained an extension on the note with a new extended maturity date of October 1, 2020. The Bellevue Note Payable is classified and measured at amortized cost.

On June 13, 2019 we borrowed \$2.0 million from an investor of the Company, InReCa Investors, LLC (“InReCa Note Payable”) to partially fund the Lombard Loan Receivable. The InReCa Note Payable bears interest at a rate per annum equal to eight and one-half percent (8.5%) and had an original maturity date of November 30, 2019. On November 30, 2019, we obtained an extension on the note with the new extended maturity date of December 21, 2019. On December 21, 2019, we obtained a further extension on the note with the new extended maturity date of March 2, 2020. The note was fully repaid on March 2, 2020. For the three and six months ended June 30, 2020, interest expense on the InReCa Note Payable was \$0 (compared to \$8,384 for the three month period ended June 30, 2019) and \$28,333 (compared to \$94,082 for the year ended December 31, 2019), respectively.

On November 15, 2019, we entered into a commercial premium finance agreement with First Insurance Funding to finance the unpaid premium balance for our corporate insurance policy. The amount financed was \$120 plus \$4 of finance charges for a total payment of \$124 at an annual interest rate of 7.9% with nine monthly payments of \$14, which began on December 15, 2019. The note payable balance as at June 30, 2020 was \$27.

On February 17, 2020, we borrowed a \$2.0 million bank first mortgage loan secured by our Moved asset (“Bank Mortgage”). The Bank Mortgage bears interest at an annual rate of five and one-half percent (5.5%) and has a maturity date of February 17, 2025. The Bank Mortgage is payable monthly and is structured as interest-only for the first 12-months and thereafter converts to a 24-month amortization schedule for the remainder of the term.

The balance of our Notes payable, net of unamortized origination costs, was \$4,964 as at June 30, 2020, \$5,107 as at December 31, 2019 and \$49 as at December 31, 2018.

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities consist primarily of operating costs payable, dividends payable, board compensation payable, operating expense reimbursables owed to our Advisor and accrued interest. Accounts payable and accrued liabilities were \$710 as at June 30, 2020, \$737 as at December 31, 2019 and \$110 as at December 31, 2018.

The decrease of \$27 to \$710 as at June 30, 2020 from \$737 as at December 31, 2019 was primarily driven by a reduction in interest payable due to a partial paydown of accrued interest on the Bellevue Note Payable during the period.

The increase of \$627 from \$110 as at December 31, 2018 to \$737 as at December 31, 2019 was primarily as a result of expanding our Board, obtaining corporate and asset level financing, acquiring LMR2A and Moved and incurring operating expenses reimbursable to our Advisor during our first full year of operations. We formally incorporated in July 2018 and engaged our Advisor in October 2018.

Results of Operations – Annual Information

Rental revenue

Rental revenue as at December 31, 2019 was \$987 compared to \$0 as at December 31, 2018. We acquired our two investment properties – LMR2A and Moved – in April and August of 2019, respectively. We did not own any investment property in 2018.

Net operating income

As mentioned above, NOI represents rental revenue from investment properties less property operating costs.

NOI as at December 31, 2019 was \$882 compared to \$0 as at December 31, 2018. The increase was primarily due to a full year of operating costs, inclusive of property taxes and property insurance, for two investment property acquisitions in 2019.

Fair value adjustment on investment properties

The fair value of each investment property is based upon, among other things, rental income from current leases and local market conditions at the applicable balance sheet dates, less cash outflows in respect of such leases. Valuations are completed by undertaking a direct capitalization approach whereby a capitalization rate is applied to the forward-looking twelve month cash flows of the leases currently in place, with related fair value gains and losses recorded in the consolidated statements of income and comprehensive income.

We recognized fair value gains of \$1,713 in 2019 primarily due to higher net property income and declining capitalization rates in the markets in which our properties are located. We did not own any investment property in 2018.

Interest income

Interest income increased by \$323 to \$329 as at December 31, 2019 compared to \$6 as at December 31, 2018. The increase was primarily driven by increased interest income from the Lombard Loan Receivable – originated in June 2019 and prepaid in full in October 2019 – in addition to a full year of interest received from the Coachella Mortgage. We originated the Coachella Mortgage in December of 2018.

Results of Operations — Interim Periods

The following table highlights the financial results for Inception REIT for the three and six month periods ended June 30, 2020 and June 30, 2019. This information has been compiled from the consolidated financial statements and notes thereto and should be read in conjunction with those consolidated financial statements and notes included elsewhere in this MD&A.

	Three Month		Six Month	
	Periods Ended		Periods Ended	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
(\$ thousands except where otherwise indicated)				
Rental revenue	\$ 446	\$ 186	\$ 885	\$ 186
Property expense	(43)	(38)	(91)	(57)
Net operating income	403	148	794	129
Fair value adjustment on investment properties	150	-	(350)	-
Total income from investment properties	553	148	444	129
Interest income	43	55	85	97
Total income	596	202	529	226
General and administrative expense	(257)	(145)	(434)	(183)
Asset management fee to affiliate	(17)	(12)	(34)	(12)
Interest expense	(141)	(105)	(242)	(107)
Total expenses	(415)	(262)	(710)	(301)
Net income (loss) and comprehensive income (loss)	\$ 181	\$ (60)	\$ (182)	\$ (75)
Net income (loss) and comprehensive income (loss) attributable to:				
Stockholders	94	(60)	(33)	(75)
Non-controlling interests	87	-	(148)	-

Rental revenue

Rental revenue increased by 140% in the second quarter of 2020 to \$446 compared to \$186 in the same period in 2019 primarily due to the benefit of a full quarter of rent from LMR2A, originally acquired at the end of April 2019, and the acquisition of Moved in August of 2019.

Rental revenue increased by 376% in the six month period ended June 30, 2020 to \$885 compared to \$186 in the same period in 2019 primarily due to the benefit of full rent received during the period from LMR2A.

Net operating income

NOI increased by 173% to \$403 in the second quarter of 2020 compared to \$148 in the same period in 2019 primarily due to higher property revenue which was partially offset by increased property expenses. The increased revenue and associated property expenses were related to a full quarter of operations at LMR2A.

NOI increased by 514% to \$794 in the six month period ended June 30, 2020 compared to \$129 in the same period in 2019 primarily due to higher property revenue which was partially offset by increased property expenses. The increased revenue and associated property expenses were related to a fully operational LMR2A.

Fair value adjustment on investment properties

We recognized fair value gains of \$150 in the second quarter of 2020 compared to \$0 in the same period in 2019. Fair value gains recognized in the second quarter of 2020 were primarily due to higher net operating income and to declining capitalization rates.

We recognized fair value losses of \$350 for the six month period ended June 30, 2020 compared to \$0 in the same period in 2019. Fair value losses recognized for the six months ended June 30, 2020 were primarily due to increasing capitalization rates driven by heightened uncertainty in the real estate and broader financial markets as a result of the COVID-19 pandemic.

Interest income

Interest income decreased 22% to \$43 in the second quarter of 2020 compared to \$55 in the same period in 2019 primarily due to the prepayment of the Lombard Loan Receivable in October 2019.

Interest income decreased 13% to \$85 in the six month period ended June 30, 2020 compared to \$97 in the same period in 2019 primarily due to the prepayment of the Lombard Loan Receivable in October 2019.

Cash Flows

The following table summarizes cash flows by activity:

	For the six months periods ended		For the twelve months periods ended	
	June 30, 2020	June 30, 2019	December 31, 2019	December 31, 2018
(\$ thousands except where otherwise indicated)				
Operating activities	\$ 56	\$ 47	\$ 631	\$ (43)
Investing activities	-	(7,715)	(4,995)	(1,379)
Financing activities	(328)	6,603	3,787	2,807

Operating activities

Cash flows generated from operating activities in 2019 increased by \$674 compared to 2018 primarily due to an increase in accounts payable and accrued expenses, partially offset by increases in accounts receivable and the non-cash fair value adjustment on our investment properties.

Cash flows generated from operating activities increased by \$9 for the six month period ended June 30, 2020 compared to the same period in 2019 primarily due to the non-cash fair value adjustment on our investment properties and share based payments, partially offset by an increase in accounts receivable.

Investing activities

Cash flows used in investing activities in 2019 increased by \$3,616 compared to 2018 primarily due to the acquisition of LMR2A and Moved.

Cash flows used in investing activities decreased by \$7,715 for the six month period ended June 30, 2020 compared to the same period in 2019 primarily due to no acquisition activity during the period.

Financing activities

Fluctuations in cash flows used in financing activities are driven by proceeds from the issuance of notes payable, common stock and preferred stock in addition to distributions paid to our stockholders and non-controlling interest.

Related Party Transactions

During the period, the Company entered into the following transactions with related parties:
The balances due to related party were as follows:

As at	June 30, 2020	December 31, 2019
Bellevue Note Payable	\$ 3,000,000	\$ 3,000,000
InReCa Not Payable	-	2,000,000
Reimbursable expense to IA REIT Advisors, LLC	78,341	90,787
Board Compensation Payable	416,183	228,702
Balances due to Related Party	\$ 3,494,524	\$ 5,319,489

Advisory agreement

Asset management fee and reimbursable expense

We obtain asset management services from our Advisor, for which we incurred \$17,036 for the second quarter of 2020, compared to \$11,598 for the same period in 2019 and \$33,819 (compared to \$11,598 for the six month period ended June 30, 2019) in asset management fees and reimbursable expenses of \$0 for the second quarter of 2020, compared to \$11,316 for the same period in 2019 and \$63,253 (compared to \$19,876 for the six month period ended June 30, 2019).

Compensation for independent directors

The compensation of our independent directors for the three and six months ended June 30, 2020 was \$93,750 (compared to \$75,000 for the three months ended June 30, 2019) and \$187,500 (compared to \$75,000 for the six months ended June 30, 2019). For the six months ended June 30, 2020 and December 31, 2019, we granted 8,601 and 13,331 shares of restricted common stock, respectively to the independent directors as payment for their compensation. In accordance with our Equity Incentive Plan (the “Plan”), at no time will the aggregate amount of restricted common stock grants to independent directors exceed 2.5% of the Company’s outstanding common shares. In the event any grant exceeds the limit, the grant is accrued and will not be issued unless and until such stock issuance does not exceed the limit. For the three and six months ended June 30, 2020 0 (Q2 -2019 2,956) and 2 (December 31, 2019 - 7,338) shares of restricted common stock were issued to the independent directors at a value of \$10 per share. As at June 30, 2020 and December 31, 2019, we have accrued Board Compensation Payable of \$416,183 and \$228,703 respectively, which includes 18,342 and 9,743 shares that have not been issued. Restricted Stock may only be resold pursuant to a valid registration.

Equity

Authorized and outstanding units

The Company is authorized to issue 9,000,000 Class A common shares, 500,000 Series A preferred shares, 100,000 Series F preferred shares, and 75 Series B preferred shares.

The following tables summarize the changes in Common Shares and Preferred Share Units:

	As at June 30, 2020				
	Class A Common share units	Series A Preferred share units	Series F Preferred share units	Series B Preferred share units	Total
Total outstanding at beginning of year	293,501	20,000	48,000	0	361,501
Units issued common	66	0	0		66
Units issued preferred				74	74
Total outstanding at end of period	293,567	20,000	48,000	74	361,641

Effective March 19, 2020, we granted cash and stock compensation with a total value of \$93,750 to the

independent board members to retain their services as board members. As a result, we granted 8,601 shares of restricted common stock of which, under the terms of the grant, 0 of 8,601 shares granted have been issued to the independent directors and are reflected as issued and outstanding.

Proceeds from issuance of common share units were \$660 for the year ended June 30, 2020. This includes \$20 of shares issued to board members pursuant to the board compensation agreement.

Sources of Liquidity and Capital Resources

We expect to meet all of our obligations as they become due. We currently have \$5.0 million in principal debt on balance sheet, consisting of the Bellevue Note Payable (\$3.0 million) and the Bank Mortgage (\$2.0 million). The Bellevue Note Payable is current and due within one year.

Following Closing, we expect to be able to meet all of our obligations as they become due. We expect to have sufficient liquidity as a result of cash flows from operating activities and financing available through unit issuances.

Guarantees and Off-Balance Sheet Arrangements

As of June 30, 2020, there is \$455 of Organization and Offering expenses under the Advisory agreement that are reimbursable to our Advisor in the event that \$25 million of offering proceeds are generated or the Advisory agreement is terminated. These amounts have not been accrued as of June 30, 2020 but will be payable if the Closing occurs.

Risk associated with financial assets and liabilities

In the normal course of business, we are exposed to financial risk and manage that risk, as follows:

Liquidity risk

Liquidity risk is the risk that we cannot meet our financial obligations associated with financial liabilities in full. Our primary source of liquidity is NOI, which is used to finance working capital and capital expenditure requirements, and to meet our financial obligations associated with financial liabilities. Our additional sources of liquidity are debt and equity financing, which are used to fund additional operating and other expenses and retire debt obligations, if any, at their maturity.

If we are unable to satisfy our current liabilities through suitable agreements for debt refinancing, equity financing or other measures, planned operations could be scaled back and a portion of our assets could be sold.

With the exception of the Bank Mortgage, which matures in February 2025, the contractual maturities of our financial liabilities are all current and due within one year. The amount of interest associated with the Company's financial liabilities is approximately \$121.

Credit risk

Credit risk rises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, the stated amount is typically the gross carrying amount, net of any amounts offset and any impairment losses. As of the date of these financial statements, our principal debtors are our tenants and sole borrower who may experience financial difficulty and be unable to meet their rental or interest

obligations. We mitigate the risk of credit loss with respect to tenants and borrowers by evaluating credit worthiness of new tenants and borrowers, obtaining security deposits or interest reserves wherever permitted by legislation and obtaining parental guarantees of leases or mortgage loans we originate.

