

*A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and thereby only by persons permitted to sell such securities. The securities being offered under this short form prospectus have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), and, subject to certain exceptions, may not be offered or sold in the United States of America or to U.S. persons (as defined in Regulation S under the U.S. Securities Act). See "Plan of Distribution".*

*Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the secretary of Fronsac Real Estate Investment Trust at 106 Gun Avenue, Pointe-Claire, Québec, H9R 3X3 (telephone: 450-536-5328), and are also available electronically at www.sedar.com.*

New Issue

January 20, 2020

**PRELIMINARY SHORT FORM PROSPECTUS**

**FRONSAC**

**FRONSAC REAL ESTATE INVESTMENT TRUST**

**Minimum: \$15,004,000 (24,200,000 Units)**

**Maximum: \$17,980,000 (29,000,000 Units)**

**Price: \$0.62 Per Unit**

This short form prospectus qualifies the distribution (the "**Offering**") of a minimum of 24,200,000 Units (as defined below) and a maximum of 29,000,000 Units (the "**Offered Units**") of Fronsac Real Estate Investment Trust ("**we**", "**us**", "**Fronsac**" or the "**REIT**") at a price of \$0.62 per Offered Unit (the "**Offering Price**") for minimum gross proceeds of \$15,004,000 (the "**Minimum Offering**") and maximum gross proceeds of \$17,980,000 (the "**Maximum Offering**"). The Offered Units will be issued and sold in each of the provinces of Canada pursuant to an agency agreement (the "**Agency Agreement**") to be entered into among the REIT and a syndicate of agents co-led by Paradigm Capital Inc. and Canaccord Genuity Corp., and including Laurentian Bank Securities Inc., Echelon Wealth Partners Inc. and Desjardins Securities Inc. (collectively, the "**Agents**"). The terms of the Offering, including the Offering Price, were determined by arm's length negotiations between the REIT and the Agents. See "Plan of Distribution".

The issued and outstanding units of Fronsac (the "**Units**") are listed and posted for trading on the TSX Venture Exchange (the "**TSX-V**") under the trading symbol "FRO.UN". On January 17, 2020, the last trading day before the date of this short form prospectus, the closing price of the Units on the TSX-V was \$0.68. The REIT has applied to list the Offered Units on the TSX-V. Listing is subject to the REIT fulfilling all of the listing requirements of the TSX-V.

**Price: \$0.62 per Offered Unit**

	<b>Price to the Public</b>	<b>Agents' Fee<sup>(1)</sup></b>	<b>Net Proceeds to the REIT<sup>(2)</sup></b>
Per Offered Unit.....	\$0.62	\$0.372 <sup>(3)</sup>	\$0.5828 <sup>(3)</sup>
Minimum Offering <sup>(4)(5)</sup> .....	\$15,004,000	\$810,960	\$14,193,040
Maximum Offering <sup>(4)</sup> .....	\$17,980,000	\$989,520	\$16,990,480

(1) The REIT has agreed to pay the Agents an aggregate cash fee equal to (i) 6% of the gross proceeds raised in connection with the sale of the Offered Units (excluding any Offered Units sold under the President's List, as described under "Plan of Distribution") and (ii) 3% of the gross proceeds raised in connection with Offered Units sold under the President's List, as described under "Plan of Distribution" (collectively, the "**Agents' Fee**"). The President's List will be allocated up to 4,800,000 Offered Units; provided, however, that the President's List subscriptions may be reduced or reallocated by the Agents, in their sole discretion. Should the Agents reduce or reallocate any President's List subscriptions, the Agent's Fee in respect of such reallocated portion will nevertheless continue to be equal to 3% of the gross proceeds in connection therewith.

(2) Exclusive of the expenses of this Offering, which are estimated to be \$300,000, which together with the Agents' Fee, will be paid for by the REIT out of the gross proceeds of the Offering. See "Use of Proceeds".

(3) Based solely on an Agents' Fee equal to 6% of the gross proceeds raised in connection with the sale of the Offered Units (excluding any Offered Units sold under the President's List, as described under "Plan of Distribution").

- (4) Assuming that 4,800,000 Offered Units are sold under the President's List
- (5) The proceeds received from proposed subscribers of Offered Units will be retained in trust by the Agents until the Minimum Offering is achieved. Once the Minimum Offering is achieved, the sale of the Offered Units will be completed in accordance with the Agency Agreement. If the Minimum Offering is not raised on or before the day that is 90 days after the date a receipt is issued for the final short form prospectus, or such later date as the REIT and the Agents may agree and the securities regulatory authorities may approve (subject to the filing of any required amendment to the final short form prospectus and a receipt for the amendment being issued), the Offering will not continue and the Agents must return such funds to the proposed subscribers without interest, set-off or deduction.

The Agents conditionally offer the Offered Units on a "best efforts" agency basis and, subject to prior sale, if, as and when issued by the REIT and delivered and accepted by the Agents in accordance with the conditions contained in the Agency Agreement referred to in the "Plan of Distribution" and subject to approval of certain legal matters relating to the Offering on behalf of the REIT by Davies Ward Phillips & Vineberg LLP, and on behalf of the Agents by Bennett Jones LLP. Subscriptions for the Offered Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. See "Plan of Distribution".

The Offered Units will be registered and deposited directly with CDS Clearing and Depository Services Inc. ("CDS") or its nominee pursuant to the book-based system administered by CDS, and will be held by, or on behalf of, CDS, as depository of the Offered Units for the participants of CDS, on a non-certificated basis. No certificates evidencing Offered Units will be issued to purchasers thereof, except in limited circumstances. Purchasers of Offered Units will receive only a customer confirmation or statement from the Agents or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Offered Units is purchased. See "Plan of Distribution".

**An investment in the Offered Units is speculative and involves a degree of risk. Prospective investors should carefully consider the risk factors described in this short form prospectus and in the documents incorporated by reference herein in connection with making an investment in the Offered Units. See "Risk Factors" and "Forward Looking Information".**

Provided that the Minimum Offering is subscribed for, it is expected that closing of the Offering will occur on or about February 5, 2020 or such other date as the REIT and the Agents may agree upon (the "Closing Date").

Desjardins Securities Inc. is a subsidiary of the Desjardins Group, a Canadian financial institution which is a lender to the REIT and its subsidiaries. Consequently, the REIT may be considered to be "connected issuer" of such Agent within the meaning of the applicable securities legislation. As at January 20, 2020, the indebtedness of the REIT to such financial institution amounted to approximately \$1.45 million and the REIT expects its amount of indebtedness to such financial institution to be \$1.5 million on or about the Closing Date. See "Relationship between the REIT and the Agents".

**Prospective investors are advised to consult their own legal counsel and other professional advisors in order to assess income tax, legal and other aspects of this investment.**

The REIT's head and registered office is located at 106 Gun Avenue, Pointe-Claire, Québec, H9R 3X3.

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## GENERAL MATTERS

As used in this short form prospectus, unless the context indicates or requires otherwise, the terms “Fronsac”, “REIT”, “we”, “us” and “our” mean Fronsac Real Estate Investment Trust.

All references in this short form prospectus to “management” are to the persons who are executive officers of the REIT. All statements in this short form prospectus made by or on behalf of management are made in such persons’ capacities as executive officers of the REIT and not in their personal capacities.

In this short form prospectus, all references to “\$” are to the lawful currency of Canada and all dollar amounts herein are in Canadian dollars, unless otherwise indicated.

The financial statements incorporated by reference in this short form prospectus are reported in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

Prospective investors should rely only on the information contained in or incorporated by reference in this short form prospectus. Neither the REIT nor the Agents have authorized any person to provide information that differs from the information contained or incorporated by reference herein. If anyone provides prospective investors with additional or different or inconsistent information, including information or statements in media articles about the REIT, prospective investors should not rely on it.

The Offered Units being offered for sale under this short form prospectus may only be sold in those jurisdictions in which offers and sales of such securities are permitted. This short form prospectus is not an offer to sell or a solicitation of an offer to buy the Offered Units in any jurisdiction where it is unlawful. The information contained in this short form prospectus is accurate only as of the date of this short form prospectus, regardless of the time of delivery of this short form prospectus or of any sale of the Offered Units. The REIT does not undertake to update the information contained or incorporated herein by reference, except as required by the applicable securities laws.

## MARKET AND INDUSTRY DATA

We have obtained the market and industry data presented in this short form prospectus and in the documents incorporated by reference herein from a combination of third-party sources and management estimates. Although we believe that these third-party sources and management estimates are reliable, the accuracy and completeness of such data have not been verified by any independent sources. Market and industry data, including estimates and projections relating to size of market and market share, are inherently imprecise and cannot be verified due to limitations on the availability and reliability of data inputs, the voluntary nature of the data gathering process and other limitations inherent in any market research or other survey. Management’s estimates are based on internal research, its knowledge of the relevant market and industry and extrapolations from third-party sources. While we are not aware of any misstatements regarding the market and industry data presented in this short form prospectus, such data involve risks and uncertainties and are subject to change based on various factors, including those factors discussed under “Forward-Looking Information” and “Risk Factors” in this short form prospectus and in the documents incorporated by reference herein.

