



**PLAZA RETAIL REIT**

**ANNUAL INFORMATION FORM**

**In respect of the fiscal year ended**

**December 31, 2013**

March 25, 2014

## TABLE OF CONTENTS

<b>SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS</b> .....	4
<b>GLOSSARY OF TERMS</b> .....	5
<b>CORPORATE STRUCTURE</b> .....	7
<b>GENERAL DEVELOPMENT OF THE BUSINESS OF PLAZA</b> .....	9
General.....	9
Three Year History .....	9
Acquisitions .....	9
Dispositions .....	11
Equity Financing.....	11
<b>BUSINESS OF PLAZA</b> .....	12
Overview.....	12
Summary of Properties.....	12
Strategy .....	12
Skills and Knowledge .....	13
Business Environment.....	14
Top 10 Tenants .....	14
Leasing and Occupancy .....	14
Property and Asset Management.....	15
Employees .....	16
Properties .....	16
Outlook.....	16
<b>RISK FACTORS</b> .....	18
Business Risk .....	18
Competition .....	18
Interest Rate, Financing and Refinancing Risk .....	18
Restrictive Covenants.....	19
Reliance on External Sources of Capital.....	19
Credit Risk .....	19
Lease Roll-Over and Occupancy Risk .....	19
Development and Acquisition Risk.....	20
Joint Venture Investments .....	20
Environmental Risk.....	21
Litigation Risk .....	21
Potential Undisclosed Liabilities Associated with Acquisitions.....	21
Availability of Cash Flow, Capital Expenditures and Distributions .....	22
Cash Distributions are not Guaranteed .....	22
Current Economic Conditions.....	22
Reliance on Anchor Tenants .....	23
Economic Stability of Local Markets.....	23
Specific Lease Considerations .....	23
Ownership of Ground Lease Properties .....	23
Potential Conflicts of Interest.....	24
Liquidity Risk .....	24
Uninsured Losses.....	24
Key Personnel .....	24
Operational Risk .....	24
Status for Tax Purposes .....	24

Changes in Legislation and Administrative Policy .....	25
Dilution.....	25
Restrictions on Redemptions .....	25
Market for Units and Unit Prices.....	26
Nature of Investment .....	26
Disclosure Controls and Procedures and Internal Control over Financial Reporting .....	26
<b>DISTRIBUTIONS.....</b>	<b>26</b>
Distribution Reinvestment Plan .....	27
<b>DECLARATION OF TRUST.....</b>	<b>28</b>
General .....	28
Meetings of Unitholders.....	28
Redemption Right.....	28
Purchases of Units by Plaza .....	29
Take-Over Bids.....	29
Issuance of Units .....	29
Non-Certificated Inventory System.....	30
Limitation on Non-Resident Ownership.....	30
Investment Guidelines .....	30
Operating Policies .....	32
Amendments to the Declaration of Trust.....	33
Advance Notice Provision .....	35
<b>CAPITAL STRUCTURE .....</b>	<b>36</b>
Description of Units .....	36
Special Voting Units .....	37
Preferred Units .....	37
Restricted Share Unit Plan .....	38
Borrowing .....	38
Credit Facilities and Mortgages .....	39
Bridge Facility .....	40
Mortgage Bonds, Debentures and Convertible Debentures.....	41
2014 Debt and Equity Financing Activity .....	42
<b>MARKET FOR SECURITIES .....</b>	<b>43</b>
<b>TRUSTEES AND EXECUTIVE OFFICERS .....</b>	<b>44</b>
Trustees and Executive Officers .....	44
Committees .....	46
Cease Trade Orders and Bankruptcies.....	47
<b>CONFLICTS OF INTEREST .....</b>	<b>47</b>
<b>LEGAL PROCEEDINGS AND REGULATORY ACTIONS .....</b>	<b>48</b>
<b>INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS.....</b>	<b>48</b>
<b>TRANSFER AGENT AND REGISTRAR .....</b>	<b>49</b>
<b>MATERIAL CONTRACTS.....</b>	<b>49</b>
<b>EXPERTS .....</b>	<b>49</b>