Market risk

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. Our Bellevue Note Payable and Bank Mortgage are fixed rate obligations. We do not have any floating rate loans or mortgages and are not exposed to interest rate risk.

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. We do not have any material transactions denominated in foreign currency and are not exposed to foreign currency risk.

Other price risk is the risk that changes in market prices, including commodity or equity prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with our financial instruments are not exposed to other price risk.

Critical Accounting Estimates and Judgements

The following are the critical judgments that have been made in applying our accounting policies and that have the most significant effect on the amounts in the consolidated financial statements:

Leases

We have retained substantially all of the risks and benefits of ownership of our investment properties and therefore accounts for leases with our tenants as operating leases. Revenue recognition under a lease commences when the tenant has a right to use the leased asset. Generally, this occurs on the lease inception date or, where we are required to make additions to the property in the form of tenant improvements that enhance the value of the property, upon substantial completion of those improvements. Property revenue includes all amounts earned from tenants related to lease agreements including property tax, operating cost and other recoveries.

Rental Revenue is recognized when due from tenants under the contractual terms of the leases. Rental revenue from leases with scheduled rent increases and free rent periods are recognized on a straight-line basis over the respective lease term. Reimbursement revenue includes recovery of the tenants' pro rata share of the specified operating expenses.

In applying this policy, judgments are made with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased property, which determines whether such amounts are treated as additions to investment property as well as the point in time at which revenue recognition under the lease commences, or constitutes a tenant incentive that is amortized as a reduction of lease revenue over the initial term of the lease.

We also make judgments in assessing the classification of our leases with tenants as operating leases, in particular long-term leases in single tenant properties. We have determined that all of our leases are operating leases.

Loan receivables

Interest income is accrued and recognized as revenue when earned according to the terms of the underlying loan and when we determine it is collectible. The accrual of interest on loans is discontinued when we determine the interest is not collectible in the normal course of business, but in all cases when payment becomes greater than 90 days delinquent. The loans return to accrual status when principal and interest become current and are anticipated to be fully collectible. Loan fee revenue is recognized using the effective interest rate method over the term of the related loan.

Our loan receivables are held for the purpose of collecting contractual cash flows that represent solely payments of principal and interest (“SPPI”) and are classified and measured at amortized cost.

Interest income for loan receivables is accrued on the principal amount of the loan and is recognized according to the loan’s contractual interest rate. At the end of each reporting period we review our SPPI loan receivables to determine whether there has been a significant increase in credit risk since the asset was initially recognized by the Company. The Company follows the three-stage approach to measure impairment losses that is based on the extent of the credit deterioration since inception of the asset. At June 30, 2020 the loan receivables were in Stage 1 with no significant increase in credit risk since inception.

Fair value of investment properties

At each interim reporting period, the fair value of investment properties is remeasured by using certain inputs provided by qualified independent external valuation experts, with any change in fair value recorded in the consolidated statements of income and comprehensive income. This determination of fair value includes estimates of future rentals, cash outflows required to maintain and to earn rentals from the properties and capitalization rates. We solicit independent external appraisals for our year-end period.

General and administrative expenses

General and administrative expenses have been allocated for management fees paid to our Advisor, audit and accounting fees, compensation paid to the independent directors on our Board and legal and other professional fees and are recorded in the period they were incurred.

Investment properties

We apply judgment in determining whether the properties we acquire are considered to be asset acquisitions or business combinations. We consider all properties acquired to date to be asset acquisitions.

Judgment is applied in determining whether certain costs are additions to the carrying amount of the investment property.

We obtain independent appraisals such that our properties, by value, will be externally appraised for the year-end period.

Future Accounting Policy Changes

The following new standards, amendments and interpretations have been issued but are not effective.

Standards, Amendments and Interpretations Issued and Not Yet Adopted

IASB annual improvements

In 2020, the IASB issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and the impact on the Company is currently being assessed.

In 2020, the IASB issued 'Annual Improvements to IFRS Standards 2018–2020'. The pronouncement contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and the impact on the Company is currently being assessed.

In 2020, the IASB issued 'Reference to the Conceptual Framework (Amendments to IFRS 3)' with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and impact on the Company is currently being assessed.

Subsequent events

On June 30, 2020, the Company granted cash and stock compensation with a total value of \$93,750 to the independent board members to retain their services as board members. As a result, the Company granted 4,383 shares of restricted common stock of which, under the terms of the grant, 0 of 4,383 shares granted have been issued to the independent directors.

On August 10, 2020, the Company's Board declared a distribution of \$0.175 per share / unit payable by August 31, 2020 to holders of Class A common shares / units of record as of August 18, 2020. The distribution has been paid.

APPENDIX C
3303 S. 35TH STREET, TACOMA, WASHINGTON, UNITED STATES
FINANCIAL STATEMENTS

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**3303 S. 35TH STREET, TACOMA,
WASHINGTON, UNITED STATES
("TACOMA")**

CONDENSED CARVE-OUT INTERIM FINANCIAL STATEMENTS

JUNE 30, 2020

UNAUDITED

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TACOMA**CONDENSED CARVE-OUT INTERIM STATEMENT OF INCOME AND COMPREHENSIVE INCOME
(UNAUDITED)**

(In United States dollars, unless otherwise noted)

	Note	Three Months Ended June 30,		Six Months Ended June 30,	
		2020	2019	2020	2019
Rental income	5	\$ 1,169,205	\$ 1,057,784	\$ 2,289,272	\$ 2,328,813
Tenant reimbursements	5	215,519	165,433	350,368	320,230
Total rental income		<u>1,384,724</u>	<u>1,223,217</u>	<u>2,639,640</u>	<u>2,649,043</u>
Property tax expenses	5	(89,978)	(56,013)	(195,556)	(170,200)
Property operating expenses	9	(160,617)	(96,457)	(316,401)	(216,422)
Total operating expenses		<u>(250,595)</u>	<u>(152,470)</u>	<u>(511,957)</u>	<u>(386,622)</u>
Net rental income		<u>1,134,129</u>	<u>1,070,747</u>	<u>2,127,683</u>	<u>2,262,421</u>
Other operating (expenses) income					
General and administrative		(34,977)	(38,702)	(82,759)	(87,704)
Impairment of tenant receivables	7	(43,437)	-	(43,437)	-
Depreciation and amortization		(4,282)	(3,315)	(8,665)	(6,630)
(Loss) gain in fair value of investment property	6	(225,728)	638,714	(1,972,494)	60,802
Total other operating (expenses) income		<u>(308,424)</u>	<u>596,697</u>	<u>(2,107,355)</u>	<u>(33,532)</u>
TOTAL INCOME AND COMPREHENSIVE INCOME		<u>\$ 825,705</u>	<u>\$ 1,667,444</u>	<u>\$ 20,328</u>	<u>\$ 2,228,889</u>

The accompanying notes are an integral part of the condensed carve-out interim financial statements.

TACOMA**CONDENSED CARVE-OUT INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)**

(In United States dollars, unless otherwise noted)

	Note	June 30, 2020	December 31, 2019
ASSETS			
Non-Current assets			
Investment property	6	\$ 35,000,000	\$ 36,500,000
Machinery and equipment, net		21,328	27,076
		<u>35,021,328</u>	<u>36,527,076</u>
Current assets			
Cash and cash equivalents		966,722	1,629,482
Tenant receivables, net	7	551,830	372,959
Deferred leasing costs		5,985	8,902
Other receivables		45,845	93,968
		<u>1,570,382</u>	<u>2,105,311</u>
TOTAL ASSETS		<u>\$ 36,591,710</u>	<u>\$ 38,632,387</u>
LIABILITIES AND NET PARENT INVESTMENT			
Current liabilities			
Accounts payable and accrued expenses	8	\$ 122,559	\$ 191,315
Prepaid rent	8	27,940	45,252
		<u>150,499</u>	<u>236,567</u>
Non-current liabilities			
Prepaid rent	8	\$ 291,882	\$ 291,882
Tenants' security deposits		76,806	51,743
		<u>368,688</u>	<u>343,625</u>
Total Liabilities		<u>519,187</u>	<u>580,192</u>
Net Parent Investment		<u>36,072,523</u>	<u>38,052,195</u>
TOTAL LIABILITIES AND NET PARENT INVESTMENT		<u>\$ 36,591,710</u>	<u>\$ 38,632,387</u>

The accompanying notes are an integral part of the condensed carve-out interim financial statements.

Approved and authorized for issue by the Owner on October 5, 2020:

/s/ George Stone, on behalf of That Other Stuff, LLC, Owner

TACOMA**CONDENSED CARVE-OUT INTERIM STATEMENT OF CHANGES IN NET PARENT INVESTMENT
(UNAUDITED)**

(In United States dollars, unless otherwise noted)

Balance December 31, 2018	\$ 34,965,530
Total income and comprehensive income	2,228,889
Distributions	(1,000,000)
Balance June 30, 2019	\$ 36,194,419
Balance December 31, 2019	\$ 38,052,195
Total income and comprehensive income	20,328
Distributions	(2,000,000)
Balance June 30, 2020	\$ 36,072,523

The accompanying notes are an integral part of the condensed carve-out interim financial statements.

TACOMA**CONDENSED CARVE-OUT INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)**

(In United States dollars, unless otherwise noted)

	Note	Three Months Ended June 30,		Six Months Ended June 30,	
		2020	2019	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES					
Total income		\$ 825,705	\$ 1,667,444	\$ 20,328	\$ 2,228,889
Loss (gain) in fair value of investment property	6	225,728	(638,714)	1,972,494	(60,802)
Straight line rent income	5,6	9,302	(285,294)	(71,145)	(571,776)
Depreciation and amortization		4,282	3,315	8,665	6,630
Changes in working capital:					
Tenant receivables, net	7	(33,529)	275,497	(178,871)	159,168
Other receivables		23,392	26,716	48,123	49,822
Accounts payable and accrued expenses	8	(102,308)	(209,459)	(68,756)	(76,661)
Prepaid rent and tenants' security deposits	8	7,750	34,237	7,751	35,416
Cash generated from operating activities		<u>960,322</u>	<u>873,742</u>	<u>1,738,589</u>	<u>1,770,686</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Capital expenditures on investment property	6,15	(235,030)	(275,992)	(401,349)	(467,422)
Net cash used in investing activities		<u>(235,030)</u>	<u>(275,992)</u>	<u>(401,349)</u>	<u>(467,422)</u>
CASH FLOWS FROM FINANCING ACTIVITIES					
Distributions		(1,000,000)	(500,000)	(2,000,000)	(1,000,000)
Net cash used in financing activities		<u>(1,000,000)</u>	<u>(500,000)</u>	<u>(2,000,000)</u>	<u>(1,000,000)</u>
Net (decrease) increase in cash and cash equivalents		(274,708)	97,750	(662,760)	303,264
Cash and cash equivalents, beginning of period		<u>1,241,430</u>	<u>826,269</u>	<u>1,629,482</u>	<u>620,755</u>
Cash and cash equivalents, end of period		<u>\$ 966,722</u>	<u>\$ 924,019</u>	<u>\$ 966,722</u>	<u>\$ 924,019</u>

The accompanying notes are an integral part of the condensed carve-out interim financial statements.

TACOMA

NOTES TO THE CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS (UNAUDITED)

December 31, 2019

(In United States dollars, unless otherwise noted)

NOTE 1: GENERAL

These condensed carve-out interim financial statements represent the assets, liabilities, revenues and expenses of 3303 S. 35th Street, Tacoma, Washington, United States (the "Property"), as well as allocations deemed reasonable by management, to present the financial position, financial performance, changes in invested equity and cash flows of the Property on a stand-alone basis and do not necessarily reflect the financial position, financial performance, changes in invested equity and cash flows of the Property in the future or what they would have been had the Property been a separate, stand-alone entity during the periods presented. Management considers the bases on which the expenses have been allocated to reasonably reflect the utilization of services provided to the Property in the periods presented.

The Property consists of a warehouse facility that has multiple tenants. The Property is 100% owned and managed by That Other Stuff, LLC ("Owner"), which was incorporated in March 2014, to solely invest in acquiring, managing and developing the Property.

The Property's principal business is to lease on a long-term basis, to operators of regulated cannabis businesses in Washington State, in which such activities are legal under state laws and regulations.

Subsequent to June 30, 2020, a letter of intent has been executed between the Owner and a third party for the sale of the Property.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These unaudited condensed carve-out interim financial statements of the Property are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC"). They have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting and do not include all the information and disclosures required in the annual carve-out financial statements. Select explanatory notes are included to explain events and transactions that are significant to an understanding of the Property.

The condensed carve-out interim financial statements have been prepared using the same accounting policies and methods as those used in the audited carve-out financial statements for the year ended December 31, 2019, and should be read in conjunction with the Property's audited carve-out financial statements for the year ended December 31, 2019.

The condensed carve-out interim financial statements are prepared on a going concern basis and have been presented in US dollars, the functional currency of the Property. In preparing the condensed carve-out interim financial statements, the historical cost convention has been applied, except for the measurement of investment property at fair value.

NOTE 3: CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of condensed carve-out financial statements in conformity with IFRS requires management to make estimates and assumptions concerning the future. It also requires management to exercise judgement in applying the Property's accounting policies and the reported amounts of assets and liabilities, revenue and expenses, and related disclosures. Estimates and judgements are continually evaluated and are based on current facts, historical experience and other factors, including expectations of future events that management believes are reasonable under the circumstances. Accounting estimates will, by definition, seldom equal the actual results. The following are management's most significant estimates and assumptions in determining the value of assets and liabilities and the most significant judgements in applying its accounting policies: impairment of tenant receivables, fair value of investment properties, classification of leases and general and administrative expenses allocation.