## NOTICE TO UNITED STATES RESIDENTS

**THE OFFERED UNITS HAVE NOT BEEN REGISTERED UNDER THE U.S. SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES WITHOUT SUCH REGISTRATION OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS UNDER THE U.S. SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAWS.**

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION, NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS SHORT FORM PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.**

## DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the REIT's secretary at 106 Gun Avenue, Pointe-Claire, Québec, H9R 3X3, telephone 450-536-5328. These documents may also be obtained over the Internet under our profile on the System for Electronic Document Analysis and Retrieval (SEDAR) ("**SEDAR**") at [www.sedar.com](http://www.sedar.com).

The following documents, filed with the securities commissions or similar authorities in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (a) the annual information form of the REIT dated December 19, 2019 for the fiscal year ended December 31, 2018 (the "**2018 AIF**");
- (b) the audited consolidated financial statements of the REIT, for the years ended December 31, 2018 and 2017, together with the notes thereto and the independent auditor's report thereon (the "**2018 Financial Statements**");
- (c) the management's discussion and analysis of the REIT for the fiscal year ended December 31, 2018 (the "**2018 MD&A**");
- (d) the unaudited interim consolidated financial statements of the REIT, for the three and nine-month periods ended September 30, 2019, together with the notes thereto (the "**September 2019 Financial Statements**");
- (e) the management's discussion and analysis of the REIT for the three and nine-month periods ended September 30, 2019 (the "**September 2019 MD&A**");
- (f) the management information circular of the REIT dated April 18, 2019 distributed in connection with the REIT's annual and special meeting of the unitholders of the REIT (the "**Unitholders**") held on May 24, 2019; and
- (g) the material change report dated May 22, 2019 with respect to the closing of a private placement of the REIT for aggregate gross proceeds of \$9,910,000.

Any documents of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* (in Québec, *Regulation 44-101 respecting Short Form Prospectus Distributions*) filed by the REIT with a securities commission or similar regulatory authority in Canada after the date of this short form prospectus and before completion or withdrawal of the Offering, will be deemed to be incorporated by reference into this short form prospectus. The documents incorporated or deemed to be incorporated by reference herein contain meaningful and material information relating to the REIT. Readers should review all information contained in this short form prospectus and the documents incorporated by reference.

**Notwithstanding anything herein to the contrary, any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document which is also incorporated or deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall thereafter neither constitute, nor be deemed to constitute, a part of this short form prospectus, except as so modified or superseded.**

## MARKETING MATERIALS

Any “template version” of “marketing materials” (as such terms are defined in National Instrument 41-101 – *General Prospectus Requirements* (in Québec, *Regulation 41-101 respecting General Prospectus Requirements*)) will be incorporated by reference in the final short form prospectus. However, such template version of marketing materials will not form part of the final short form prospectus to the extent that its contents are modified or superseded by a statement contained in the final short form prospectus. Any template version of the marketing materials filed by the REIT with a securities commission or other similar authority in Canada after the date of the final short form prospectus and before the termination of the distribution of the Offered Units will be deemed to be incorporated by reference into the final short form prospectus.

## FORWARD-LOOKING INFORMATION

This short form prospectus contains forward-looking information within the meaning of applicable Canadian securities laws. This forward-looking information includes, but is not limited to, statements with respect to management’s expectations regarding the future growth, results of operations, performance and business prospects of the REIT. This forward-looking information relates to, among other things, our objectives and the strategies to achieve these objectives, as well as information with respect to our beliefs, plans, expectations, anticipations, estimations and intentions, and may also include other statements that are predictive in nature, or that depend upon or refer to future events or conditions. Statements with the words “could”, “expect”, “may”, “will”, “anticipate”, “assume”, “intend”, “plan”, “believes”, “estimates”, “guidance”, “foresee”, “continue” and similar expressions are intended to identify statements containing forward looking information, although not all forward-looking statements include such words. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management’s expectations, estimates and projections regarding future events.

Although management believes the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are based on the opinions, assumptions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. These factors include, but are not limited to the following risk factors described in greater detail under “Risk Factors” in this short form prospectus and in the documents incorporated by reference herein: the use of the net proceeds from the Offering; the timing and completion of the Offering; dilution of Unitholders; environmental regulations; global economic and political conditions; management of growth; competition; reliance on key personnel; the REIT’s failure to qualify for the exemption under the rules applicable to SIFTs under the Tax Act (each as defined below); the REIT’s failure to qualify as a mutual fund trust; uninsurable risks; natural catastrophic events and interruption by man-made problems; the existence of investment opportunities; the fluctuation of the prices of the Offered Units; potential for loss of investment in respect of Offered Units purchased; failure of the Offered Units to continue to be qualified investments for a trust governed by a Plan or a DPSP (each as defined below); failure to meet our cash distribution targets; restrictions on certain Unitholders; our ability to integrate liquidity risk; litigation and other claims; credit risk; the expenses we will incur as a result of the Offering; securities or industry analysts’ research or reports impacting the price of the Units.

Although the forward-looking information contained or incorporated by referenced herein is based upon what we believe are reasonable assumptions, prospective investors are cautioned against placing undue reliance on this information since actual results may vary from the forward-looking information. Certain assumptions were made in preparing the forward-looking information, including assumptions concerning the REIT’s future growth potential, expected capital expenditures, the percentage leased of the REIT’s Properties (as defined below), competitive conditions, results of operations, future prospects and opportunities, industry trends remaining unchanged, future levels of indebtedness, the tax laws as currently in effect remaining unchanged and the current economic conditions remaining unchanged.

All of the forward-looking information in this short form prospectus is qualified by these cautionary statements. Statements containing forward-looking information included in this short form prospectus are made only as of the date hereof and in a document incorporated by reference in this short form prospectus are made only as of the date of such document. The REIT expressly disclaims any obligation to update or alter statements containing any

forward-looking information, or the factors or assumptions underlying them, whether as a result of new information, future events or otherwise, except as required by law.

Before making any investment decision in respect of the Offered Units and for a detailed discussion of the risks and uncertainties associated with the REIT's business, its operations and its financial targets, performance and condition and the material factors and assumptions underlying the forward-looking information herein and therein, fully review the disclosure incorporated by reference in this short form prospectus and the risks referenced under "Risk Factors" in this short form prospectus and in the 2018 AIF.

## **IFRS AND NON-IFRS FINANCIAL MEASURES**

The financial statements of the REIT have been prepared in accordance with IFRS as issued by the IASB and are stated in Canadian dollars.

This short form prospectus and the documents incorporated by reference herein contain references to certain measures that are not defined under IFRS. These non-IFRS measures are not defined by IFRS, do not have a standardized meaning and may not be comparable with similar measures presented by other issuers. The REIT has presented such non-IFRS measures, including Funds From Operations (FFO), Recurring FFO, Recurring FFO per Unit, Distributable Income and Adjusted Funds from Operations (AFFO) (each as defined in the 2018 AIF and/or the 2018 MD&A), as management believes they are relevant measures of the REIT's underlying operating performance.

Investors are cautioned that non-IFRS measures should not be considered as alternatives to net income, total comprehensive income, cash flows generated from operating activities or comparable metrics determined in accordance with IFRS as indicators of the REIT's performance, liquidity, cash flow and profitability. For a full description of these measures and, where applicable, a reconciliation to the most directly comparable measure calculated in accordance with IFRS, please refer to the "Explanation of Non-IFRS Financial Measures" and "Financial Highlights" sections in the 2018 MD&A, incorporated by reference into this short form prospectus.

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of Davies Ward Phillips & Vineberg LLP, counsel to the REIT, and Bennett Jones LLP, counsel to the Agents (collectively, "**Counsel**"), based on the current provisions of the *Income Tax Act* (Canada) and the regulations thereunder (the "**Tax Act**") and the proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"), provided the REIT is at all times a "mutual fund trust" or a "registered investment" for the purposes of the Tax Act or the Offered Units are listed on a designated stock exchange (which currently includes the TSX-V), on the Closing Date the Offered Units will be qualified investments under the Tax Act for trusts governed by a registered retirement savings plan, a registered retirement income fund, a registered education savings plan, a registered disability savings plan or a tax-free savings account (collectively, "**Plans**"), and for trusts governed by a deferred profit sharing plan (a "**DPSP**").

Notwithstanding that Offered Units may be qualified investments for a trust governed by a Plan, holders, annuitants or subscribers of Plans (each a "Controller"), as the case may be, will be subject to an additional tax in respect of the Offered Units if such Offered Units are a "prohibited investment" (as defined in the Tax Act) for a Plan. Offered Units will generally be a "prohibited investment" if the Controller does not deal at arm's length with the REIT for purposes of the Tax Act or the Controller has a "significant interest" (within the meaning of subsection 207.01(4) of the Tax Act) in the REIT. In addition, the Offered Units will not be a "prohibited investment" if the Offered Units are "excluded property" (as defined in subsection 207.01(1) of the Tax Act). Controllers should consult their own tax advisors in regards to the application of these rules in their particular circumstances.

## **FRONSAC REAL ESTATE INVESTMENT TRUST**

### **Overview**

The REIT is an unincorporated open-ended trust created by a contract of trust made as of March 11, 2011 (as amended, supplemented and/or restated from time to time) (collectively, the "**Contract of Trust**"), under, and

governed by, the laws of the Province of Québec. The REIT is a “mutual fund trust” as defined in the Tax Act, but is not a “mutual fund” within the meaning of applicable Canadian securities legislation.

The REIT was established on March 11, 2011 for the principal purpose to provide persons with an opportunity to participate, directly or indirectly, in a portfolio of income-producing immovable property investments and related assets.