TACOMA**NOTES TO THE CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS (UNAUDITED)**

December 31, 2019

(In United States dollars, unless otherwise noted)

NOTE 4. FUTURE ACCOUNTING CHANGES

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2020, and accordingly, have not been applied in preparing these consolidated financial statements.

In 2020, the IASB issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and the impact on the Property is currently being assessed.

In 2020, the IASB issued 'Annual Improvements to IFRS Standards 2018–2020'. The pronouncement contains amendments to four International Financial Reporting Standards (IFRSs) as a result of the IASB's annual improvements project. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and the impact on the Property is currently being assessed.

In 2020, the IASB issued 'Reference to the Conceptual Framework (Amendments to IFRS 3)' with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and impact on the Property is currently being assessed.

NOTE 5: INCOME

The Property disaggregates rental income as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Base rent	\$ 1,168,638	\$ 770,796	\$ 2,200,694	\$ 1,739,412
Late fees and other income	9,869	1,694	17,433	17,625
Straight line rent	(9,302)	285,294	71,145	571,776
Total	<u>\$ 1,169,205</u>	<u>\$1,057,784</u>	<u>\$2,289,272</u>	<u>\$2,328,813</u>

Tenant reimbursement income is disaggregated as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Property taxes	\$ 92,274	\$ 66,225	\$ 158,499	\$ 133,063
Property insurance	24,714	21,378	46,977	29,082
Utilities	46,173	14,180	69,431	33,105
Parking income	3,573	60,383	7,459	8,039
Other	48,785	3,267	68,002	116,941
Total	<u>\$ 215,519</u>	<u>\$ 165,433</u>	<u>\$ 350,368</u>	<u>\$320,230</u>

TACOMA**NOTES TO THE CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS (UNAUDITED)**

December 31, 2019

(In United States dollars, unless otherwise noted)

NOTE 6: INVESTMENT PROPERTY

	Six Months Ended June 30,		Year Ended
	2020	2019	December 31,
			2019
Balance, beginning of period	\$ 36,500,000	34,300,000	\$ 34,300,000
Capital expenditures	401,349	467,422	939,658
Straight line rent	71,145	571,776	854,092
Fair value loss on investment property	(1,972,494)	60,802	406,250
Balance, end of period	\$ 35,000,000	\$35,400,000	\$ 36,500,000

The Property is valued annually as of December 31 by an accredited independent appraiser having the relevant professional qualifications and experience in the market and location of the Property. The valuations are the ultimate responsibility of management of the Property. Each interim reporting period, management considers changes in the Property, its economic environment, and its cash flows in determining the fair value of the Property and adjusts the value for changes in these factors accordingly.

For annual reporting periods, the fair value of the Property has been estimated using an income capitalization approach which capitalizes the estimated rental income stream, net of projected operating costs and other expenditure (e.g., leasing costs and capital expenditure) required to generate such income. The valuation also includes assumptions regarding the benefits and liabilities of ownership, including estimates of future vacancy levels, the terms of in-place leases and expectations for rentals from future leases over the economic life of the Property. It also includes an exit or terminal value.

The duration of the cash flows and the specific timing of the inflows and outflows are determined by events including lease modifications, renewals and refurbishment, in addition to wider macroeconomic events that could reasonably be expected to impact the Property and its operations. The appropriate durations are typically driven by market behaviour that is characteristic of the class of the Property.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus. In March 2020, the WHO classified the COVID 19 outbreak as a pandemic, based on the rapid increase in exposure globally. The COVID-19 outbreak has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The COVID-19 pandemic and government responses are creating disruption in global supply chains and adversely impacting many industries, including the real estate and cannabis sectors.

During the interim period ended June 30, 2020, the Owner entered into non-committal discussions with third parties regarding the sale of the Property, agreeing to a value in principle of \$35,000,000. Management believe that this value is reflective of the recoverable amount in the context of the business and economic environment following the impact of the COVID-19 pandemic, among other factors, and have accordingly established this as fair value as of June 30, 2020.

The valuation models applied are consistent with the principles in IFRS 13.

NOTE 7: TENANTS RECEIVABLE

	June 30,	December
	2020	31,
		2019
Tenant receivables	\$ 595,267	\$403,170
Less: provision of impairment of tenant receivables	43,437	30,211
Tenant receivables, net	\$ 551,830	\$ 372,959

TACOMA**NOTES TO THE CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS (UNAUDITED)**

December 31, 2019

(In United States dollars, unless otherwise noted)

NOTE 7: TENANTS RECEIVABLE (CONTINUED)

Receivables related to rent and services to tenants are billed one-month in advance, are non-interest bearing and are typically due within 30 days.

NOTE 8: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued liabilities were comprised of the following:

	June 30, 2020	December 31, 2019
Trade payables	\$ 52,720	\$ 62,010
Payroll and related liabilities	36,181	41,660
Other accrued expenses	33,658	87,645
Total	<u>\$ 122,559</u>	<u>\$ 191,315</u>

Trade payables are non-interest bearing and are normally settled on 30-day terms.

Included in the statement of financial position are contract liabilities related to prepaid rents, as follows:

	June 30, 2020	December 31, 2019
Current	\$ 27,940	\$45,252
Non-current	<u>291,882</u>	<u>291,882</u>

Prepaid rents represent amounts received from tenants in advance of the rental period to which the payment relates. Fluctuations are attributable to changes in tenancy over respective reporting periods. There is no material difference between the carrying value and fair value of the related liabilities.

NOTE 9: PROPERTY OPERATING EXPENSES

The following property operating expenses were incurred:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Repairs and maintenance	\$ 5,650	\$ 5,126	\$ 16,734	\$ 13,363
Utilities	49,517	17,108	102,881	65,375
Payroll and related	75,469	41,658	132,613	73,500
Insurance	29,981	26,716	58,554	53,432
Other	-	5,849	5,619	10,752
	<u>\$ 160,617</u>	<u>\$96,457</u>	<u>\$ 316,401</u>	<u>\$ 216,422</u>

TACOMA**NOTES TO THE CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS (UNAUDITED)**

December 31, 2019

(In United States dollars, unless otherwise noted)

NOTE 10: OPERATING LEASES

The Property leases commercial units to tenants under non-cancellable operating leases, that typically have lease terms between 5 and 10 years. The leases have various terms and renewal rights, with total future contractual minimum base rent lease payments expected as follows:

	June 30, 2020	December 31, 2019
Not later than one year	\$ 4,258,776	\$ 4,517,891
Later than one year and not longer than five years	15,583,711	16,635,096
Later than five years	6,996,435	9,021,437
Total	<u>\$ 26,838,922</u>	<u>\$ 30,174,424</u>

NOTE 11: RELATED PARTY TRANSACTIONS

The Property obtains certain management services from its Owner. The following expenses were incurred during the periods:

	Three Months Ended June 30, 2020	2019	Six Months Ended June 30, 2020	2019
General and administrative expenses	<u>\$ 28,820</u>	<u>\$ 33,113</u>	<u>\$ 59,690</u>	<u>\$ 62,798</u>

Amounts payable in respect of the services above included in the condensed carve-out interim statements of financial position are \$31,536 and \$85,403 as of June 30, 2020 and December 31, 2019 respectively.

NOTE 12: CAPITAL MANAGEMENT

For the purpose of the Property's capital management, capital comprises net parent investment. The Property's objectives when managing capital are to safeguard the Property's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Property manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Property may attempt to receive capital contributions from its members, issue new debt, or adjust the amount of cash.

The Property expects its current capital resources will be sufficient to carry its operations through its current operating period.

NOTE 13: FINANCIAL RISK MANAGEMENT

In the normal course of business, the Property is exposed to financial risk and manages that risk, as follows:

Financial Instruments Risk:

The principal financial instruments used by the Property, from which financial instruments risk arises are as follows:

- Cash and cash equivalents
- Tenant and other receivables
- Accounts payable and accrued expenses

TACOMA**NOTES TO THE CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS (UNAUDITED)**

December 31, 2019

(In United States dollars, unless otherwise noted)

NOTE 13: FINANCIAL RISK MANAGEMENT (CONTINUED)**Financial Instruments Risk: (continued)**

- Tenants security deposits

There is no material difference between the carrying value and fair value of the financial assets and liabilities disclosed in the carve-out statements of financial position, all of which are measured at amortized cost.

Liquidity Risk

Liquidity risk is the risk that the Property cannot meet its financial obligations associated with financial liabilities in full. The primary source of liquidity is net operating income, which is used to finance working capital and capital expenditure requirements, and to meet the Property's financial obligations associated with financial liabilities. Additional sources of liquidity are members capital contributions, which is used to fund additional operating and other expenses and retire debt obligations, if any, at their maturity.

Credit Risk

Credit risk rises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, the stated amount is typically the gross carrying amount, net of any amounts offset and any impairment losses.

The Property's tenants may experience financial difficulty and be unable to meet their rental obligations. The Property mitigates its risk of credit loss with respect to tenants by evaluating credit worthiness of new tenants, obtaining security deposits, prepaid rent for last month of lease and personal guarantee from tenants.

Market Risk

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. The Property has no liabilities that will be subject to the interest rate risk.

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Property does not have any material transactions denominated in foreign currency and is not exposed to foreign currency risk.

Other price risk is the risk that changes in market prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with financial instruments of the Property are not exposed to other price risk.

NOTE 14: FAIR VALUE OF FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTIES

The Property's financial assets and liabilities are comprised of tenant and other receivables, accounts payable and accrued liabilities and tenant security deposits which are carried at amortized cost. For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs: Are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs: Are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs: Are unobservable inputs for the asset or liability.

TACOMA**NOTES TO THE CONDENSED INTERIM CARVE-OUT FINANCIAL STATEMENTS (UNAUDITED)**

December 31, 2019

(In United States dollars, unless otherwise noted)

NOTE 14: FAIR VALUE OF FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTIES (continued)

The carrying value of cash, tenant receivables, other receivables, accounts payable, tenant security deposits and accrued expenses approximates fair value due to the short-term nature of these instruments. Please refer to Note 6 for detail of Level 3 inputs considered in the determination of fair value of the Property.

NOTE 15: COMMITMENTS AND CONTINGENCIES

Leasing Matters: The Property is obligated to fund a tenant improvement allowance of up to \$475,000.

Capital Expenditures: The Property is contracted to perform capital expenditures of approximately \$282,000.

Litigation: The Property may, from time to time, be a party to legal proceedings, which arise in the ordinary course of its business. Management is not aware of any pending or threatened litigation that, if resolved against the Property, would have a material adverse effect on the financial position, results of operations or cash flows.

Environmental: As a real estate asset, the Property is subject to various environmental laws of federal and local governments. Compliance with existing law has not had an adverse effect on the Property and Management does not believe that it will have a material adverse impact in the future. However, as part of the due diligence for the sale of the property, the purchaser identified potential hazards and the Owner has agreed to indemnify the purchaser for up to \$700,000 of potential remediation costs. Management does not expect the costs to exceed the indemnified amounts. Management cannot predict the impact of new or changed laws or regulations on the Property that may be made in the future.

NOTE 16: SUBSEQUENT EVENTS

Management continue to examine the impact on the Property of the COVID-19 outbreak and The CARES Act, as indicated in the audited carve-out financial statements for the year ended December 31, 2019. To date, there has been no significant impact from the COVID 19 outbreak on tenant operations, nor their ability to meet rental obligations as they become payable. While Management view the disruptions as temporary, the continued impact could affect the collectability of revenues, results of operations and financial condition.

On July 21, 2020, Management signed a Letter of Intent to sell the Property for a total consideration of \$35,000,000. The acquisition is expected to be completed in October 2020. The agreement is subject to conditions including regulatory approval and approval by the independent directors of the board of the purchaser.

Management has performed subsequent event procedures through October 5, 2020, which is the date the condensed interim carve-out financial statements were available to be issued. Except as disclosed, there were no subsequent events requiring adjustments to, or disclosures in, the condensed interim carve-out financial statements.

**MANAGEMENT’S DISCUSSION AND ANALYSIS OF
3303 S. 35TH STREET, TACOMA, WASHINGTON, UNITED STATES
 (“TACOMA”)**

The following management discussion and analysis of Tacoma (the “Tacoma MD&A”) has been prepared as of the date of this prospectus and is intended to assist readers in understanding the financial performance and condition of Tacoma. The Tacoma MD&A provides information concerning Tacoma’s financial condition as of June 30, 2020 and December 31, 2019 and results from operations and cash flows for the three and six month periods ended June 30, 2020 and 2019. The Tacoma MD&A should be read in conjunction with the Tacoma condensed carve-out interim financial statements included in Appendix C of this prospectus. Such condensed carve-out interim financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”) and are presented in United States dollars.

Results of Operations

Three Months Ended June 30, 2020 compared to Three Months Ended June 30, 2019

Rental Income

Rental income was \$1,169,205 for the three months ended June 30, 2020 as compared to \$1,057,784 for the three months ended June 30, 2019, representing an increase of \$111,421 or 10.5%. The increase was attributable to an increase in occupancy of Tacoma during the second half of 2019.

Tenant reimbursement income was \$215,519 for the three months ended June 30, 2020 as compared to \$165,433 in the three months ended June 30, 2019, representing an increase of \$50,086 or 30.2%. The increase is attributable to the change in the underlying expenses noted below, together with the additional reimbursements billable to new tenants following the aforementioned growth in occupancy.

Operating Expenses

Property tax expense was \$89,978 for the three months ended June 30, 2020 as compared to \$56,013 in the three months ended June 30, 2019, representing an increase of \$33,965 or 60.6%. This increase is a result of higher taxes payable to Pierce County for 2020.

Property operating expenses were \$160,617 for the three months ended June 30, 2020 as compared to \$96,457 for the three months ended June 30, 2019, representing an increase of \$64,160 or 66.5%. This increase is primarily due to greater property manager expenses of \$37,481 in the period ended June 30, 2020, owing to the augmented requirements of operating the increasingly stabilized property. Fluctuations in other key operating expense categories were minimal.

Other Operating Income and Expenses

General and administrative expenses were \$34,977 for the three months ended June 30, 2020 as compared to \$38,702 in the three months ended June 30, 2019, representing a decrease of \$3,725 or 10.6%. The decrease is primarily due to a reduction in management travel and related administrative expenses.

Impairment of tenant receivables increased to \$43,437 for the three months ended June 30, 2020 as compared to \$0 for the three months ended June 30, 2019, following management's assessment of expected credit losses.

The loss in fair value of investment property was \$225,728 for the three months ended June 30, 2020 as compared to a gain of \$638,714 for the three months ended June 30, 2019, representing a change of \$864,442. The change is a result of an increase in the valuation of the investment property from March 31, 2019 to June 30, 2019 compared to no change in the valuation from March 31, 2020 to June 30, 2020. The increase in the three months ended June 30, 2019 is principally driven by two factors: an increase in tenant occupancy rates from approximately 79% to approximately 87%, and the extension of lease term by existing tenants. Both factors contributed to an increase in projected future cash inflows for the Property. Comparatively, the loss in fair value of the investment property in the three months ended June 30, 2020, is representative of no change in fair value in the three months then-ended, offset by \$235,030 of capital expenditure incurred and other factors of \$9,302.

Fluctuations in other expense categories for the three months ended June 30, 2020 and June 30, 2019 remained minimal.

Six Months ended June 30, 2020 compared to Six Months ended June 30, 2019

Rental Income

Rental income was \$2,289,272 for the six months ended June 30, 2020 as compared to \$2,328,813 in the six months ended June 30, 2019, representing a decrease of \$39,541 or 1.70%. This limited movement is attributable to an increase in occupancy of Tacoma during the second half of 2019, offset by other timing differences related to the straight line income.

Tenant reimbursement income was \$350,368 for the six months ended June 30, 2020 as compared to \$320,230 in the six months ended June 30, 2019, representing an increase of \$30,138 or 9.41%. The increase is attributable the changes in the underlying expenses noted below, together with the additional reimbursements billable to new tenants following the aforementioned growth in occupancy.

Operating Expenses

Property tax expenses were \$195,556 for the six months ended June 30, 2020 as compared to \$170,200 for the six months ended June 30, 2019, representing an increase of \$25,356 or 14.9%. This increase is a result of higher taxes payable to Pierce County for 2020.

Property operating expenses were \$316,401 for the six months ended June 30, 2020 as compared to \$216,422 in the six months ended June 30, 2019, representing an increase \$99,979 or 46.20%. This increase is primarily due to greater property manager expenses of \$24,380 in the period ended June 30, 2020, owing to the augmented requirements of operating the increasingly stabilized property. Fluctuations in other key operating expense categories remained minimal.

Other Operating Income and Expenses

Impairment of tenant receivables increased to \$43,437 for the six months ended June 30, 2020 as compared to \$0 for the six months ended June 30, 2019, following management's assessment of expected credit losses.

The loss in fair value of investment property was \$1,972,494 for the six months ended June 30, 2020 as compared to a gain of \$60,802 in the six months ended June 30, 2019, representing a change of \$2,033,296. The change is a result of an increase in the valuation of the investment property from December 31, 2018 to June 30, 2019, compared to a decrease in the valuation from December 31, 2019 to June 30, 2020. The increase in the six months ended June 30, 2019 is principally driven by two factors: an increase in tenant occupancy rates from approximately 79% to approximately 87%, and the extension of lease term by existing tenants. Both factors contributed to an increase in projected future cash inflows for the Property. Comparatively, the decrease in fair value for the six months ended June 30, 2020 is a result of the economic uncertainty within the market following the emergence of the global health emergency of the COVID-19 outbreak. In addition, during the six months ended June 30, 2020, management was in progressive negotiations to sell the Property for \$35,000,000.

Fluctuations in other expense categories for the six months ended June 30, 2020 and June 30, 2019 remained minimal.

Financial Condition

June 30, 2020 compared to December 31, 2019

Investment Property

The fair value of the investment property has decreased by \$1,500,000 from December 31, 2019 to June 30, 2020. The decrease in fair value is a result of the economic uncertainty within the market following the emergence of the global health emergency of the COVID-19 outbreak. In addition, during the six months ended June 30, 2020, management was in progressive negotiations to sell the Property for \$35,000,000.

Working Capital

Working Capital includes cash and cash equivalents, tenant receivables, other receivables, accounts payable and accrued expenses, prepaid rent and tenants' security deposits.

Tacoma's main sources of liquidity have been from cash on hand and cash generated from operating activities. As of June 30, 2020, working capital was \$1,051,195 compared to \$1,525,119 as of December 31, 2019, representing a decrease of \$473,924. The decrease is principally attributable to a decrease in cash and cash equivalents of \$662,760 due to distributions to Tacoma's owners. The movement is also impacted by decreased cash inflows from tenant receivables, attributed to the global health emergency of the COVID-19 outbreak which hardened collections efforts.

Other sources of working capital have remained comparable between December 31, 2019 and June 30, 2020.

Cash Flows

Analysis of Cash Flows for the three months ended June 30, 2020 compared to three months ended June 30, 2019

Cash Flows generated from operating activities

Cash flows generated from operating activities for the three months ended June 30, 2020, totaled \$960,322, compared to \$873,742 for the three months ended June 30, 2019, representing an increase of \$86,580. After considering the effect on total income of the change in gain or loss in fair value of the investment property of \$864,442, as outlined above, in addition to the decrease in straight line rental income impact of \$294,596, arising from the execution of long-term leases with new tenants and lease extensions with existing tenants in the three months ended June 30, 2019, the increase in cash generated from operating activities is a result of an increase in total income of \$318,266. This increase is offset by changes in working capital of \$231,686, including a change in tenant receivables of \$309,026 as a result of the hardened collections efforts, as noted above.

Cash Flows used in Investing Activities

Net cash used in investing activities for the three months ended June 30, 2020 totaled \$235,030, compared to \$275,992 used in investing activities during the three months ended June 30, 2019. The decrease is due to a reduction in capital expenditures on the investment property in the amount of \$40,962.

Cash Flows used in Financing Activities

Net cash used in financing activities for the three months ended June 30, 2020 totaled \$1,000,000, compared to \$500,000 during the three months ended June 30, 2019. The increase is attributable to an increase in the distributions made to the owners of Tacoma.

Analysis of Cash Flows for the six months ended June 30, 2020 compared to the six months ended June 30, 2019

Cash Flows generated from operating activities

Cash flows generated from operating activities for the six months ended June 30, 2020, totaled \$1,738,589, compared to \$1,770,686 for the six months ended June 30, 2019, representing a decrease of \$32,097. After considering the effect on total income of the change in gain or loss in fair value of the investment property of \$2,033,296, as outlined above, in addition to the decrease in straight line rental income impact of \$500,631, arising from the execution of long-term leases with new tenants and lease extensions with existing tenants in the six months ended June 30, 2019, the increase in cash generated from operating activities is a result of an increase in total income of \$327,401. This increase is offset by changes in working capital of \$359,498, including a change in tenant receivables of \$338,039 as a result of the hardened collections efforts, as noted above.

Cash Flows used in Investing Activities

Net cash used in investing activities totaled \$401,349 for the six months ended June 30, 2020, compared to \$467,422 used in investing activities during the six months ended June 30, 2019. The decrease is due to a reduction in capital expenditures on the investment property in the amount of \$66,073.

Cash Flows used in Financing Activities

Net cash used in financing activities totaled \$2,000,000 for the six months ended June 30, 2020, compared to \$1,000,000 during the six months ended June 30, 2019. The increase is attributable to an increase in the distributions made to the owners of Tacoma.

**3303 S. 35TH STREET, TACOMA,
WASHINGTON, UNITED STATES
("TACOMA")**

CARVE-OUT FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2019

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying carve-out financial statements for 3303 S 35th Street, Tacoma, Washington (the "Property") were prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). Management acknowledges responsibility for the preparation and presentation of the carve-out financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Property's circumstances. In the opinion of management, the carve-out financial statements have been prepared within acceptable limits using accounting policies consistent with IFRS appropriate in the circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the carve-out financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the carve-out financial statements and (ii) the carve-out financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Property, as of the date of and for the periods presented by the carve-out financial statements.

Management is responsible for reviewing and approving the carve-out financial statements together with other financial information of the Property and for ensuring that management fulfills its financial reporting responsibilities.

Management recognizes its responsibility for conducting the Property's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

That Other Stuff, LLC,
a Washington limited liability company

By Kalyx OP, LP, a Delaware
limited partnership
Its Member

By Kalyx GP LLC, a Delaware
limited liability company,
Its General Partner

By Kalyx Holdings LLC, a Delaware
limited liability company
Its Sole Member

By: /s/ George Stone
Name: George Stone
Its: CEO

October 5, 2020
New York, New York



Independent Auditor's Report

To the Management of the property located at 3303 S 35th Street, Tacoma, Washington, United States:

Opinion

We have audited the financial statements of the property located at 3303 S 35th Street, Tacoma, Washington (the "Property"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of income and comprehensive income, statements of changes in net parent investment and cash flow statements for the years ended December 31, 2019, 2018 and 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Property as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years ended December 31, 2019, 2018 and 2017, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS").

Emphasis of Matter

We draw attention to the basis of preparation of the carve-out financial statements, as described in note 1 to the carve-out financial statements. As the Property has not operated as a separate entity, these carve-out financial statements are therefore, not necessarily indicative of results that would have occurred if the Property had been a separate standalone entity during the years presented. Our opinion is not modified in respect to this matter.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Property in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the carve-out financial statements and our auditor's report thereon, in the Preliminary Prospectus.

Our opinion on the carve-out financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the carve-out financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the carve-out financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Preliminary Prospectus prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Property's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Property or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Property's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Property's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Property's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Property to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/ BDO USA, LLP

Certified Public Accountants
New York, New York
United States of America

October 5, 2020

TACOMA**CARVE-OUT STATEMENT OF INCOME AND COMPREHENSIVE INCOME**

(In United States dollars, unless otherwise noted)

		Year Ended December 31,		
	Note	2019	2018	2017
Rental income		\$ 4,638,584	\$ 3,719,507	\$ 3,865,019
Tenant reimbursements		565,972	655,285	662,397
Total rental income	4	<u>5,204,556</u>	<u>4,374,792</u>	<u>4,527,416</u>
Property tax expenses		(340,050)	(366,653)	(563,793)
Property operating expenses	9	<u>(453,904)</u>	<u>(327,067)</u>	<u>(415,591)</u>
Total operating expenses		<u>(793,954)</u>	<u>(693,720)</u>	<u>(979,384)</u>
Net rental income		<u>4,410,602</u>	<u>3,681,072</u>	<u>3,548,032</u>
Other operating (expenses) income				
General and administrative		(153,408)	(127,162)	(147,323)
Impairment of tenant receivables	7	(30,211)	-	-
Professional fees		(33,308)	(16,806)	(42,837)
Depreciation and amortization	2, 6	(13,260)	(11,757)	(7,969)
Gain (loss) in fair value of investment property	5	406,250	(1,055,057)	3,267,545
Total other operating income (expenses)		<u>176,063</u>	<u>(1,210,782)</u>	<u>3,069,416</u>
Net operating income		4,586,665	2,470,290	6,617,448
Finance costs	10	-	(350,056)	(1,358,705)
TOTAL INCOME AND COMPREHENSIVE INCOME		<u>\$ 4,586,665</u>	<u>\$ 2,120,234</u>	<u>\$ 5,258,743</u>

The accompanying notes are an integral part of the carve-out financial statements.

TACOMA**CARVE-OUT STATEMENT OF FINANCIAL POSITION**

(In United States dollars, unless otherwise noted)

	Note	December 31,	
		2019	2018
ASSETS			
Non-current assets			
Investment property	5	\$ 36,500,000	\$ 34,300,000
Machinery and equipment, net	6	27,076	32,272
		<u>36,527,076</u>	<u>34,332,272</u>
Current assets			
Cash and cash equivalents		1,629,482	620,755
Tenant receivables, net	7	372,959	484,841
Deferred leasing costs	2	8,902	12,466
Other receivables		93,968	83,690
TOTAL ASSETS		<u>2,105,311</u>	<u>1,201,752</u>
		<u>\$ 38,632,387</u>	<u>\$ 35,534,024</u>
LIABILITIES AND NET PARENT INVESTMENT			
Current liabilities			
Accounts payable and accrued expenses	8	\$ 191,315	\$ 204,023
Prepaid rent	8	45,252	22,413
		<u>236,567</u>	<u>226,436</u>
Non-current liabilities			
Prepaid rent	8	291,882	319,698
Tenants' security deposits		51,743	22,360
		<u>343,625</u>	<u>342,058</u>
Total Liabilities		<u>580,192</u>	<u>568,494</u>
Net Parent Investment		<u>38,052,195</u>	<u>34,965,530</u>
TOTAL LIABILITIES AND NET PARENT INVESTMENT		<u>\$ 38,632,387</u>	<u>\$ 35,534,024</u>

The accompanying notes are an integral part of the carve-out financial statements.