The REIT began its activities on March 11, 2011, pursuant to an arrangement with Fronsac Capital Inc. (“**Fronsac Capital**”) under the *Canada Business Corporations Act* effected on July 1, 2011 whereby each of the issued and outstanding common shares of Fronsac Capital was exchanged for one Unit of the REIT.

The REIT’s head and registered office is located at 106 Gun Avenue, Pointe-Claire, Québec, H9R 3X3. A copy of the Contract of Trust is available under the REIT’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

The Units are listed and posted for trading on the TSX-V under the trading symbol “FRO.UN”.

### **Summary Description of the Business**

Fronsac is an unincorporated open-ended trust that acquires and owns high-quality triple net and management-free commercial real estate properties (collectively, the “**Properties**”). The REIT's portfolio is currently comprised of 57 commercial properties, including 14 co-owned properties, all located in the provinces of Québec, Ontario and Nova Scotia, of which 53 Properties, representing 93% of the Properties, are located in the Province of Québec. The Properties represent, in aggregate, approximately 482,000 square feet of leasable area of which 76,000 square feet are co-owned. The majority of the Properties are situated in prime locations near major traffic arteries and benefit from high visibility and easy access by both tenants and tenants’ customers. Management of the REIT is constantly assessing acquisition opportunities and is able to implement an investment strategy of acquiring properties to provide additional cash flow and enhance long-term portfolio growth.

For more information on Fronsac and its business, please refer to the 2018 AIF.

### **Objectives of the REIT**

The objectives of the REIT have been approved by the trustees of the REIT (collectively, the “**Trustees**”) and may be amended or replaced by the Trustees from time to time. In setting the objectives of the REIT, the Trustees are subject to the investment guidelines and operating policies set out in the Contract of Trust.

The objectives of the REIT are to: (i) provide Unitholders with stable and growing cash distributions from investments in real estate properties in Canada; (ii) expand the asset base of the REIT and enhance the value of the REIT’s assets to maximize long-term Unit value; and (iii) increase the REIT’s Recurring FFO per Unit and distributions per Unit, through accretive acquisitions.

The REIT intends to continue to concentrate its efforts in well-located freestanding commercial properties in the provinces of Québec, Ontario and Nova Scotia where the REIT can pursue accretive acquisitions complementary to its portfolio and management expertise.

Management is constantly assessing acquisition opportunities and is able to implement an investment strategy of acquiring properties to provide additional cash flow and enhance long-term portfolio growth.

Management believes that achieving the objectives outlined above will result in an increasingly diverse and stable income stream intended to reduce both risk and volatility in respect of the returns realized by Unitholders.

### **Proposed Acquisitions and Developments**

The REIT recently entered into conditional purchase agreements in respect of the Acquisition Properties (as defined below) with three separate vendors. Under the terms of the Acquisition Agreements (as defined below), the acquisitions of the Acquisition Properties are subject to customary due diligence and closing conditions. None of the Acquisition Agreements are conditional upon the others. The Acquisition Agreements contain representations and



warranties typical of those contained in acquisition agreements negotiated between purchasers and vendors acting at arm's length. As detailed below, the REIT has already waived conditions in respect of the acquisition of two of the three Acquisition Properties. If for whatever reason, certain of the conditions to the closing of the acquisition of the Saint-Étienne-des-Grès Property (as defined below) are not satisfied and are not waived or the REIT is not satisfied with the due diligence on such acquisition, the REIT may choose to not complete such acquisition. Below is a description of the Acquisition Properties.

The first acquisition agreement (the "**First Acquisition Agreement**") provides for the acquisition by the REIT of a 100%-interest in a property located in Kenora, Ontario, and leased to Walmart (the "**Kenora Property**"), for an aggregate purchase price of approximately \$12.0 million (excluding transaction costs), which is expected to be satisfied by a cash payment, a portion of which the REIT anticipates using from the net proceeds of the Offering. See "Use of Proceeds".

The second acquisition agreement (the "**Second Acquisition Agreement**") provides for the acquisition by the REIT of a 100%-interest in a property located in Farnham, Québec, and leased to a gas station and restaurant operated by Petro-Canada, a convenience store operator and Tim Hortons (the "**Farnham Property**"), for an aggregate purchase price of approximately \$4.0 million (excluding transaction costs), which is expected to be satisfied by a cash payment, a portion of which the REIT anticipates using from the net proceeds of the Offering. See "Use of Proceeds".

The third acquisition agreement (collectively with the First Acquisition Agreement and the Second Acquisition Agreement, the "**Acquisition Agreements**") provides for the acquisition by the REIT of a 75%-interest in a property located in Saint-Étienne-des-Grès, Québec, and leased to a gas station and restaurant combo operated by Parkland, a convenience store operator and Tim Hortons (the "**Saint-Étienne-des-Grès Property**", and collectively with the Kenora Property and the Farnham Property, the "**Acquisition Properties**"), for an aggregate purchase price of approximately \$3.0 million (excluding transaction costs), which is expected to be satisfied by a cash payment, a portion of which the REIT anticipates using from the net proceeds of the Offering. See "Use of Proceeds".

The combined net operating income in respect of the Acquisition Properties is approximately \$1.5 million, representing a 7.9% weighted average capitalization rate based on the aggregate purchase price of approximately \$19.0 million (excluding transaction costs) in respect of the Acquisition Properties.

### **Deleveraging and Funding of Future Acquisitions**

The REIT intends to use approximately \$7.5 million of the net proceeds from the Minimum Offering and approximately \$10.3 million of the net proceed from the Maximum Offering to repay amounts outstanding under certain of the REIT's Credit Facilities (as defined below), which may be subsequently redrawn and applied as needed to fund future acquisitions and for general trust purposes. See "Use of Proceeds". The Credit Facilities have been used by the REIT primarily for general trust and operating purposes, including for working capital requirements and to finance previous acquisitions. The REIT's presently outstanding Credit Facilities include the following under which approximately \$11.4 million is expected to be outstanding on or about the Closing Date:

- (i) a revolving credit facility with a Canadian financial institution, bearing interest at prime plus 100 basis points, which is secured by a pool of first mortgages on certain of the Properties of the REIT and under which approximately \$5.79 million is currently outstanding and \$5.0 million is expected to be outstanding on or about the Closing Date;
- (ii) a revolving credit facility with a Canadian financial institution, bearing interest at prime plus 100 basis points, which is secured by a first mortgage on a Property of the REIT and under which approximately \$1.45 million is currently outstanding and \$1.5 million is expected to be outstanding on or about the Closing Date;
- (iii) a revolving credit facility with a Canadian financial institution, bearing interest at prime plus 60 basis points, which is secured by a pool of first mortgages on certain of the Properties of the REIT and under which approximately \$2.85 million is currently outstanding and \$4.5 million is expected to be outstanding on or about the Closing Date; and

- (iv) an unsecured revolving credit facility with Michel Lassonde, a Trustee of the REIT, bearing interest at prime plus 65 basis points, under which approximately \$0.4 million is currently outstanding (collectively, the “**Credit Facilities**”).

## **RELATIONSHIP BETWEEN THE REIT AND THE AGENTS**

Desjardins Securities Inc. is a subsidiary of a Canadian financial institution which is a lender to the REIT and its subsidiaries. Consequently, the REIT may be considered to be a “connected issuer” of such Agent under National Instrument 33-105 – *Underwriting Conflicts* (referred to in Québec as *Regulation 33-105 respecting Underwriting Conflicts*).

As at January 20, 2020, the indebtedness of the REIT to the above-mentioned financial institution amounted to approximately \$1.45 million and the REIT expects its amount of indebtedness to such financial institution to be \$1.5 million on or about the Closing Date. A portion of the net proceeds from the Offering will be used to repay the indebtedness of the REIT to such financial institution in full. See “Use of Proceeds”.

The REIT is not in breach of the terms of the Credit Facility governing such indebtedness, in any material respect, and therefore no breach has been waived.

The decision of Desjardins Securities Inc. to participate in the Offering was made independently of the financial institution of which it is a subsidiary and was not required by such financial institution. Desjardins Securities Inc. will not receive any benefit from the Offering, other than its respective portion of the Agents’ Fee. See “Plan of Distribution”.

## **USE OF PROCEEDS**

There will be no closing of this Offering unless the Minimum Offering is subscribed for. The net proceeds to the REIT from the Minimum Offering are estimated to be \$14,193,040, after deducting the Agents’ Fee of \$810,960 (assuming that 4,800,000 Offered Units are sold under the President’s List), excluding the expenses of the Minimum Offering, which are estimated to be \$300,000, which will be paid out of the proceeds of the Offering. The net proceeds to the REIT from the Maximum Offering are estimated to be \$16,990,480, after deducting the Agents’ Fee of \$989,520 (assuming that 4,800,000 Offered Units are sold under the President’s List), excluding the expenses of the Maximum Offering, which are estimated to be \$300,000, which will be paid out of the proceeds of the Offering.

The net proceeds from the Offering are expected to be used by the REIT as follows:

- (i) approximately \$3.6 million to partially fund the acquisition of the Kenora Property, as described under “Fronsac Real Estate Investment Trust – Proposed Acquisitions and Developments”. The total consideration to be paid for the Kenora Property will be approximately \$12.0 million (excluding any transaction costs) and will be paid in cash;
- (ii) approximately \$1.3 million to partially fund the acquisition of the Farnham Property, as described under “Fronsac Real Estate Investment Trust – Proposed Acquisitions and Developments”. The total consideration to be paid for the Farnham Property will be approximately \$4.0 million (excluding any transaction costs) and will be paid in cash;
- (iii) approximately \$1.0 million to partially fund the acquisition of a 75%-interest in the Saint-Étienne-des-Grès Property, as described under “Fronsac Real Estate Investment Trust – Proposed Acquisitions and Developments.” The total consideration to be paid for the Saint-Étienne-des-Grès Property will be \$3.0 million (excluding any transaction costs) and will be paid in cash;
- (iv) approximately \$7.5 million assuming the Minimum Offering is completed and approximately \$10.3 million assuming the Maximum Offering is completed to repay a portion of the outstanding indebtedness under certain of the REIT’s Credit Facilities, as described under “Fronsac Real Estate Investment Trust – Deleveraging and Funding of Future Acquisitions”, which may be

subsequently redrawn in connection with the acquisition by the REIT of the Acquisition Properties;

- (v) approximately \$0.3 million for expenses incurred by the REIT in connection with the Offering; and
- (vi) approximately \$0.5 million for real estate transaction costs expected to be incurred in connection with the acquisition of the Acquisition Properties, primarily comprised of land transfer and other taxes, acquisition fees, insurance, brokerage commissions, legal fees and third party consultant fees.

The actual allocation of the net proceeds may vary depending on future developments in the REIT's business or unforeseen events. The REIT intends to use the net proceeds as stated in this short form prospectus; however there may be circumstances where, for sound business reasons, a reallocation of proceeds may be deemed prudent or necessary.

The REIT has not entered into any binding agreement for the acquisition of any property, other than the Acquisition Properties, and does not expect to enter into any such agreement prior to the closing of the Offering.

The REIT has appointed the Agents to hold in trust all subscription funds received until the Minimum Offering has been raised. If the Minimum Offering is not raised on or before the day that is 90 days after the date a receipt is issued for the final short form prospectus, or such later date as the REIT and the Agents may agree and the securities regulatory authorities may approve (subject to the filing of any required amendment to the final short form prospectus and a receipt for the amendment being issued), the Agents must return such funds to the subscribers without interest, set-off or deduction.

#### **CHANGES IN UNITS OUTSTANDING AND LOAN CAPITAL**

There has been no material changes in the Units issued and outstanding and loan capital of the REIT, on a consolidated basis, since the date of the September 2019 Financial Statements.

As at September 30, 2019, there were 117,403,566 Units issued and outstanding. As at January 20, 2020, there are 117,607,648 Units issued and outstanding, and after giving effect to the Minimum Offering and the Maximum Offering, 141,807,648 and 146,607,648 Units will be issued and outstanding, respectively.

As at September 30, 2019, the consolidated indebtedness of the REIT (including the Credit Facilities) was approximately \$70,615,841, excluding convertible debentures. As at January 20, 2020, the consolidated indebtedness of the REIT (including the Credit Facilities) was approximately \$72,880,651, excluding convertible debentures. After giving effect to the Minimum Offering, it is anticipated that the consolidated indebtedness of the REIT (including the Credit Facilities) will be approximately \$61,480,561, excluding convertible debentures. After giving effect to the Maximum Offering, it is anticipated that the consolidated indebtedness of the REIT (including the Credit Facilities) will be approximately \$61,480,561, excluding convertible debentures.

Additional information regarding material indebtedness of the REIT is provided in the 2018 Financial Statements, the 2018 MD&A, the September 2019 Financial Statements and the September 2019 MD&A.

#### **CONTRACT OF TRUST AND DESCRIPTION OF UNITS**

##### **General**

The REIT is an unincorporated open-ended trust created pursuant to the Contract of Trust and governed by the laws of the Province of Québec.

## **Units**

Units represent a Unitholder's proportionate ownership interest in the REIT. The aggregate number of Units which the REIT may issue is unlimited. Units are issued in registered form, are non-assessable and are transferable.

No Unitholder has or is deemed to have any right of ownership in any of the assets of the REIT. Each Unit confers the right to one vote at any meeting of Unitholders and to participate equally and rateably in any distributions by the REIT and, in the event of any required distribution of all of the property of the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. Issued and outstanding Units may be subdivided or consolidated from time to time by the Trustees without Unitholder approval. No certificates for fractional Units will be issued and fractional Units will not entitle the holders thereof to vote.

The Units shall be issued upon the terms and subject to the conditions of the Contract of Trust, which Contract of Trust shall be binding upon all holders of Units and by acceptance of the certificate representing such Units, the holder thereof shall agree to be bound by the Contract of Trust.

## **Purchase of Units**

The REIT may purchase for cancellation at any time the whole or any part of the issued and outstanding Units, at a price per Unit (or fraction of a Unit, if applicable) and on a basis determined by the Trustees, the whole in compliance with all applicable securities regulatory laws, regulations and policies and the policies of any applicable stock exchange. Any such purchases will constitute an "issuer bid" under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof.

In addition, Unitholders may, upon written notice to the transfer agent of the REIT in accordance with the terms of the Contract of Trust, require the REIT to redeem at any time or from time to time at the demand of the Unitholder all or any part of the Units registered in the name of the Unitholder at a price per Unit equal to the lesser of: (i) 90% of the market price (as defined in the Contract of Trust) of the Units calculated on the date on which the Units are surrendered for redemption (the "**Redemption Date**") and (ii) 100% of the closing market price (as defined in the Contract of Trust) on the principal market on which the Units are listed for trading, on the Redemption Date.

## **Take-over Bids**

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

## **Meetings of Unitholders**

The Contract of Trust provides that meetings of Unitholders must be called and held for the election or removal with or without cause of Trustees, the appointment or removal of the auditors of the REIT, the approval of amendments to the Contract of Trust (as described under "Amendments to Contract of Trust"), the sale of the assets of the REIT as an entirety or substantially as an entirety other than as part of an internal reorganization of the assets of the REIT as approved by the Trustees and to require that all of the property of the REIT be distributed and an increase or decrease by the Unitholders in the number of Trustees within the minimum and maximum number of Trustees provided in the Contract of Trust. Meetings of Unitholders will be called and held annually for the election of the Trustees and the appointment of auditors of the REIT.

A meeting of Unitholders may be convened at any time and for any purpose by the Trustees and must be convened, except in certain circumstances, if requisitioned by the holders of not less than 10% of the Units then outstanding by a written requisition. A requisition must state in reasonable detail the business to be transacted at the

meeting. Unitholders have the right to obtain a list of Unitholders to the same extent and upon the same conditions as those which apply to shareholders of a corporation governed by the *Canada Business Corporations Act*.

Unitholders will be entitled to attend and vote at all meetings of the Unitholders either in person or by proxy and a proxyholder will not be required to be a Unitholder. Two persons present in person or represented by proxy and holding in the aggregate not less than 5% of the outstanding Units will constitute a quorum for the transaction of business at all such meetings. At any meeting for which quorum is not present within 30 minutes within the time fixed for the holding of such meeting, the meeting, if called by request of Unitholders, shall be terminated, but in any other case, the meeting shall be adjourned to a date not less than seven days later and to such place and time as may be determined by the chairman of the meeting. If at such adjourned meeting a quorum, as above defined, is not present, the Unitholder(s) present either personally or by proxy shall form a quorum and any business may be brought before or dealt with at such adjourned meeting which might have been brought or dealt with at the original meeting in accordance with the notice calling same.

The Contract of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders.

### **Issuance of Units**

The REIT may issue new Units from time to time. Unitholders do not have any pre-emptive rights whereby additional Units proposed to be issued are first offered to existing Unitholders. New Units may be issued for cash through public offerings or through private placements (i.e., offerings to specific investors which are not made generally available to the public). In certain instances, the REIT may also issue new Units as consideration for the acquisition of new properties or assets or as consideration for services rendered. The price or the value of the consideration for which Units may be issued will be determined by the Trustees, generally in consultation with investment dealers or brokers who may act as underwriters or agents in connection with offerings of Units.

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

Not more than 49% of the Units issued and outstanding at any time shall be held or beneficially owned, directly or indirectly, by persons who are non-residents of Canada for purposes of the Tax Act (individually, a “non-resident”, and collectively “non-residents”). The Trustees may, in their discretion, from time to time and at such time as the Trustees deem appropriate, require from the Unitholders and the Unitholders shall furnish diligently to the Trustees a declaration as to their respective residency and should any Unitholder not be the beneficial owner of the Units registered in his name, the residency of the beneficial owner of such Units. In the event that it appears from the Register (as such term is defined in the Contract of Trust) or from the declarations of residency delivered to the Trustees that, or in the event that the Trustees otherwise determine that, there has been a contravention of the foregoing non-resident ownership constraint or that, after giving effect to any proposed subscription, issue or transfer of Units to a non-resident, there would be a contravention of the non-resident ownership constraint, the REIT shall cause a public announcement to be made to such effect and shall not accept any subscription for Units from any non-resident, issue any Units to any such person or register or otherwise recognize the transfer of any Units to any non-resident. In addition, in the event that it appears from the Register (as such term is defined in the Contract of Trust) or from the declarations of residency delivered to the Trustees that, or in the event that the Trustees otherwise determine that, there has been a contravention of the foregoing non-resident ownership constraint, the REIT shall send a written notice (a “**Sell Notice**”) to the registered holders of such of those Units as shall be chosen on the basis of inverse order to the order of acquisition or registration of all non-residents, by law or by such other method that is authorized by the Trustees’ determination (each such selected registered holder hereinafter known as an “**Affected Holder**”). Such Sell Notice shall require that an Affected Holder sell to a person who is not a non-resident of Canada the total number of Units specified in the Sell Notice (the “**Affected Units**”) within the prescribed period stipulated in the Sell Notice. Any such Sell Notice to be delivered to an Affected Holder shall be given by registered prepaid mail or delivered directly to the Affected Holder and shall specify a date, which shall not be more than 60 days, within which the Affected Units must be sold on a basis that does not result in the contravention of the Contract of Trust. The Sell Notice shall also require the Affected Holder to notify the REIT of the sale or disposition requested when completed. In the event that the Affected Units have not been sold by the Affected Holder on or prior to the date stipulated in the Sell Notice or the Affected Holder has not provided evidence satisfactory to the Trustees to the effect that it is not a non-resident prior to such date, the REIT may elect

to sell the Affected Units on behalf of the Affected Holder without further notice on and subject to the terms herein contained and to forthwith suspend the rights of the Affected Holder to vote or to receive distribution in connection with the Affected Units. Upon such sale the Affected Holders shall cease to be holders of the Affected Units and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificate representing such Affected Units.