Approved and authorized for issue by the Owner on October 5, 2020:

/s/ George Stone, on behalf of That Other Stuff LLC, Owner

TACOMA**CARVE-OUT STATEMENT OF CHANGES IN NET PARENT INVESTMENT**

(In United States dollars, unless otherwise noted)

	Year Ended December 31,		
	2019	2018	2017
Net parent investment, beginning of year	\$ 34,965,530	\$ 21,145,296	\$ 11,009,890
Total income and comprehensive income	4,586,665	2,120,234	5,258,743
Contributions	-	13,300,000	4,876,663
Distributions	(1,500,000)	(1,600,000)	-
Net parent investment, end of year	<u>\$ 38,052,195</u>	<u>\$ 34,965,530</u>	<u>\$ 21,145,296</u>

The accompanying notes are an integral part of the carve-out financial statements.

TACOMA**CARVE-OUT STATEMENT OF CASH FLOWS**

(In United States dollars, unless otherwise noted)

		Year Ended		
	Note	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Total income		\$ 4,586,665	\$ 2,120,234	\$ 5,258,743
Adjustments to reconcile total income to net cash flows from operating activities				
(Gain) loss in fair value of investment property	5	(406,250)	1,055,057	(3,267,545)
Finance costs	10	-	350,056	1,292,042
Straight line rent income	4	(854,092)	(59,733)	(74,271)
Depreciation and amortization	2,6	13,260	11,757	7,969
Impairment of tenant receivable	7	30,211	-	-
Changes in working capital:				
Tenant receivables, net	7	81,671	(10,566)	(275,586)
Other receivables		(10,278)	56,378	(86,418)
Accounts payable and accrued expenses	8	(12,708)	2,179	(513,326)
Prepaid rent and tenants' security deposits	8	24,406	48,043	(113,323)
Cash generated from operating activities		<u>3,452,885</u>	<u>3,573,405</u>	<u>2,228,285</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Capital expenditures on investment property	5	(939,658)	(1,295,324)	(1,387,434)
Purchase of machinery and equipment	6	(4,500)	(9,000)	(39,456)
Leasing costs paid	2	-	(8,474)	(7,534)
Net cash used in investing activities		<u>(944,158)</u>	<u>(1,312,798)</u>	<u>(1,434,424)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of note payable	10	-	(13,594,722)	(2,083,330)
Contributions	10	-	13,300,000	2,876,663
Distributions		(1,500,000)	(1,600,000)	-
Payment of loan payable	10	-	-	(8,750,000)
Proceeds from note payable	10	-	-	8,750,000
Payment of loan costs		-	-	(39,460)
Finance costs paid	10,12	-	(329,326)	(1,213,217)
Net cash used in financing activities		<u>(1,500,000)</u>	<u>(2,224,048)</u>	<u>(459,344)</u>
Net increase in cash and cash equivalents		1,008,727	36,559	334,517
Cash and cash equivalents, beginning of period		620,755	584,196	249,679
Cash and cash equivalents, end of period		<u>\$ 1,629,482</u>	<u>\$ 620,755</u>	<u>\$ 584,196</u>

The accompanying notes are an integral part of the carve-out financial statements.

TACOMA

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS

December 31, 2019

(In United States dollars, unless otherwise noted)

NOTE 1: GENERAL

These carve-out financial statements represent the assets, liabilities, revenues and expenses of 3303 S. 35th Street, Tacoma, Washington, United States (the "Property"), as well as allocations deemed reasonable by management, to present the financial position, financial performance, changes in invested equity and cash flows of the Property on a stand-alone basis and do not necessarily reflect the financial position, financial performance, changes in invested equity and cash flows of the Property in the future or what they would have been had the Property been a separate, stand-alone entity during the periods presented. Management considers the bases on which the expenses have been allocated to reasonably reflect the utilization of services provided to the Property in the periods presented.

The Property consists of a warehouse facility that has multiple tenants. The Property is 100% owned and managed by That Other Stuff, LLC ("Owner"), which was incorporated in March 2014, to solely invest in acquiring, managing and developing the Property.

The Property's principal business is to lease on a long-term basis to, to operators of regulated cannabis businesses in Washington State, in which such activities are legal under state laws and regulations.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The carve-out financial statements of the Property are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the IFRS Interpretations Committee ("IFRIC").

b. Basis of presentation

The carve-out financial statements are prepared on a going concern basis and have been presented in US dollars, the functional currency of the Property. In preparing the financial statements, the historical cost convention has been applied, except for the measurement of investment property at fair value.

The accounting policies set out below have been applied consistently in all material respects.

c. Investment property

Investment property comprises property held to earn long-term rental income, or for capital appreciation, or both, that is not occupied by the Owner of affiliated companies. Investment property is initially recognized at cost, including transaction costs, and is subsequently carried at fair value, determined based on available market evidence, at the financial position date. The fair value of investment property reflects, among other things, rental income from current leases and other assumptions market participants would make when pricing the property under current market conditions.

Subsequent expenditure is capitalized to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Owner and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Valuations are performed by professional valuers who hold recognized and relevant professional qualifications and have recent experience in the location and category of the investment property being valued. These valuations form the basis for the carrying amounts in the carve-out financial statements.

Related fair value gains and losses are recorded in net income in the year in which they arise.

d. Revenue recognition

Revenue comprises rental income and operating cost recoveries from the letting of the Property under non-cancellable operating leases agreements within the scope of IFRS 16, in which the Property acts as lessor.

TACOMA**NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**

December 31, 2019

(In United States dollars, unless otherwise noted)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Property accounts for tenant leases as operating leases given that it retains substantially all of the risks and benefits of ownership of the investment property. Revenue generated includes base rents that each tenant pays in accordance with the terms of its respective lease, recoveries of operating expenses (including property, taxes, utility expenses and insurance expenses), in addition to lease termination fees and other incidental income. Revenue recognition under a lease commences when the tenant has a right to use the Property and revenue is recognized pursuant to the terms of the lease agreement.

The total amount of contractual rent to be received from the operating leases is recognized on a straight-line basis over the term of the lease, resulting in an accrual recording the cumulative difference between the rental revenue as recorded on a straight-line basis and rents received from tenants in accordance with their respective lease terms.

Revenue with respect to the recovery of operating expenses is measured based on the consideration specified in the lease agreement and recognized when the Property transfers the good or service to the customer. To determine whether to recognize revenue, management follows a five-step process:

- identifying the contract with customer
- identifying the performance obligation
- determining the transaction price
- allocating the transaction price to the performance obligation
- recognizing revenue when/as performance obligations are satisfied

Revenue is therefore recognized to the extent that it is probable that the performance obligations are satisfied, or the tenant consumes the services and will result in revenue.

Amounts received from tenants to terminate leases are recognized in the statement of income and comprehensive income when the right to receive them arises.

e. Cash and cash equivalents

Cash and cash equivalents in the carve-out statement of financial position comprise cash at banks. For the purpose of the carve-out statement of cash flows, cash and cash equivalents consist of cash and short-term deposits.

f. Tenant receivables

Tenant receivables are recognized at their original invoiced value, except where the time value of money is material, in which case rent receivables are recognized at fair value and subsequently measured at amortized cost.

g. Financial instruments

Financial assets are recognized according to the purpose for which the asset was acquired.

Amortized cost

These assets arise principally from the provision of services to tenants (e.g. tenant receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently measured at amortized cost using the effective interest rate method, less provision for impairment.

TACOMA**NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**

December 31, 2019

(In United States dollars, unless otherwise noted)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment provisions for tenant receivables are recognized based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the receivables are assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the receivables.

For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the carve out statement of income and comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Fair value through profit or loss

The Property does not have any financial assets held for trading nor does it classify any financial assets as being at fair value through profit or loss.

The Property's financial liabilities comprise accounts payable and accrued expenses and tenant deposits. All financial liabilities are initially recognized at fair value, net of directly attributable transaction costs. For the purposes of subsequent measurement, all financial liabilities held are subsequently measured at amortized cost using the effective interest method.

h. Critical accounting estimates and assumptions

Estimates have been made in the preparation of the carve-out financial statements that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of earnings. The Property management continually evaluates the estimates it uses. Actual results could differ from estimates. Changes in assumptions may have a significant impact on the financial statements in the period the assumptions changed. Management believes the underlying assumptions are appropriate.

The following are the estimates that are critical to the determination of the amounts reported:

Fair value of investment property

At each reporting period, the fair value of the Property is re-measured using certain inputs provided by qualified independent external valuation experts, with any change in fair value recorded in the carve-out statement of income and comprehensive income. This determination of fair value includes estimates of future rentals, cash outflows required to maintain and to earn rentals from the properties and capitalization rates (see Note 4).

General and administrative expenses

General and administrative expenses have been allocated for personnel directly involved in the management of the Property. The allocation of these costs includes estimates of the number of personnel and time dedicated to the Property. These allocations were based on methodologies that management believes to be reasonable; however, amounts recognized are not necessarily representative of the amounts that would have been reflected in the carve-out financial statements had the Property operated independently.

i. Critical judgments in applying accounting policies

The following are the critical judgments that have been made in applying the accounting policies that have the most significant effect on the amounts and disclosures in these financial statements:

Investment property

The accounting policies relating to the investment property are described in Note 2(c). In applying this policy, judgment is applied in determining whether certain costs are additions to the carrying amount of the Property.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**Leases**

The Property uses judgment in assessing the classification of its leases with tenants as operating leases. The Property has determined that all of its leases are operating leases. The accounting policy for revenue recognition from leases is described in Note 2(d). In applying this policy, judgments are made with respect to whether tenant improvements provided in connection with a lease enhance the value of the leased properties, which determines whether such amounts are treated as additions to investment properties, as well as the point in time at which revenue recognition under the lease commences.

Allowance for expected credit losses of tenant receivables and contract assets

The Property uses a provision matrix to calculate expected credit losses ("ECLs") for tenant receivables and contract assets. The provision rates are based on days past due for customer segments that have similar loss patterns. The provision matrix is initially based on historical observed default rates. The Property will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Property's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

General and administrative expenses

The accounting policy for measuring and recognizing general and administrative expenses is described in Note 2(h). In applying this policy, judgments are made as to whether expenditures incurred in the ownership and management of the Property are attributable to the Property.

j. Leasing Costs

Deferred leasing costs consist of fees incurred to initiate or renew operating leases. Such fees are amortized on a straight-line basis over the related lease terms. Amortization expense totaled approximately \$4,000, \$3,000 and \$1,000 for the years ended December 31, 2019, 2018 and 2017, respectively. Amortization expense is included in depreciation and amortization on the statements of comprehensive income.

k. Income taxes

The Property is not subject to federal or state income taxes; accordingly, no liability or provision for federal or state income taxes is included in the accompanying carve-out financial statements, nor are any deferred taxes provided for temporary differences between tax and financial reporting. Taxable income or loss is reportable by the Owner.

l. Finance costs

Finance costs includes interest expense on loan payable, related party notes payable (see Note 11), bank charges and amortization associated with costs incurred in connection with obtaining financing.

m. Net parent investment

Financial instruments are treated as part of the net parent investment to the extent that they do not meet the definition of a financial liability. The contributions made by the Owner are classified as equity instruments.

n. New standards

New standards impacting the Property, that have been adopted in the earliest period of this historical financial information for the years ended December 31, 2019, 2018 and 2017, and which have given rise to changes in accounting policies are:

- IFRS 9 Financial Instruments ("IFRS 9")
- IFRS 15 Revenue from Contracts with Customers ("IFRS 15"); and
- IFRS 16 Leases ("IFRS 16")

TACOMA**NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**

December 31, 2019

(In United States dollars, unless otherwise noted)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)*IFRS 9*

This standard provides guidance and specifies the requirements for classification and measurement of financial instruments. The standard specifies three classification categories for financial assets: amortized cost, fair value through profit or loss and fair value through other comprehensive income and two categories for financial liabilities, amortized cost or fair value through the profit and loss. As noted in the accounting policies, the Property only has financial assets that can be categorized as amortized cost and fair value through profit and loss; and financial liabilities that are classified as amortized cost. Since this is the Property's first IFRS historical financial information, these changes in classification do not represent a change that has led to a difference in the measurement of financial assets and liabilities.

IFRS 9 also introduces an expected credit loss model for the assessment of impairment of financial assets. Under the expected credit loss model, impairment losses are recorded if there is an expectation of credit losses, even in the absence of a default event. Due to historical experience and the nature and size of the tenant receivables balance at each period end, there is immaterial difference between expected credit losses and the historic basis, thus the adoption of IFRS 9 did not change the carrying value of the Property's financial assets and liabilities.

IFRS 15

IFRS 15 is focused on revenue recognition and establishes the principles for reporting useful information to users of the financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The standard scopes out rental receipts that arise from lease contracts and accordingly there has been no material impact on the Property's financial statements.

IFRS 16

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

Lessor accounting under IFRS 16 is, however, substantially unchanged from accounting under IAS 17. Lessors continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating leases and finance leases. As a result, IFRS 16 has not had a material impact for leases where the Property is lessor.

NOTE 3: FUTURE ACCOUNTING CHANGES

The following new standards, amendments and interpretations have been issued but are not effective for the fiscal year ended December 31, 2019, and accordingly, have not been applied in preparing these financial statements.

a. IASB annual improvements

In 2020, the IASB issued 'Classification of Liabilities as Current or Non-current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and the impact on the Property is currently being assessed.

In 2020, the IASB issued 'Annual Improvements to IFRS Standards 2018–2020'. The pronouncement contains amendments to four International Financial Reporting Standards (IFRSs) as result of the IASB's annual improvements project. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and the impact on the Property is currently being assessed.

In 2020, the IASB issued 'Reference to the Conceptual Framework (Amendments to IFRS 3)' with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements. The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and impact on the Property is currently being assessed.

TACOMA**NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**

December 31, 2019

(In United States dollars, unless otherwise noted)

NOTE 3: FUTURE ACCOUNTING CHANGES (CONTINUED)**b. Definition of material**

In October 2018, the IASB issued amendments to IAS 1 - Presentation of Financial Statements and IAS - 8 Accounting Policies, Changes in Accounting Estimates and Errors, clarifying the definition of material. Under the amended definition, information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments also clarify the explanations accompanying the definition of material.