### **Information and Reports**

The REIT will furnish to Unitholders such financial statements (including interim and annual financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act or equivalent provincial legislation.

Prior to each annual and special meeting of Unitholders, the Trustees will provide the Unitholders (along with notice of such meeting) information similar to that required to be provided to shareholders of a public corporation governed by the *Canada Business Corporations Act*.

### **Amendments to Contract of Trust**

The Contract of Trust may be amended or altered from time to time. Certain amendments must be approved by at least two-thirds of the votes cast at a meeting of the Unitholders called for such purpose. These include:

- (i) any amendment to change a right with respect to any issued and outstanding Units of the REIT, to reduce the amount payable thereon upon termination of the REIT or to diminish or eliminate any voting rights pertaining thereto;
- (ii) any amendment to the duration or term of the REIT;
- (iii) any amendment to increase the maximum number of Trustees (to more than 15 Trustees) or to decrease the minimum number of Trustees (to less than three Trustees), any change by the Unitholders in the maximum number of additional Trustees which may be appointed between meetings of Unitholders and any change by the Unitholders in the number of Trustees within the minimum and maximum number of Trustees provided in the Contract of Trust, provided that the Trustees may, between meetings of Unitholders, appoint additional Trustees, if after such appointment, the total number of Trustees would not be greater than one and one-third times the number of Trustees in office immediately following the last annual meeting of Unitholders; and
- (iv) any amendment relating to the powers, duties, obligations, liabilities or indemnification of the Trustees.

Amendments to the Contract of Trust, not requiring the approval of at least two-thirds of the votes cast at a meeting of the Unitholders called for such purpose, must be approved by a majority of the votes cast at a meeting of the Unitholders called for such purpose.

The Trustees may, without the approval of, or any prior notice to, Unitholders, make certain amendments to the Contract of Trust, including amendments:

- (i) for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or over the REIT, its status as a "unit trust", a "mutual fund trust" and a "registered investment" under the Tax Act or the distribution of Units;
- (ii) which, in the opinion of the Trustees, provide additional protection for the Unitholders;
- (iii) to remove any conflicts or inconsistencies in the Contract of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders;

- (iv) which, in the opinion of the Trustees, are necessary or desirable to enable the REIT to issue Units for which the purchase price is payable on an instalment basis or to implement a Unit option plan, purchase plan or rights plan, or a distribution reinvestment plan;
- (v) which, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation laws from time to time; and
- (vi) for any purpose (except one in respect of which a Unitholder vote is specifically otherwise required) if the Trustees are of the opinion that the amendment is not prejudicial to Unitholders and is necessary or desirable.

### **Sale of Assets**

Any sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT as approved by the Trustees) shall occur only if approved by at least two-thirds of the votes cast at a meeting of the Unitholders called for such purpose.

### **Term of the REIT**

The REIT has been established for a term to continue until no property of the REIT is held by the Trustees. The distribution of all of the property of the REIT may be required by the affirmative vote of two-thirds of the votes cast at a meeting of Unitholders called for such purpose.

### **Determinations of the Trustees**

The Contract of Trust provides that all determinations of the Trustees which are made in good faith with respect to any matters relating to the REIT, including, without limiting the generality of the foregoing, whether any particular investment or disposition meets the requirements of the Contract of Trust, shall be final and conclusive and shall be binding upon the REIT and all Unitholders (and, where the Unitholder is a registered retirement savings plans, registered retirement income funds or deferred profit sharing plans, registered disability savings plans or tax-free savings accounts or registered pension fund or plan as defined in the Tax Act, or such other fund or plan registered under the Tax Act, upon plan beneficiaries and plan holders past, present and future) and Units of the REIT shall be issued and sold on the condition and understanding that any and all such determinations shall be binding as aforesaid.

## **DISTRIBUTION POLICY**

The Contract of Trust provides that the REIT may, as the Trustees determine in their discretion, distribute to Unitholders, in respect of any month (the “**Distribution Period**”), on or about the 15<sup>th</sup> day of the immediately following period and on December 31 of each calendar year (each a “**Distribution Date**”), the Distributable Income (as defined in the 2018 AIF) of the REIT for the preceding Distribution Period and, in the case of distributions made on December 31, for the Distribution Period then ended. Unitholders may also receive a distribution on December 31 of each year of any Excess Income (as defined in the 2018 AIF) of the REIT for such year, solely if so determined by the Trustees at their sole discretion, and subject to any adjustment the Trustees consider reasonable at their sole discretion.

Distributions may be adjusted for amounts paid in prior periods if the actual Distributable Income for the prior periods is greater than or less than the Trustees’ estimates for the prior periods. Distributions are made in cash. If the Trustees determine that the REIT does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trustees to be available for the payment of such distribution.

The REIT may distribute to Unitholders on each Distribution Date such percentage of the Distributable Income of the REIT for the Distribution Period immediately preceding the period in which the Distribution Date

falls, as the Trustees determine in their discretion. The amount of each distribution, as well as the timing of each Distribution Period shall be determined by the Trustees at their sole discretion.

For the year 2019, the REIT made distributions of \$0.185¢ per Unit for each month of the year.

On November 8, 2019, the REIT announced that beginning in January 2020, the annual distribution to each Unitholder would be increased from 2.220¢ to 2.555¢ per Unit, representing an increase of 15.1%. Monthly distributions would consequently equal 0.213¢ per Unit. At such time, the REIT also announced that it would make monthly cash distributions of 0.213¢ per Unit, representing 2.555¢ per Unit on an annualized basis, on January 31, February 28 and March 31, 2020 to Unitholders of record on January 15, February 14 and March 16, 2020, respectively.

The distribution for any Distribution Period is payable to Unitholders of record on the last business day of such period.

Unitholders who are non-residents of Canada are required to pay all taxes payable in respect of distributions by the REIT. The REIT withholds such taxes as required by the Tax Act and remits such payment to the tax authorities on behalf of the Unitholder. **Non-Residents should consult their own tax advisors regarding the tax consequences of investing in the Units.**

The REIT qualifies as a mutual fund trust and qualifies for the REIT Exception (as defined below) for Canadian income tax purposes. The REIT expects to distribute all of its taxable income to Unitholders and is entitled to deduct such distributions for Canadian income tax purposes. The REIT generally deducts for tax purposes such amount as is paid or payable to Unitholders for the year as is necessary to ensure that the REIT is not liable for income tax payable under Part I of the Tax Act in any year. From time to time, the REIT may retain some taxable income and net capital gains, when appropriate, in order to utilize the capital gains refund available to mutual fund trusts without incurring any income taxes. Accordingly, no provision for current income taxes payable is required, except for amounts incurred in the REIT's incorporated Canadian subsidiaries.

If the REIT were to cease to qualify for the REIT Exception for Canadian federal income tax purposes, certain distributions would not be deductible in computing income for Canadian income tax purposes and the REIT would be subject to tax on such distributions at a rate substantially equivalent to the general corporate income tax rate. Other distributions would generally continue to be treated as returns of capital to Unitholders.

The REIT expects to distribute to the Unitholders in each year an amount not less than its taxable income for the year, as calculated in accordance with the Tax Act after all permitted deductions have been taken. The REIT in preparing its returns considers the overall taxability of the REIT and therefore may make elections that management believes are in the best interests of the organization as a whole. These elections may be made to preserve the financial flexibility of the REIT in order to effectively manage its long term growth. As a result, from year to year, the taxability of the REIT's distributions may fluctuate depending upon the timing of recognition of certain gains and losses based on the activities of the REIT.

## **PLAN OF DISTRIBUTION**

Pursuant to the Agency Agreement among the REIT and the Agents, the REIT has engaged the Agents to arrange on a "best efforts" agency basis for purchasers of a minimum of 24,200,000 and a maximum of 29,000,000 Offered Units of the REIT, at a price of \$0.62 per Offered Unit, for minimum gross proceeds of \$15,004,000 and maximum gross proceeds of \$17,980,000, payable in cash to the REIT against delivery of the Offered Units purchased on the Closing Date or such other date as may be agreed by the REIT and the Agents, subject to the termination rights described below and compliance with all necessary legal requirements and terms and conditions of the Agency Agreement. There will be no closing of this Offering unless the Minimum Offering is completed. The terms of the Offering, including the Offering Price, were determined by arms' length negotiations between the REIT and the Agents.