The amendments are effective from January 1, 2020 and are required to be applied prospectively. Early application is permitted. The implementation of these amendments is not expected to have a significant impact on the Property.

c. Definition of business

In October 2018, the IASB issued amendments to IFRS 3 - Business Combination. The amendments narrowed and clarified the definition of a business. The amendments will help companies determine whether an acquisition is of a business or a group of assets. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. Distinguishing between a business and a group of assets is important because an acquirer recognizes goodwill only when acquiring a business.

The amendments apply to transactions for which the acquisition date is effective the beginning of the first annual reporting period beginning on or after January 1, 2020. Earlier adoption is permitted. The implementation of these amendments is not expected to have a significant impact on the Property.

NOTE 4: INCOME

The Property disaggregates rental income as follows:

	Year Ended December 31,		
	2019	2018	2017
Base rent	\$ 3,766,867	\$ 3,624,819	\$ 3,729,478
Late fees and other income	17,625	34,955	61,271
Straight line rent	854,092	59,733	74,270
Total	<u>\$ 4,638,584</u>	<u>\$ 3,719,507</u>	<u>\$ 3,865,019</u>

Tenant reimbursement income is disaggregated as follows:

	Year Ended December 31,		
	2019	2018	2017
Property taxes	\$ 264,274	\$ 350,185	\$ 345,541
Property insurance	81,734	44,923	54,099
Utilities	67,636	93,689	118,096
Parking income	17,659	18,633	18,191
Other	134,669	147,855	126,470
Total	<u>\$ 565,972</u>	<u>\$ 655,285</u>	<u>\$ 662,397</u>

TACOMA**NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**

December 31, 2019

(In United States dollars, unless otherwise noted)

NOTE 5: INVESTMENT PROPERTY

	December 31,	
	2019	2018
Balance, beginning of year	\$ 34,300,000	\$ 34,000,000
Capital expenditures	939,658	1,295,324
Straight line rent	854,092	59,733
Fair value gain (loss) on investment property	406,250	(1,055,057)
Balance, end of year	<u>\$ 36,500,000</u>	<u>\$ 34,300,000</u>

The fair value of the Property has been estimated using an income capitalization approach which capitalizes the estimated rental income stream, net of projected operating costs and other expenditure (e.g. leasing costs and capital expenditure) required to generate such income. The valuation also includes assumptions regarding the benefits and liabilities of ownership, including estimates of future vacancy levels, the terms of in-place leases and expectations for rentals from future leases over the economic life of the Property. It also includes an exit or terminal value.

The duration of the cash flows and the specific timing of the inflows and outflows are determined by events including lease modifications, renewals and refurbishment. The appropriate durations are typically driven by market behaviour that is characteristic of the class of the Property.

The discount rate applied to the net cash flows of the Property is 13.5% (2018: 13.5%, 2017: 13.5%), reflecting market yields and the risk associated with the Property's cannabis related tenancy. A terminal capitalization rate of 13% has been applied in determining fair value (2018: 13%, 2017: 13%), reflecting the fact that the Property has not yet achieved stabilized occupancy.

The most significant inputs, all of which are unobservable, are the estimated market rental value using growth rate assumptions, the discount rate, assumptions on general vacancy, collection losses and the terminal capitalization rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline, collection losses increase or if the discount rate declines. The overall valuation is sensitive to these assumptions. These assumptions were as follows:

	2019	2018	2017
Rental income growth rate assumptions	3%	3%	3%
General vacancy	5%	5%	5%
Collection loss	<u>2%</u>	<u>2%</u>	<u>2%</u>

As set out within significant accounting estimates and judgments above, the Property's valuation is open to judgments and is inherently subjective by nature.

Should rental growth rate assumptions not meet the assumed levels, or general vacancy and collection losses exceed the assumed levels, there would be a negative impact on projected cash flows and a consequential reduction in the determined fair value of the Property. Conversely, if rental growth rates exceed the assumed level and general vacancy and collection losses are less than those estimated, this would lead to an increase in the determined fair value of the Property.

Similarly, should discount or terminal capitalization rates applied be in excess of those estimated, this would lead to a decrease in the fair value of the Property. A decrease in these rates would however lead to an increase in the fair value of the Property.

A sales comparison approach was also carried out which was based on comparable competitive properties to estimate the fair value based on prices paid in actual market transactions involving properties that have similar

TACOMA**NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**

December 31, 2019

(In United States dollars, unless otherwise noted)

NOTE 5: INVESTMENT PROPERTY (CONTINUED)

highest and best use to that of the Property. The value indicated in the sales comparison approach was supportive of the income capitalization approach which is the primary approach to value the Property.

The valuations were performed annually by an accredited independent appraiser, having the relevant professional qualifications and experience in the market and location of the Property. The valuation models applied are consistent with the principles in IFRS 13.

NOTE 6: MACHINERY AND EQUIPMENT

Machinery and equipment, shown net of accumulated depreciation, is comprised of equipment acquired to maintain the Property. Ordinary repairs and maintenance costs are expensed as incurred. Machinery and equipment are depreciated using the straight-line method over their estimated useful lives of five years. Depreciation expense totaled approximately \$ 10,000, \$9,000 and \$7,000 for the years ended December 31, 2019, 2018 and 2017, respectively and are included in depreciation and amortization on the carve-out statement of income and comprehensive income.

NOTE 7: TENANTS RECEIVABLE

	December 31,	
	2019	2018
Tenant receivables	\$ 403,170	\$484,841
Less: provision of impairment of tenant receivables	30,211	-
Tenant receivables, net	<u>\$ 372,959</u>	<u>\$ 484,841</u>

Receivables related to rent and services to tenants are billed one-month in advance, are non-interest bearing and are typically due within 30 days.

NOTE 8: ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued liabilities were comprised of the following:

	December 31,	
	2019	2018
Trade payables	\$ 62,010	\$ 70,608
Payroll and related liabilities	41,660	49,707
Other accrued expenses	87,645	83,708
Total	<u>\$ 191,315</u>	<u>\$ 204,023</u>

Trade payables are non-interest bearing and are normally settled on 30-day terms.

TACOMA**NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**

December 31, 2019

(In United States dollars, unless otherwise noted)

NOTE 8: ACCOUNTS PAYABLE AND ACCRUED EXPENSES (CONTINUED)

Included in the statement of financial position are contract liabilities related to prepaid rents, as follows:

		December 31,	
	2019	2018	2017
Current	\$ 45,252	\$22,413	\$316,428
Non-current	291,882	319,698	-

Prepaid rents represent amounts received from tenants in advance of the rental period to which the payment relates. Fluctuations are attributable to changes in tenancy over respective reporting periods. There is no material difference between the carrying value and fair value of the related liabilities.

NOTE 9: PROPERTY OPERATING EXPENSES

The following property operating expenses were incurred:

		Year Ended December 31,	
	2019	2018	2017
Repairs and maintenance	\$ 18,134	\$ 44,393	\$ 28,684
Utilities	130,112	101,125	159,621
Payroll and related	173,107	99,188	151,064
Insurance	119,056	59,026	64,719
Other	13,495	23,335	11,503
	<u>\$ 453,904</u>	<u>\$ 327,067</u>	<u>\$ 415,591</u>

NOTE 10: FINANCE COSTS

The following finance costs were incurred:

		Year Ended December 31,	
	2019	2018	2017
Interest on loan payable (Loan)	-	-	182,281
Interest on note payable to related party (Note A)	-	-	66,664
Interest on notes payable to related parties (Notes)	-	-	184,563
Interest on promissory note (2017 Note)	-	329,326	925,197
Other	-	20,730	-
	<u>-</u>	<u>\$ 350,056</u>	<u>\$ 1,358,705</u>

As of January 1, 2017, the Property had outstanding notes payable from two of its Owner's members. The first note ("Note A") was in the amount of \$2,000,000 from a related party. Note A required interest-only payments at the rate of 10% per annum and matured on either the acquisition of 49% interest in the property by the lender or maturity of the Loan.

As of January 1, 2017, the Property also had various notes ("Notes") from a second related party in the aggregate amount of \$6,743,490. The Notes were unsecured, bore interest at rates ranging between 6% and 10% (with a weighted average rate of 9.4%) and had maturity dates ranging from April 1, 2017 through October 18, 2018, at which time the entire remaining unpaid principal balance together with all accrued and unpaid interest were due. As of January 1, 2017, the Notes had a principal balance of \$5,900,565.

TACOMA**NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**

December 31, 2019

(In United States dollars, unless otherwise noted)

NOTE 10: FINANCE COSTS (CONTINUED)

Also, as of January 1, 2017, the Property was party to a loan outstanding in the amount of \$8,750,000 (the "Loan") from a third-party lender. The Loan required interest only payments at the rate of 9.875% per annum and matured on April 30, 2017.

On May 1, 2017, the Owner of the Property entered into a contribution agreement (the "Contribution Agreement") with its two members. Under the terms of the Contribution Agreement, the members converted the outstanding principal and unpaid accrued interest balance of Note A into an equity contribution to the Property, totaling approximately \$2,083,330, and another equity contribution of \$2,083,330, which was used to reduce the outstanding balance of the Notes to \$4,850,000.

Concurrently with the execution of the Contribution Agreement, the Property entered a promissory note with its member to borrow \$13,594,722 ("2017 Note"). The proceeds from the 2017 Note were used to repay the outstanding principal balance of \$8,750,000 on the Loan and to replace the Notes balance of \$4,850,000.

The 2017 Note bore an interest per annum of 10%, compounded monthly, and was secured by the Property. The 2017 Note matured on October 1, 2018. Total interest expense on the 2017 Note amounted to approximately \$350,000 and \$808,000 for the years ended December 31, 2018 and 2017, respectively. The 2017 Note was repaid in installments during March and April 2018, largely funded by equity contributions of \$13,300,000.

NOTE 11: OPERATING LEASES

The Property leases commercial units to tenants under non-cancellable operating leases, that typically have lease terms between 5 and 10 years. The leases have various terms and renewal rights, with total future contractual minimum base rent lease payments expected as follows:

	December 31, 2019	2018
Not later than one year	\$ 4,517,891	\$ 3,897,163
Later than one year and not longer than five years	16,635,096	8,682,041
Later than five years	9,021,437	696,233
Total	<u>\$ 30,174,424</u>	<u>\$ 13,275,437</u>

NOTE 12: RELATED PARTY TRANSACTIONS

The Property obtains certain management services from its Owner and paid interest on its notes payable (see Note 10). The following expenses were incurred during the periods:

	2019	2018	2017
Interest expense	\$ -	\$ 329,326	\$ 1,176,424
General and administrative expenses	115,109	81,992	93,867
Property expenses	21,531	-	-
	<u>\$ 136,640</u>	<u>\$ 411,318</u>	<u>\$ 1,270,291</u>

Amounts payable in respect of the services above included in carve out statements of financial position are \$85,403 and \$81,428 as of December 31, 2019 and 2018, respectively.

TACOMA**NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**

December 31, 2019

(In United States dollars, unless otherwise noted)

NOTE 12: RELATED PARTY TRANSACTIONS (CONTINUED)

The Property also leased a unit to one of the members of it's Owner. The following income was earned during the periods:

	Year Ended December 31,		
	2019	2018	2017
Rental income	\$ -	\$ -	\$ 31,999
Tenant reimbursement	-	-	16,398
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,397</u>

No amounts were recorded in the respective statements of financial position as of December 31, 2019, 2018 or 2017.

NOTE 13: CAPITAL MANAGEMENT

For the purpose of the Property's capital management, capital includes the respective loans, notes payables and net parent investment. The Property's objectives when managing capital are to safeguard the Property's ability to continue as a going concern and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Property manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Property may attempt to receive capital contributions from its members, issue new debt, or adjust the amount of cash.

The Property expects its current capital resources will be sufficient to carry its operations through its current operating period.

NOTE 14: FINANCIAL RISK MANAGEMENT

In the normal course of business, the Property is exposed to financial risk and manages that risk, as follows:

Financial Instruments Risk:

The principal financial instruments used by the Property, from which financial instruments risk arises are as follows:

- Cash and cash equivalents
- Tenant and other receivables
- Accounts payable and accrued expenses
- Tenants security deposits

There is no material difference between the carrying value and fair value of the financial assets and liabilities disclosed in the carve-out statements of financial position, all of which are measured at amortized cost.

Liquidity Risk

Liquidity risk is the risk that the Property cannot meet its financial obligations associated with financial liabilities in full. The primary source of liquidity is net operating income, which is used to finance working capital and capital expenditure requirements, and to meet the Property's financial obligations associated with financial liabilities. Additional sources of liquidity are members capital contributions, which is used to fund additional operating and other expenses and retire debt obligations, if any, at their maturity.

Credit Risk

Credit risk rises from the possibility that debtors may be unable to fulfill their commitments. For a financial asset, the stated amount is typically the gross carrying amount, net of any amounts offset and any impairment losses.

TACOMA**NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**

December 31, 2019

(In United States dollars, unless otherwise noted)

NOTE 14: FINANCIAL RISK MANAGEMENT (CONTINUED)

The Property's tenants may experience financial difficulty and be unable to meet their rental obligations. The Property mitigates its risk of credit loss with respect to tenants by evaluating credit worthiness of new tenants, obtaining security deposits, prepaid rent for last month of lease and personal guarantee from tenants.

Market Risk

Market risk is the risk that changes in market prices will have an effect on future cash flows associated with financial instruments. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. The Property has no liabilities that will be subject to the interest rate risk.

Currency risk is the risk that changes in foreign exchange rates may have an effect on future cash flows associated with financial instruments. The Property does not have any material transactions denominated in foreign currency and is not exposed to foreign currency risk.