Pursuant to the Agency Agreement, the REIT is entitled to offer and sell 4,800,000 Offered Units sold pursuant to the Offering to certain excluded subscribers, including certain Trustees and management of the REIT



(the “**President’s List**”). As of the date hereof, certain of the Trustees and the REIT’s management have indicated to the REIT that they are interested in purchasing Offered Units under the President’s List as part of the Offering.

Provided that the Minimum Offering is subscribed for, it is expected that the Closing Date will occur on or about February 5, 2020, or such other date as the REIT and the Agents may agree.

The proceeds received from proposed subscribers of Offered Units will be retained in trust by the Agents until the Minimum Offering is achieved. Once the Minimum Offering is achieved, the sale of the Offered Units shall be completed in accordance with the Agency Agreement. If the Minimum Offering is not raised on or before the day that is 90 days after the date a receipt is issued for the final short form prospectus, or such later date as the REIT and the Agents may agree and the securities regulatory authorities may approve (subject to the filing of any required amendment to the final short form prospectus and a receipt for the amendment being issued), the Offering will not continue and the Agents must return such funds to the proposed subscribers without interest, set-off or deduction.

Subscriptions for Offered Units will be received subject to rejection or allotment in whole or in part, and the right is reserved to close the subscription books at any time without notice. The Offered Units will be registered and deposited directly with CDS or its nominee pursuant to the book-based system administered by CDS, and will be held by, or on behalf of, CDS, as depository of the Offered Units for the participants of CDS, on a non-certificated basis. No certificates evidencing Offered Units will be issued to purchasers thereof, except in limited circumstances. Purchasers of Offered Units will receive only a customer confirmation or statement from the Agents or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Offered Units is purchased.

The obligations of the Agents under the Agency Agreement are joint and not solidary (several and not joint and several), are subject to certain closing conditions and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and their due diligence findings of the REIT, and may also be terminated upon the occurrence of certain stated events specified in the Agency Agreement, including any disaster or material change which is reasonably expected to have a significant adverse effect on the market price or value of the Units or any proceeding which reasonably prevents or restricts materially the distribution or trading of the Units or any other securities of the REIT. While the Agents have agreed to use their best efforts to sell the Offered Units offered hereby, the Agents are not obligated directly or indirectly to advance their own funds to purchase any of the Offered Units that are not sold. The Agency Agreement provides that the REIT will indemnify the Agents and their affiliates, directors, officers, partners, agents, shareholders and employees against certain liabilities and expenses.

In consideration for their services in connection with the Offering, the REIT has agreed to pay the Agents a cash fee equal to (i) 6% of the gross proceeds raised in connection with the sale of the Offered Units (excluding any Offered Units sold under the President’s List), and (ii) 3% of the gross proceeds raised in connection with Offered Units sold under the President’s List. The President’s List will be allocated up to 4,800,000 Offered Units; provided, however, that the President’s List subscriptions may be reduced or reallocated by the Agents, in their sole discretion. Should the Agents reduce or reallocate any President’s List subscriptions, the Agent’s Fee in respect of such reallocated portion will nevertheless continue to be equal to 3% of the gross proceeds in connection therewith.

The Offered Units have not been, and will not be, registered under the U.S. Securities Act or any state securities laws and, subject to certain exceptions, may not be offered, or sold in the United States or to “U.S. persons” (as defined in Regulation S under the U.S. Securities Act) unless the Offered Units are registered under the U.S. Securities Act or an exemption from the registration requirements of the U.S. Securities Act is available and in compliance with any applicable state securities laws.

In connection with the Offering, certain of the Agents or securities dealers may distribute this short form prospectus electronically.

The Offered Units are being offered to the public under this short form prospectus in each of the provinces of Canada. The issued and outstanding Units are listed and posted for trading on the TSX-V under the trading symbol “FRO.UN”. On January 17, 2020, the last trading day before the date of this short form prospectus, the closing price of the Units on the TSX-V was \$0.68. The REIT has applied to list the Offered Units on the TSX-V. Listing is subject to the REIT fulfilling all of the listing requirements of the TSX-V.

Not more than 49% of the Units issued and outstanding at any time shall be held or beneficially owned, directly or indirectly, by non-residents of Canada for purposes of the Tax Act. See “Contract of Trust and Description of Units – Limitation on Non-Resident Ownership”.

### TRADING PRICE AND VOLUME

The Units are listed and posted for trading on the TSX-V under the trading symbol “FRO.UN”. The following table shows the monthly ranges of high and low prices per Unit, as well as total monthly volumes traded on the TSX-V during the preceding 12-month period, as reported by TSX Infosuite.

<u>Month</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume</u>
January 2019.....	0.57	0.53	362,423
February 2019.....	0.56	0.51	857,711
March 2019.....	0.60	0.52	282,819
April 2019.....	0.65	0.57	835,657
May 2019.....	0.62	0.57	518,213
June 2019.....	0.70	0.60	428,946
July 2019.....	0.73	0.64	302,938
August 2019.....	0.70	0.64	241,520
September 2019.....	0.69	0.65	216,808
October 2019.....	0.70	0.64	151,289
November 2019.....	0.70	0.65	439,181
December 2019.....	0.70	0.63	139,287
January 2020 (to January 17)	0.69	0.66	85,099

### PRIOR SALES

Other than as described below or in the documents incorporated by reference herein, during the 12-month period before the date of this short form prospectus, the REIT has not issued any Units or other securities:

<u>Date</u>	<u>Type of Security</u>	<u>Number of Securities</u>	<u>Issuance / Exercise Price per Security</u>
March 19, 2019	Units <sup>(1)</sup>	112,000	\$0.57
May 16, 2019	Units	14,869,091	\$0.55
May 16, 2019	2019 Debentures	1,732	\$1,000/\$0.73
June 3, 2019	Units <sup>(1)</sup>	200,000	\$0.57
July 22, 2019	Units <sup>(2)</sup>	51,020	\$0.61
August 30, 2019	Units <sup>(3)</sup>	581,395	\$0.43
January 14, 2020	Units <sup>(2)</sup>	204,082	\$0.61

Note:

- (1) Units issued for services rendered to Trustees and management of the REIT.
- (2) Units issued upon the exercise of warrants to purchase Units.
- (3) Units issued upon conversion of debentures of the REIT.

### CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Counsel, the following summary describes the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable as of the date hereof to a holder who acquires the Offered Units as beneficial owner pursuant to this Offering and who for purposes of the Tax Act and at all relevant times, holds the Offered Units as capital property, is, or is deemed to be, resident in Canada, deals at arm’s length

with the REIT and the Agents, and is not affiliated with the REIT or the Agents (a “**Holder**”).

Generally, the Offered Units will be considered to be capital property to a Holder provided that the Holder does not acquire or hold the Offered Units in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold their Offered Units as capital property may, in certain circumstances, be entitled to have their Offered Units, and all other “Canadian securities” (as defined in the Tax Act) owned by them in the taxation year in which the election is made and in subsequent taxation years, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such Holders are urged to consult their own tax advisors regarding whether such election is available and advisable having regard to their own particular circumstances.

This summary is not applicable to a Holder (i) that is a “financial institution” (as defined in the Tax Act for the purposes of the mark to market rules), (ii) an interest in which is a “tax shelter investment” (as defined in the Tax Act), (iii) that is a “specified financial institution” (as defined in the Tax Act), (iv) that has elected to report its “Canadian tax results” (as defined in the Tax Act) in a currency other than Canadian currency, or (v) who enters into a “derivative forward agreement” (as defined in the Tax Act) with respect to the Offered Units. Furthermore, this summary does not address the tax consequences to Holders who borrow funds in connection with the acquisition of Offered Units. **Any such Holders should consult their own tax advisor with respect to an investment in Offered Units.**

This summary is based upon (i) the facts set out in this short form prospectus and an officer’s certificate provided to Counsel by the REIT, (ii) the current provisions of the Tax Act, (iii) all Tax Proposals and (iv) Counsel’s understanding of the current published administrative practices and assessing policies of the Canada Revenue Agency (the “**CRA**”). This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Tax Proposals, does not take into account any changes in the law or the CRA’s administrative practices and assessing policies, whether by legislative, regulatory, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary assumes that the Tax Proposals will be enacted as proposed; however, no assurance can be given that the Tax Proposals will be enacted in the form proposed, if at all. Modification or amendment of the Tax Act or the Tax Proposals could significantly alter the tax status of the REIT or the tax consequences of investing in the Offered Units.

**This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in the Offered Units. 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 prospective Holder of Offered Units, and no representations with respect to the income tax consequences to any prospective Holder are made. Consequently, prospective Holders of Offered Units should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring Offered Units pursuant to this Offering, having regard to their particular circumstances.**

### **Qualification as a Mutual Fund Trust**

The REIT has advised Counsel that it is, at the date hereof, and expects to continue at all relevant times to be, a “mutual fund trust” under the provisions of the Tax Act. This summary assumes that the REIT does, and will continue to, qualify at all relevant times as a “mutual fund trust” under the provisions of the Tax Act. To qualify as a mutual fund trust, the REIT must be a “unit trust” as defined by the Tax Act, must not be established or maintained primarily for the benefit of non-residents, and must restrict its undertaking to: (i) the investing of its funds in property (other than real property or an interest in real property or an immovable or real right in an immovable), (ii) the acquiring, holding, maintaining, improving, leasing or managing of any real property (or interest in real property or of any immovable or real right in immovables) that is capital property of the REIT, or (iii) any combination of the activities described in (i) and (ii), and the REIT must comply on a continuous basis with certain minimum requirements respecting the ownership and dispersal of Units.

In the event that the REIT were not to qualify as a mutual fund trust at any particular time, the Canadian federal income tax considerations described below would, in some respects, be materially different.

### **SIFT Rules**

The provisions of the Tax Act provide for tax on certain income earned by a “specified investment flow-through” trust or partnership (a “**SIFT**”), as well as taxing the distributions received by investors from such entities as taxable dividends (collectively, the “**SIFT Rules**”). The SIFT Rules effectively tax certain income of a publicly-traded trust or partnership that is distributed to its investors on the same basis as would have applied had the income been earned through a taxable corporation and distributed by way of dividend to its shareholders. The SIFT Rules apply only to “SIFT trusts”, “SIFT partnerships” (each as defined in the Tax Act) and their investors.

Where the SIFT Rules apply, distributions of a SIFT trust’s “non-portfolio earnings” (as defined in the Tax Act) are not deductible in computing the SIFT trust’s net income. Non-portfolio earnings are generally defined as income attributable to a business carried on by the SIFT trust in Canada or to income (other than certain dividends) from, and capital gains from the disposition of, “non-portfolio properties” (as defined in the Tax Act). The SIFT trust is itself liable to pay an income tax on an amount equal to the amount of such non-deductible distributions at a rate that is substantially equivalent to the combined federal and provincial general tax rate applicable to taxable Canadian corporations. Such non-deductible distributions paid to a holder of units of a SIFT trust are generally deemed to be taxable dividends received by the holder of such units from a taxable Canadian corporation. Such deemed dividends will qualify as “eligible dividends” for purposes of the enhanced gross-up and dividend tax credit available under the Tax Act to individuals resident in Canada and for purposes of computing a Canadian resident corporation’s “general rate income pool” or “low rate income pool”, as the case may be (each as defined in the Tax Act).

A trust resident in Canada will generally be a SIFT trust for purposes of the Tax Act if investments in the trust are listed or traded on a stock exchange or other public market and the trust holds one or more “non-portfolio properties” (as defined in the Tax Act). Non-portfolio properties generally include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada and in partnerships with specified connections to Canada. However, a trust will not be considered a SIFT trust for a taxation year if it qualifies as a “real estate investment trust” (as defined in the Tax Act) for the year (the “**REIT Exception**”) (as described below).

Distributions that are paid as returns of capital will generally not attract tax under the SIFT Rules.

### **REIT Exception**

Trusts that satisfy the REIT Exception are excluded from the definition of SIFT trusts and are therefore not subject to the SIFT Rules. Generally, to qualify for the REIT Exception for a particular taxation year, a trust must be resident in Canada throughout the taxation year and:

- (i) at each time in the taxation year, the total fair market value at that time of all non-portfolio properties that are “qualified REIT properties” held by the trust must be at least 90% of the total fair market value at that time of all non-portfolio properties held by the trust;
- (ii) not less than 90% of the trust’s “gross REIT revenue” for the taxation year must be derived from one or more of the following: “rent from real or immovable properties”, interest, dispositions of “real or immovable properties” that are capital properties, dividends, royalties and dispositions of “eligible resale properties”;
- (iii) not less than 75% of the trust’s gross REIT revenue for the taxation year must be from one or more of the following: rent from real or immovable properties, interest from mortgages or hypothecs on real or immovable properties, and dispositions of real or immovable properties that are capital properties;
- (iv) at no time in the taxation year can the total fair market value of, stated generally, properties comprised of real or immovable properties that are capital properties, eligible resale properties,

cash, deposits in a bank or credit union, indebtedness of Canadian corporations represented by bankers' acceptances and debt issued or guaranteed by governments in Canada be less than 75% of the "equity value" of the trust at that time; and

- (v) investments in the trust must be, at any time in the taxation year, listed or traded on a stock exchange or other public market.

Under the SIFT Rules, "qualified REIT property" of a trust at any time means, generally, a property held by the trust that is at that time: (i) a real or immovable property that is capital property, an eligible resale property, cash, deposits in a bank or credit union, indebtedness of Canadian corporations represented by bankers' acceptances and debts issued or guaranteed by governments in Canada; (ii) a security of an entity all or substantially all of the gross REIT revenue of which is from maintaining, improving, leasing or managing real or immovable properties that are capital properties of the trust or of an entity of which the trust holds a share or interest; (iii) a security of an entity if the entity holds no property other than (a) legal title to real or immovable properties of the trust or of another entity all of the securities of which are held by the trust and (b) property described in (iv) below; or (iv) ancillary to the earning by the trust of rents from, and capital gains from the dispositions of, real or immovable property, other than an equity of an entity, a mortgage, hypothecary claim, mezzanine loan or similar obligation.

The "equity value" of a SIFT trust at any time means the fair market value of all of the income or capital interests in the trust at that time.

"Real or immovable property" includes a security of an entity that is a trust that satisfies (or of an entity that would, assuming it were a trust, satisfy) the first four criteria required to qualify for the REIT Exception, or an interest in certain real property; but excludes any depreciable property, other than a depreciable property included (otherwise than by an election) in CCA Class 1, 3 or 31 of the Income Tax Regulations, a property ancillary to the ownership or utilization of such depreciable property, or a lease in, or leasehold interest in respect of, land or such depreciable property.

"Eligible resale property" of an entity is real or immovable property (that is not capital property) of the entity that is contiguous to a particular real or immovable property that is capital property or eligible resale property of the entity or an affiliated entity, the holding of which is ancillary to the holding of the particular property.

"Rent from real or immovable properties" includes rent or similar payments for the use of, or right to use, real or immovable properties and payment for services ancillary to the rental of real or immovable properties and customarily supplied or rendered in connection therewith; but does not include any other payments for services supplied or rendered to the tenants of such properties, fees for managing or operating such properties, payments for the occupation of, use of, or right to use, a hotel room or similar lodging, or rent based on profits.

There are also deeming provisions for determining a trust's "gross REIT revenue" for purposes of the two revenue tests described in paragraphs (ii) and (iii), above, which generally provide that where a "parent trust" has a 10% or more interest in another entity or is affiliated with the other entity, then revenues received or receivable by the parent trust in respect of a security of that other entity maintain their source characterization in determining the source of revenues of the parent trust (excluding generally a management subsidiary's revenue from maintaining, leasing, improving or managing real property of the parent or an entity in which the parent holds a share or interest). Accordingly, income from rent from real or immovable properties and capital gains earned by another entity, such as a subsidiary trust, and distributed to a parent trust will generally be treated as rent from real or immovable properties and capital gains, respectively, in the hands of the parent trust for purposes of determining the parent trust's "gross REIT revenue". In addition, income resulting from certain hedge activities will be deemed to have the same character as gross REIT revenue in respect of the property.

Management of the REIT has advised Counsel that the REIT expects to qualify for the REIT Exception for its current taxation year and each subsequent taxation year. However, the determination as to whether the REIT qualifies for the REIT Exception in a particular taxation year can only be made with certainty at the end of that taxation year.

Application of the SIFT Rules may, depending on the nature of distributions from the REIT (including the portion of its distributions that is income and the portion of its distributions that is a return of capital) have a material adverse effect on the after-tax returns of certain investors. In the event that the SIFT Rules apply to the REIT, they may adversely affect the marketability of the Units and the level of cash distributions made by the REIT.

The balance of this summary assumes that the REIT will qualify for the REIT Exception and therefore will not be subject to the SIFT Rules.

### **Taxation of the REIT**

Subject to the SIFT Rules discussed above, the REIT will generally be subject to tax under Part I of the Tax Act in respect of its taxable income (including net realized capital gains in each taxation year computed in accordance with the detailed provisions of the Tax Act) and will generally be entitled to a deduction to the extent such taxable income and net realized taxable capital gains are paid or payable or deemed to be paid or payable in such year to Unitholders. An amount will not be considered to be payable to a Unitholder in a taxation year unless it is paid to the Unitholder in the year by the REIT or the Unitholder is entitled in that year to enforce payment of the amount.

In computing its income, the REIT may deduct reasonable administrative costs, interest and other expenses incurred by it for the purpose of earning income. The REIT may also deduct from its income for the year a portion of the reasonable expenses incurred by the REIT to issue the Offered Units pursuant to the Offering. The portion of such issue expenses deductible by the REIT in a taxation year is 20% of such issue expenses, pro-rated where the REIT's taxation year is less than 365 days, to the extent that such issue expenses were not deductible in a preceding year.

In general, it is expected that all of the REIT's income for tax purposes will be paid or payable to Unitholders in the year. The REIT will deduct, for tax purposes, such portion of the amount paid or payable, or deemed to be paid or payable, to holders in the year, to ensure that the REIT will generally not be liable for income tax under Part I of the Tax Act in any year, subject to the SIFT Rules.

Losses incurred by the REIT cannot be allocated to Unitholders but may be deducted by the REIT in future years in accordance with the Tax Act.

### **Taxation of Holders**

#### ***REIT Distributions***

Subject to the SIFT Rules discussed above, a Holder is required to include in computing income for tax purposes in each taxation year the portion of the amount of net income, including net taxable capital gains, of the REIT, determined for the purposes of the Tax Act, that is paid or payable, or deemed to be paid or payable, to such Holder in the taxation year.