Other price risk is the risk that changes in market prices, will have an effect on future cash flows associated with financial instruments. The cash flows associated with financial instruments of the Property are not exposed to other price risk.

NOTE 15: FAIR VALUE OF FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTIES

The Property's financial assets and liabilities are comprised of tenant and other receivables, accounts payable and accrued expenses, tenant security deposits and loans and notes payable which are carried at amortized cost. For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs: Are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs: Are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs: Are unobservable inputs for the asset or liability.

The carrying value of cash, tenant receivables, other receivables, accounts payable and accrued expenses, and tenant security deposits approximates fair value due to the short-term nature of these instruments. The fair value of the loan payable and notes payable approximates its carrying value because the interest rate approximates current market interest rates for loans of similar maturities to borrowers of similar risk profiles.

Please refer to Note 5 for detail of Level 3 inputs considered in the determination of fair value of the Property.

NOTE 16: COMMITMENTS AND CONTINGENCIES

Leasing Matters: The Property is obligated to fund a tenant improvement allowance of up to \$75,000. Subsequent to December 31, 2019, the Property committed to fund additional tenant improvements of \$400,000.

Capital Expenditures: The Property is contracted to perform capital expenditures of approximately \$282,000.

Litigation: The Property may, from time to time, be a party to legal proceedings, which arise in the ordinary course of its business. Management is not aware of any pending or threatened litigation that, if resolved against the Property, would have a material adverse effect on the financial position, results of operations or cash flows.

TACOMA**NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS**

December 31, 2019

(In United States dollars, unless otherwise noted)

NOTE 16: COMMITMENTS AND CONTINGENCIES (CONTINUED)

Environmental: As a real estate asset, the Property is subject to various environmental laws of federal and local governments. Compliance with existing law has not had an adverse effect on the Property and Management does not believe that it will have a material adverse impact in the future. However, as part of the due diligence for the sale of the Property, the purchaser identified potential hazards and the Owner has agreed to indemnify the purchaser for up to \$700,000 of potential remediation costs. Management does not expect the costs to exceed the indemnified amounts. Management cannot predict the impact of new or changed laws or regulations on the Property that may be made in the future.

NOTE 17: SUBSEQUENT EVENTS

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak"), and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The COVID-19 outbreak has adversely impacted global commercial activity and contributed to significant declines and volatility in financial markets. The COVID-19 pandemic and government responses are creating disruption in global supply chains and adversely impacting many industries, including the real estate and cannabis sectors. The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown. To date, there has been no significant impact on tenant operations, nor their ability to meet rental obligations as they become payable. While Management view the disruptions as temporary, the continued impact could affect the collectability of revenues, results of operations and financial condition, as well as the valuation of the Property.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. There is no assurance that the Property is eligible for these funds or that it will obtain them.

Management continue to examine the impact that the CARES Act may have on the Property. Currently, Management is unable to determine the impact that the CARES Act will have on the financial condition, results of operations, or liquidity of the Property.

On July 21, 2020, Management signed a Letter of Intent to sell the Property for a total consideration of \$35,000,000. The acquisition is expected to be completed in October 2020. The agreement is subject to conditions including regulatory approval and approval by the owner of the purchaser.

Management has performed subsequent event procedures through October 5, 2020, which is the date the carve-out financial statements were available to be issued. Except as disclosed, there were no subsequent events requiring adjustments to, or disclosures in, the carve-out financial statements.

**MANAGEMENT’S DISCUSSION AND ANALYSIS OF
3303 S. 35TH STREET, TACOMA, WASHINGTON, UNITED STATES
 (“TACOMA”)**

The following management discussion and analysis of Tacoma (the “Tacoma MD&A”) has been prepared as of the date of this prospectus and is intended to assist readers in understanding the financial performance and condition of Tacoma. The Tacoma MD&A provides information concerning Tacoma’s financial condition as of December 31, 2019 and December 31, 2018 and results from operations and cash flows for the years ended December 31, 2019, December 31, 2018 and December 31, 2017. The Tacoma MD&A should be read in conjunction with the Tacoma carve-out financial statements included in Appendix C of this prospectus. Such carve-out financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”) and are presented in United States dollars.

Results of Operations

Year ended December 31, 2019 compared to Year ended December 31, 2018

Rental Income

Rental income was \$4,638,584 for the year ended December 31, 2019 as compared to \$3,719,507 for the year ended December 31, 2018, representing an increase of \$919,077 or 24.7%. The increase was attributable to an increase in occupancy of Tacoma, with the full-year impact of new leases executed in 2018 and a number of new long-term leases executed in 2019.

Tenant reimbursement income was \$565,972 for the year ended December 31, 2019 as compared to \$655,285 for the year ended December 31, 2018, representing a decrease of \$89,313 or 13.6%. The decrease is primarily attributable to a decline in property tax reimbursements of \$85,911, owing to a reduction in the related expense due to reassessment of the Property value by Pierce County as part of an appeal filed by the Property and the timing of rent commencement for new tenants.

Operating Expenses

Property tax expenses were \$340,050 for the year ended December 31, 2019 as compared to \$366,653 for the year ended December 31, 2018, representing a decrease of \$26,603 or 7.2%. This decrease represents a reduction in taxes payable to Pierce County for 2019 of \$117,926 offset by the impact of a \$91,323 credit received and recorded in 2018 related to prior periods as part of an appeal filed for the Property.

Operating expenses were \$453,904 for the year ended December 31, 2019 as compared to \$327,067 for the year ended December 31, 2018, representing an increase of \$126,837 or 38.7%. This increase is primarily a result of a \$73,919 increase in payroll expense, owing to the employment of on-site property management and security. A further increase of approximately \$60,030 was incurred as a result of an increase in insurance premiums, with fluctuations in other key operating expense categories remaining minimal.

Other Operating Income and Expenses

General and administrative expenses were \$153,408 for the year ended December 31, 2019 as compared to \$127,162 for the year ended December 31, 2018, representing an increase of \$26,246 or 20.6%. The increase is primarily a result of a growth in certain management services Tacoma obtained from a related party with respect to the administration of the property.

The gain in fair value of investment property was \$406,250 for the year ended December 31, 2019 as compared to a loss of \$1,055,057 for the year ended December 31, 2018, representing a change of \$1,461,307. The change is a result of an increase in the valuation of the investment property as of December 31, 2019 from December 31, 2018. This is principally driven by two factors: an increase in tenant occupancy rates from approximately 79% to approximately 87%, and the extension of lease terms by existing tenants. Both factors contributed to an increase in projected future cash inflows for the Property. Comparatively, the loss in fair value of investment property in the year ended December 31, 2018 is representative of a change in fair value of \$300,000, offset by \$1,295,324 of capital expenditures incurred in bringing the Property into condition for tenancy in the subsequent period, in addition to other factors of \$59,733.

Professional services expenses were \$33,308 for the year ended December 31, 2019 as compared to \$16,806 for the year ended December 31, 2018, representing an increase of \$16,502 or 98%. The increase is primarily due to additional engineering and legal services required in 2019 in connection with the increases in occupancy noted above.

Fluctuations in other expense categories for the year ended December 31, 2019 as compared to the year ended December 31, 2018 remained minimal.

Finance Costs

Finance costs were \$0 for the year ended December 31, 2019 as compared to \$350,056 for the year ended

December 31, 2018. The decrease is a result of the repayment of all interest-bearing outstanding loans and notes payables in March and April 2018.

Year ended December 31, 2018 compared to Year ended December 31, 2017

Rental Income

Rental income was \$3,719,507 for the year ended December 31, 2018 as compared to \$3,865,019 for the year ended December 31, 2017, representing a decrease of \$145,512 or 3.7%. This decrease is attributable to a 15,865 square foot reduction in leased space by a single tenant resulting in a decrease of approximately \$189,000. The remaining variance is due to the exit in 2017 of two month-to-month tenants resulting in a decrease of approximately \$47,000, which was partially offset by an increase of approximately \$85,000 from the mid-year lease commencement of two new tenants.

Tenant reimbursement income was \$655,285 for the year ended December 31, 2018, as compared to \$662,397 for the year ended December 31, 2017, representing a decrease of \$7,112 or 1.1%. The decrease is due to the factors noted above.

Operating Expenses

Property tax expenses were \$366,653 for the year ended December 31, 2018 as compared to \$563,793 for the year ended December 31, 2017, representing a decrease of \$197,140 or 34.9%. This decline is a result of a re-assessment by Pierce County, which resulted in a decrease of approximately \$106,000 in addition to a property tax credit of approximately \$91,000 in respect of prior years.

Property operating expenses were \$327,067 for the year ended December 31, 2018 as compared to \$415,591 for the year ended December 31, 2017, representing a decrease of \$88,524 or 21.3%. This decrease is attributable to a reduction of workforce from 15 employees in 2017 to 8 employees in 2018, resulting in savings of \$51,876, in addition to a decrease in utility expenses of approximately \$58,496 due to the termination of some utility services during 2018.

Fluctuations in other key operating expense categories for the year ended December 31, 2018 as compared to the year ended December 31, 2017 remained minimal.

Other Operating Income and Expenses

General and administrative expenses were \$127,162 for the year ended December 31, 2018 as compared to \$147,323 for the year ended December 31, 2017, representing a decrease of \$20,161 or 13.6%. The decrease is primarily due to a reduction in management travel and related administrative expenses.

The loss in fair value of investment property was \$1,055,057 for the year ended December 31, 2018 as compared to a gain of \$3,267,545 in the year ended December 31, 2017, representing a change of \$4,322,602. The change is principally due to an increase of the Property's fair value in 2017 of approximately \$4,729,250, compared to an increase in 2018 of \$300,000. The loss in fair value of investment property in the year ended December 31, 2018, is representative of the change in fair value of \$300,000, offset by \$1,295,324 of capital expenditure incurred in bringing the property into condition for tenancy in the subsequent period. The increase in the year ended December 31, 2017 is principally driven by work performed to stabilize the property's tenant occupancy and operations, providing the property with a higher projected net cash inflow. Tenant occupancy rates increased from approximately 53% as of December 31, 2016 to approximately 74% as of December 31, 2017.

Professional services expenses were \$16,806 for the year ended December 31, 2018 as compared to \$42,837 for the year ended December 31, 2017, representing a decrease of \$26,031 or 60.7%. The decline in expense is due to a reduced requirement for legal and accounting services in the year ended December 31, 2018.

Fluctuations in other expense categories for the year ended December 31, 2018 as compared to the year ended December 31, 2017 remained minimal.

Finance Costs

Finance costs were \$350,056 for the year ended December 31, 2018 as compared to \$1,358,705 in the year ended December 31, 2017, representing a decrease of \$1,008,649 or 74.2%. The decline in expense is due to the repayment of all interest-bearing loans and notes payables in March and April 2018. During the year ended December 31, 2017, Tacoma incurred interest on a variety of loans and notes payable, including to related parties.

Financial Condition

December 31, 2019 compared to December 31, 2018

Investment Property

The fair value of the investment property increased by \$2,200,000 from December 31, 2018 to December 31, 2019. This is primarily due to increased occupancy from approximately 79% for the year ended December 31, 2018 to approximately 87% for the year ended December 31, 2019, in addition to the extension of lease terms by numerous existing tenants during the course of 2019. Both factors contributed substantially to an increase in projected net cash inflows, driving the valuation of the investment property upwards.

Working Capital

Working Capital includes cash and cash equivalents, tenant and other receivables, other receivables, accounts payable and accrued expenses, prepaid rent and tenants' security deposits.

The Property's main sources of liquidity have been from cash on hand and cash generated from operating activities. Working capital was \$1,525,119 for the year ended December 31, 2019 compared to \$633,258 for the year ended December 31, 2018, representing an increase of \$891,861. The increase is attributable to an increase in cash and cash equivalents of approximately \$1,008,000 primarily driven by operating profitability, in addition to reduced cash outflows on capital expenditure and finance costs.

This is offset by a decrease in tenant receivables of \$111,882, primarily due to increased collections efforts during the course of 2019.

Other sources of working capital have remained comparable between the reported periods.

Cash Flows

Analysis of Cash Flows for the Year ended December 31, 2019 compared to Year ended December 31, 2018

Cash Flows generated from operating activities

Cash flows generated from operating activities totaled \$3,452,885 for the year ended December 31, 2019, compared to \$3,573,405 generated from operating activities for the year ended December 31, 2018. Although there was an increase in net income of \$2,466,431, the decrease in cash flows generated was mainly due to the adjustments required to reconcile the total income to net cash flow which included (1) net change in gain or loss in fair value of investment property of \$1,461,307, as outlined above; (2) decrease in finance costs of \$350,056 as a result of the repayment of all interest-bearing outstanding loans and notes payables in March and April 2018; (3) increase in straight line rent income of \$794,359 as a result of the execution of long-term leases with new tenants and lease extensions with existing tenants, both of which included lease incentives; and (4) other fluctuations in changes in working capital.

Cash Flows used in Investing Activities

Net cash used in investing activities totaled \$944,158 for the year ended December 31, 2019, compared to \$1,312,798 used in investing activities for the year ended December 31, 2018. The decrease is primarily due to a reduction in capital expenditure on investment property of \$355,666. Expenditure incurred for the year ended December 31, 2018 was greater in anticipation of new tenants in 2019.

Cash Flows used in Financing Activities

Net cash used in financing activities for the year ended December 31, 2019, totaled \$1,500,000, compared to \$2,224,048 for the year ended December 31, 2018. The cash outflow of \$1,500,000 in 2019 represents discretionary distributions to Tacoma's owners, compared to \$1,600,000 in the prior year.