Distributions in excess of the REIT's net income for tax purposes in a year will not generally be included in the Holder's income for the year. However, such excess amount will generally reduce the adjusted cost base of the Offered Units held by the Holder, and the Holder will realize a capital gain in the year to the extent the adjusted cost base of the Offered Units would otherwise be a negative amount.

Management has advised Counsel that the REIT will designate, to the extent permitted by the Tax Act, the portion of the taxable income distributed to Holders as may reasonably be considered to consist of net taxable capital gains of the REIT. Any such designated amount will be deemed for tax purposes to be received by Holders in the year as a taxable capital gain and will be subject to the general rules relating to the taxation of capital gains described below under "Taxation of Capital Gains and Capital Losses". The REIT will also designate, to the extent permitted by the Tax Act, the portion of taxable dividends received or deemed to be received by the REIT from any taxable Canadian corporation owned by the REIT as may reasonably be considered to be an amount included in the income of Holders. Any such designated amount will be deemed for purposes of the Tax Act to be received by the Holders as a taxable dividend and will be subject to the general rules regarding the taxation of taxable dividends paid by taxable Canadian corporations. Thus, to the extent that amounts are designated as taxable dividends from any taxable Canadian corporation owned by the REIT, they will be subject, *inter alia*, to the normal gross-up and dividend tax credit provisions in respect of Holders who are individuals including the enhanced gross-up and dividend tax credit in respect of dividends designated as eligible dividends, to the refundable tax under Part IV of the Tax Act in respect of Holders that are private corporations and certain other corporations controlled directly or indirectly by or for the benefit of an individual or related group of individuals, and to the deduction in computing

taxable income in respect of Holders that are corporations. Holders should consult their own tax advisors for advice with respect to the potential application of these provisions.

The above amounts (including eligible dividends) will also generally be taken into account in determining the liability, if any, of a Holder that is an individual (or certain trusts) for alternative minimum tax under the Tax Act.

### ***Disposition of Offered Units***

A disposition or a deemed disposition of an Offered Unit by a Holder will generally result in the Holder realizing a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition of the Offered Unit, excluding any amount payable by the REIT which represents an amount that must otherwise be included in the Holder's income, exceed (or are less than) the aggregate of the adjusted cost base to the Holder thereof and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under "Taxation of Capital Gains and Capital Losses".

The adjusted cost base of an Offered Unit to a Holder will include all amounts paid by the Holder for the Offered Unit with certain adjustments. For the purposes of determining the adjusted cost base of an Offered Unit to a Holder, the cost of the newly-acquired Offered Unit will be averaged with the adjusted cost base of all other Units owned by the Holder as capital property immediately before the time of acquisition.

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

Generally, one-half of any capital gain (a "**taxable capital gain**") realized by a Holder in a taxation year must be included in the Holder's income for the year, and one-half of any capital loss (an "**allowable capital loss**") realized by a Holder in a taxation year must be deducted from taxable capital gains realized by the Holder in that year. Allowable capital losses in excess of taxable capital gains realized in a taxation year generally 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 years, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Holder that is a corporation or a trust (other than a mutual fund trust) on the disposition of an Offered Unit may be reduced by the amount of dividends received by the REIT previously designated by the REIT to the Holder on such Offered Unit to the extent and under the circumstances described by the Tax Act. Similar rules may apply where a corporation or a trust (other than a mutual fund trust) is a member of a partnership that disposes of Offered Units.

A 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", which is defined in the Tax Act to include taxable capital gains.

Capital gains realized by an individual (including certain trusts) may give rise to liability for alternative minimum tax as calculated under the detailed rules set out in the Tax Act. Holders who are individuals should consult their own tax advisors in this regard.

## **RISK FACTORS**

***An investment in the Offered Units involves risk. In addition to the risks set forth below and the other information contained in this short form prospectus, you should carefully consider, in light of your own financial circumstances, the risks and uncertainties described in the documents incorporated by reference in this short form prospectus before purchasing any of the securities distributed under this short form prospectus. Discussions of certain risks and uncertainties affecting our business are provided in the 2018 AIF and 2018 MD&A, each of which is incorporated by reference in this short form prospectus. These are not the only risks and uncertainties facing the REIT and the Unitholders. Additional risks and uncertainties not presently known to us, or that we currently consider immaterial, may also materially and adversely affect us. If any of the events identified in these risks and uncertainties were to actually occur, our business, financial condition or results of operations could be materially harmed.***

## **Risks Relating to the Offering**

### ***Positive Return not Guaranteed***

A positive return on an investment in the Offered Units is not guaranteed. There is no guarantee that an investment in the Offered Units will earn any positive return in the short term or long term. An investment in the Offered Units involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in the Offered Units is appropriate only for investors who have the capacity to absorb a loss of all of their investment.

### ***Market Price Fluctuations***

The market price for Units may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the REIT's control, including the following: (i) actual or anticipated fluctuations in the REIT's quarterly results of operations, including the estimated Distributable Income of the REIT; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the REIT; (iv) addition or departure of the REIT's key personnel; (v) release or expiration of lock-up or other transfer restrictions on Units; (vi) sales or perceived sales of Units; (vii) significant acquisitions by or involving the REIT or its competitors; and (viii) news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the REIT's industry.

Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in certain cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Units may decline even if the REIT's operating results or prospects have not changed. 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. As well, certain institutional investors may base their investment decisions on consideration of the REIT'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 the Units by those institutions, which could materially adversely affect the trading price of the 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, there could be a material adverse effect on the REIT's business, financial condition and results of operations, as well as the trading price of the Units.

### ***Qualified Investment Eligibility***

There can be no assurance that the Units will continue to be qualified investments for a trust governed by a Plan or a DPSP. If the Units are not qualified investments for a trust governed by a Plan or a DPSP, it may trigger adverse tax consequences to the Plan, the DPSP or the holder, annuitant or subscriber thereunder, as the case may be.

### ***Dilution***

Unitholders may be subject to dilution resulting from future offerings of Units by the REIT. Fronsac may raise additional funds in the future by issuing Units or securities convertible into, or exercisable or exchangeable for, Units. Unitholders will have no pre-emptive rights in connection with such further issues. The Trustees have the discretion to determine if an issuance of Units or securities convertible into, or exercisable or exchangeable for, Units is warranted, the price at which such issuance is effected and the other terms of issue of such securities. In addition, additional Units may be issued by the REIT in connection with the exercise of options granted under the REIT's Unit compensation plan prior to or following the completion of the Offering.



### *Use of Proceeds*

The REIT currently intends to use the net proceeds from the Offering as described under “Use of Proceeds”. However, management of the REIT will have discretion in the actual application of the proceeds as well as the timing of their expenditures, and may elect to allocate proceeds differently from the description under “Use of Proceeds” if it believes that, for sound business reasons, it would be in the best interests of the REIT to do so or if circumstances change. As a result, an investor will be relying on the judgment of management for the application of the proceeds of the Offering. Management may use the net proceeds of the Offering in ways that an investor may not consider desirable. The failure by management to apply these funds effectively could have a material adverse effect on the business of the REIT. To the extent that any of the net proceeds of the Offering remain uninvested pending their use, the Offering may result in additional dilution, on a per Unit basis, to the REIT’s net income and other measures used by the REIT.

### **INTEREST OF EXPERTS**

There is no person or company whose profession or business gives authority to a report, valuation, statement or opinion made by such person or company and who is named as having prepared or certified a report, valuation, statement or opinion in this short form prospectus, either directly or in a document incorporated by reference, other than Davies Ward Phillips & Vineberg LLP, Bennett Jones LLP and Bélanger Dalcourt CPA Inc.

Certain legal matters in connection with this Offering will be passed upon on behalf of the REIT by Davies Ward Phillips & Vineberg LLP and on behalf of the Agents by Bennett Jones LLP. As of the date of this short form prospectus, the respective partners and associates of each of Davies Ward Phillips & Vineberg LLP and Bennett Jones LLP own beneficially, directly or indirectly, less than one percent (1%) of any issued and outstanding Units of the REIT.

The REIT’s independent auditor, Bélanger Dalcourt CPA Inc., has confirmed that it is independent with respect to the REIT within the meaning of the Code of Ethics of the *Ordre des comptables professionnels agréés du Québec*.

### **AUDITOR, TRANSFER AGENT AND REGISTRAR**

The auditors of the REIT are Bélanger Dalcourt CPA Inc., 7450 Boulevard des Galeries d’Anjou, Montréal, Québec H1M 3M3.

The transfer agent and registrar for the Units is AST Trust Company (Canada) at its principal office in Montréal, Québec, and Toronto, Ontario.

### **STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two (2) business days after receipt or deemed receipt of a prospectus, and any amendment thereto. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission 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.

**CERTIFICATE OF THE REIT**

Date: January 20, 2020

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

(signed) Jason Parravano  
President and Chief Executive Officer

(signed) Kevin Henley  
Chief Financial Officer

On behalf of the Board of Trustees

(signed) Michel Trudeau  
Trustee

(signed) Michael Zakuta  
Trustee

**CERTIFICATE OF THE AGENTS**

Date: January 20, 2020

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces of Canada.

**PARADIGM CAPITAL INC.**  
(signed) Kevin O’Flaherty

**CANACCORD GENUITY CORP.**  
(signed) Dan Sheremeto

**LAURENTIAN BANK SECURITIES INC.**  
(signed) Denim Smith

**ECHELON WEALTH PARTNERS INC.**  
(signed) Rob Sutherland

**DESJARDINS SECURITIES INC.**  
(signed) Mark Edwards