Tacoma also received contributions from its owners totaling \$13,300,000 for the year ended December 31, 2018, which was utilized to settle a note payable to a related party of \$13,594,722. The payment of the note payable

in March and April 2018 resulted in Tacoma bearing no further finance costs, of which it had paid \$329,326 in the year ended December 31, 2018.

Analysis of Cash Flows for the year ended December 31, 2018 compared to the year ended December 31, 2017

Cash Flows generated from operating activities

Cash flows generated from operating activities totaled \$3,573,405 for the year ended December 31, 2018, compared to \$2,228,285 generated from operating activities during the year ended December 31, 2017. Although there was a decrease in total income of \$3,138,509, the increase in cash flows generated was principally attributable to the adjustments to reconcile total income to net cash flow which included (1) net change in gain or loss in fair value of investment property of \$4,322,602, as outlined above; (2) a decrease in finance costs of \$941,986, due to the payment of outstanding loans and notes payables in the first half of 2018; and (3) an increase in working capital of \$1,084,687.

The increase in working capital from December 31, 2017 to December 31, 2018 was derived from: (1) higher balance of tenant receivables on December 31, 2016 compared to December 31, 2017 and December 31, 2018, which was a result of enhanced credit control during the years then ended; (2) higher balance of other receivables in 2017 due to work performed by Tacoma's employees in another property resulting in a receivable; (3) a decline in accounts payable and accrued expenses between December 31, 2016 and 2017 due to payroll and payroll-related tax liabilities outstanding as of December 31, 2016; and (4) a decrease in prepaid rent between December 31, 2016 and 2017 due to the application of deposits for tenants that rent commenced in 2017.

Cash Flows used in Investing Activities

Net cash used in investing activities totaled \$1,312,798 for the year ended December 31, 2018, compared to \$1,434,424 used in investing activities for the year ended December 31, 2017. The decrease derived predominately from a reduction in capital expenditure on investment property in the amount of \$92,110 and a decrease in the purchase of machinery and equipment of \$30,456.

Cash Flows used in Financing Activities

Net cash used in financing activities totaled \$2,224,048 for the year ended December 31, 2018, compared to \$459,344 during the year ended December 31, 2017. The increase is attributable to payment of a note payable to a related party in 2018 in the amount of \$13,594,722, offset by contributions of \$13,300,000.

Finance costs were \$1,213,217 for the year ended December 31, 2017, compared to \$329,326 for the year ended December 31, 2018, as a result of the loans and notes payable in place during 2017. The last of these liabilities were settled in March and April 2018, resulting in a reduction of finance costs paid of \$883,891.

A discretionary distribution of \$1,600,000 was also made to the owners of Tacoma in the year ended December 31, 2018, compared to \$0 in the prior year.

APPENDIX D
CHARTER OF THE AUDIT COMMITTEE
OF SUBVERSIVE REAL ESTATE ACQUISITION REIT (GP) INC.

PURPOSE

The audit committee (the “**Audit Committee**”) is a committee of the board of directors (the “**Board**”) of Subversive Real Estate Acquisition REIT (GP) Inc. (the “**General Partner**”), the general partner of Subversive Real Estate Acquisition REIT LP (the “**REIT LP**”). The primary function of the Audit Committee is to assist the directors of the General Partner in fulfilling their applicable roles by:

- (a) recommending to the Board the appointment and compensation of the REIT LP’s external auditor;
- (b) overseeing the work of the external auditor, including the resolution of disagreements between the external auditor and management;
- (c) pre-approving all non-audit services (or delegating such pre-approval if and to the extent permitted by law) to be provided to the REIT LP by the REIT LP’s external auditor;
- (d) satisfying themselves that adequate procedures are in place for the review of the REIT LP’s public disclosure of financial information, other than those described in (g) below, extracted or derived from its financial statements, including periodically assessing the adequacy of such procedures;
- (e) establishing procedures for the receipt, retention and treatment of complaints received by the REIT LP regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission by employees of the REIT LP of concerns regarding questionable accounting or auditing matters;
- (f) reviewing and approving any proposed hiring of current or former partner or employee of the current and former auditor of the REIT LP; and
- (g) reviewing and approving the annual and interim financial statements, related Management’s Discussion and Analysis (“**MD&A**”) and other financial information provided by the REIT LP to any governmental body or the public.

The Audit Committee should primarily fulfill these roles by carrying out the activities enumerated in this Charter. However, it is not the duty of the Audit Committee to prepare financial statements, to plan or conduct internal or external audits, to determine that the financial statements are complete and accurate and are in accordance with International Financial Reporting Standards, to conduct investigations, or to assure compliance with laws and regulations or the REIT LP’s internal policies, procedures and controls, as these are the responsibility of management, and in certain cases, the external auditor.

LIMITATIONS ON AUDIT COMMITTEE’S DUTIES

In contributing to the Audit Committee’s discharge of its duties under this Charter, each member of the Audit Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended to be, or may be construed as, imposing on any members of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which the directors are subject.

Members of the Audit Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, (iii) representations made by management as to the non-audit services provided to the REIT LP by the external auditor, (iv) financial statements of the REIT LP represented to them by a member of management or in a written report of the external auditors to present fairly the financial position of the REIT LP in accordance with

generally accepted accounting principles, and (v) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

COMPOSITION AND MEETINGS

The Audit Committee should be comprised of not less than three directors as determined by the Board, all of whom shall be independent within the meaning of National Instrument 52-110 – *Audit Committees* (“**52-110**”) of the Canadian Securities Administrators (or exempt therefrom), and free of any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee. All members of the Audit Committee should have (or should gain within a reasonable period of time after appointment) a working familiarity with basic finance and accounting practices. At least one member of the Audit Committee should have accounting or related financial management expertise and be considered a financial expert. Each member should be “financially literate” within the meaning of 52-110. The Audit Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the REIT LP or an outside consultant.

The members of the Audit Committee shall be elected by the Board on an annual basis or until their successors shall be duly appointed. Unless a Chair of the Audit Committee (the “**Chair**”) is elected by the full Board, the members of the Audit Committee may designate a Chair by majority vote of the full Audit Committee membership.

In addition, the Audit Committee members should meet all of the requirements for members of audit committees as defined from time to time under applicable legislation and the rules of any stock exchange on which the REIT LP’s securities are listed or traded.

The Audit Committee should meet at least four times annually, or more frequently as circumstances require. The Audit Committee should meet within 45 days following the end of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related MD&A, and should meet within 90 days following the end of the fiscal year end to review and discuss the audited financial results for the preceding quarter and year and the related MD&A.

The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Audit Committee shall have full access to all corporate information and any other information deemed appropriate by them, and shall be permitted to discuss such information and any other matters relating to the financial position of the REIT LP with senior employees, officers of the General Partner and the external auditor of the REIT LP, and others as they consider appropriate.

For greater certainty, management is indirectly accountable to the Audit Committee and is responsible for the timeliness and integrity of the financial reporting and information presented to the Board.

In order to foster open communication, the Audit Committee or its Chair should meet at least annually with management and the external auditor in separate sessions to discuss any matters that the Audit Committee or each of these groups believes should be discussed privately. In addition, the Audit Committee or its Chair should meet with management quarterly in connection with the REIT LP’s interim financial statements.

A quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Audit Committee or such greater number as the Audit Committee shall by resolution determine.

Meetings of the Audit Committee shall be held from time to time and at such place as any member of the Audit Committee shall determine upon 48 hours’ notice to each of its members. The notice period may be waived by all members of the Audit Committee. Each of the Chair of the Board, the external auditor, the Chief Executive Officer, the Chief Financial Officer or the Secretary shall be entitled to request that any member of the Audit Committee call a meeting.

This Charter is subject in all respects to the REIT LP’s amended and restated limited partnership agreement from time to time.

ROLE

As part of its function in assisting the Board in fulfilling its oversight role (and without limiting the generality of the Audit Committee's role), the Audit Committee should:

- (1) Determine any desired agenda items;
- (2) Review and recommend to the Board changes to this Charter, as considered appropriate from time to time;
- (3) Review the public disclosure regarding the Audit Committee required by 52-110;
- (4) Review and seek to ensure that disclosure controls and procedures and internal control over financial reporting frameworks are operational and functional;
- (5) Summarize in the REIT LP's annual information form the Audit Committee's composition and activities, as required; and
- (6) Submit the minutes of all meetings of the Audit Committee to the Board upon request.

Documents / Reports Review

- (7) Review and recommend to the Board for approval the REIT LP's annual and interim financial statements, including any certification, report, opinion, undertaking or review rendered by the external auditor and the related MD&A, as well as such other financial information of the REIT LP provided to the public or any governmental body as the Audit Committee or the Board require.
- (8) Review other financial information provided to any governmental body or the public as they see fit.
- (9) Review, recommend and approve any of the REIT LP's press releases that contain financial information.
- (10) Seek to satisfy itself and ensure that adequate procedures are in place for the review of the REIT LP's public disclosure of financial information extracted or derived from the REIT LP's financial statements and related MD&A and periodically assess the adequacy of those procedures.

External Auditor

- (11) Recommend to the Board the selection of the external auditor, considering independence and effectiveness, and review the fees and other compensation to be paid to the external auditor.
- (12) Review and seek to ensure that all financial information provided to the public or any governmental body, as required, provides for the fair presentation of the REIT LP's financial condition, financial performance and cash flow.
- (13) Instruct the external auditor that its ultimate client is not management and that it is required to report directly to the Audit Committee, and not management.
- (14) Monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor and discussing any material differences of opinion between management and the external auditor.
- (15) Review and discuss, on an annual basis, with the external auditor all significant relationships it has with the REIT LP to determine the external auditor's independence.
- (16) Pre-approve all non-audit services (or delegate such pre-approval as the Audit Committee may determine and as permitted by applicable Canadian securities laws) to be provided by the external auditor.

- (17) Review the performance of the external auditor and any proposed discharge of the external auditor when circumstances warrant.
- (18) Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.
- (19) Communicate directly with the external auditor and arrange for the external auditor to be available to the Audit Committee and the full Board as needed.
- (20) Review and approve any proposed hiring by the REIT LP of current or former partners or employees of the current (and any former) external auditor of the REIT LP.

Audit Process

- (21) Review the scope, plan and results of the external auditor's audit and reviews, including the auditor's engagement letter, the post-audit management letter, if any, and the form of the audit report. The Audit Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed desirable.
- (22) Following completion of the annual audit and quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.
- (23) Review any significant disagreements among management and the external auditor in connection with the preparation of the financial statements.
- (24) Where there are significant unsettled issues between management and the external auditor that do not affect the audited financial statements, the Audit Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.

Financial Reporting Processes

- (25) Review the integrity of the financial reporting processes, both internal and external, in consultation with the external auditor as they see fit.
- (26) Consider the external auditor's judgments about the quality, transparency and appropriateness, not just the acceptability, of the REIT LP's accounting principles and financial disclosure practices, as applied in its financial reporting, including the degree of aggressiveness or conservatism of its accounting principles and underlying estimates, and whether those principles are common practices or are minority practices.
- (27) Review all material balance sheet issues, material contingent obligations (including those associated with material acquisitions or dispositions) and material related party transactions.
- (28) Review with management and the external auditor the REIT LP's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with management, the ramification of their use and the external auditor's preferred treatment and any other material communications with management with respect thereto.
- (29) Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financial reporting.

- (30) If considered appropriate, establish separate systems of reporting to the Audit Committee by each of management and the external auditor.
- (31) Periodically consider the need for an internal audit function, if not present.
- (32) Periodically consider the need for an internal audit function, if not present.

Risk Management

- (33) Review program of risk assessment and steps taken to address significant risks or exposures of all types, including insurance coverage and tax compliance.

General

- (34) With prior Board approval, the Audit Committee may at its discretion retain independent counsel, accountants and other professionals to assist it in the conduct of its activities and to set and pay (as an expense of the REIT LP) the compensation for any such advisors.
- (35) Respond to requests by the Board with respect to the functions and activities that the Board requests the Audit Committee to perform.
- (36) Periodically review this Charter and, if the Audit Committee deems appropriate, recommend to the Board changes to this Charter.
- (37) Review the public disclosure regarding the Audit Committee required from time to time by applicable Canadian securities laws, including:
 - (a) the Charter of the Audit Committee;
 - (b) the composition of the Audit Committee;
 - (c) the relevant education and experience of each member of the Audit Committee;
 - (d) the external auditor services and fees; and
 - (e) such other matters as the REIT LP is required to disclose concerning the Audit Committee.
- (38) Review in advance, and approve, the hiring and appointment of senior financial executives by the General Partner, if any.
- (39) Perform any other activities as the Audit Committee deems necessary or appropriate including ensuring all regulatory documents are compiled to meet Committee reporting obligations under 52-110.

AUDIT COMMITTEE COMPLAINT PROCEDURES

Submitting a Complaint

- (1) Anyone may submit a complaint regarding conduct by the REIT LP or its employees or agents (including its independent auditors) reasonably believed to involve questionable accounting, internal accounting controls or auditing matters. The Chair should oversee treatment of such complaints.

Procedures

- (2) The Chair will be responsible for the receipt and administration of employee complaints.

- (3) In order to preserve anonymity when submitting a complaint regarding questionable accounting or auditing matters, the employee may submit a complaint confidentially.

Investigation

- (4) The Chair should review and investigate the complaint. Corrective action will be taken when and as warranted in the Chair's discretion.

Confidentiality

- (5) The identity of the complainant and the details of the investigation should be kept confidential throughout the investigatory process.

Records and Report

- (6) The Chair should maintain a log of complaints, tracking their receipt, investigation, findings and resolution, and should prepare a summary report for the Audit Committee.

The Audit Committee is a committee of the Board and is not and shall not be deemed to be an agent of the REIT LP's securityholders for any purpose whatsoever. The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to securityholders of the REIT LP or other liability whatsoever.

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