**ADDITIONAL INFORMATION ..... 49**

**SCHEDULE “A” – FORM 52-110F1**

**AUDIT COMMITTEE INFORMATION REQUIRED IN AN AIF ..... 50**

## **SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS**

Certain information contained in this annual information form ("AIF"), and in certain documents incorporated by reference herein, contain "forward-looking statements" which reflect Plaza's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of Plaza. The words "plans", "expects", "does not expect", "scheduled", "estimates", "intends", "anticipates", "does not anticipate", "projects", "believes" or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could", "would", "might", "occur", "be achieved" or "continue" and similar expressions, identify forward-looking statements. Some of the specific forward-looking statements in this AIF include, but are not limited to, statements made in sections named "General Development of the Business of Plaza - General", "Business of Plaza - Strategy", "Business of Plaza - Business Environment", "Business of Plaza - Leasing and Occupancy", "Business of Plaza - Outlook" and "Risk Factors" and include, but are not limited to, statements made in respect of (i) the availability of long-term debt financing, Plaza's investment focus, (ii) KEYreit accretion, (iii) Plaza's strategy, (iv) Plaza's capabilities, (v) the local and real estate economic environment, (vi) market rents, (vii) Plaza's future performance, and (viii) the execution of future developments and redevelopments.

Forward-looking statements are necessarily based on Plaza's current views with respect to future events and are subject to certain risks and uncertainties, estimates and assumptions, which, while considered reasonable by management of Plaza as of the date of this AIF, may cause the actual results and performance of Plaza to differ materially from the forward-looking statements contained herein or in certain documents incorporated by reference herein. Among other things, these risks may relate to the business of Plaza generally, competition, interest rate fluctuations, debt financing and refinancing, restrictive covenants, reliance on external sources of capital, credit, lease roll-over and occupancy, developments and acquisitions, joint venture investments, environmental matters, litigation, potential undisclosed liabilities associated with acquisitions, availability of cash flow, capital expenditures, distributions, cash distributions not being guaranteed, current economic conditions, reliance on anchor tenants, economic stability of local markets, specific lease considerations, ownership of ground lease properties, potential conflicts of interest, liquidity, uninsured losses, reliance on key personnel, operational matters, tax status of Plaza, changes in legislation and administrative policies, dilution, restrictions on redemptions, the market for Units and Unit prices, the nature of investment in Units and disclosure controls and procedures on internal control over financial reporting. Plaza's estimates, beliefs and assumptions, which may prove to be incorrect, include the various assumptions set forth herein, including, but not limited to, economic, capital market and competitive real estate conditions. Material factors underlying or forming the basis of forward-looking statements include, but are not limited to, a stable retail environment, a stable interest rate environment and access to equity and debt capital markets to fund, at acceptable costs, Plaza's future growth program.

When relying on forward-looking statements to make decisions, Plaza cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risk Factors". These forward-looking statements are made as of the date of this AIF and, except as expressly required by applicable law, Plaza assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Unless otherwise specified, all dollar amounts in this AIF are expressed in Canadian dollars and the statistical and financial data are presented at December 31, 2013.

## GLOSSARY OF TERMS

**“Advance Notice Provision”** has the meaning ascribed thereto in *“Declaration of Trust – Advance Notice Provision”*.

**“Board”** means the Board of Directors of the Company or the Board of Trustees of Plaza, as applicable.

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

**“Change-in-Control Offer”** has the meaning ascribed thereto under *“Capital Structure – Borrowing”*.

**“Closing Market Price”** means:

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

**“Common Shares”** means the commons shares of the Company.

**“Company”** means Plazacorp Retail Properties Ltd.

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

**“Debenture Offer Price”** has the meaning ascribed thereto under *“Capital Structure – Borrowing”*.

**“Declaration of Trust”** means the Declaration of Trust of Plaza dated November 1, 2013.

**“Gross Book Value”** means at any time, the greater of (i) the value of the assets of Plaza and its consolidated subsidiaries, as shown on its then most recent consolidated statement of financial position, less the amount of any receivable reflecting interest rate subsidies on any debt assumed by Plaza and (ii) the historical cost of the assets of Plaza and its consolidated subsidiaries.

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

**“Indebtedness”** has the meaning ascribed thereto in *“Declaration of Trust – Operating Policies”*.

**“Market Price”** means:

- (a) an amount equal to the weighted average trading price of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date;
- (b) an amount equal to the weighted average of the closing market prices of a Unit on the principal exchange or market on which the Units are listed or quoted for trading during the period of 10 consecutive trading days ending on such date, if the applicable exchange or market does not provide information necessary to compute a weighted average trading price; or
- (c) if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, an amount equal to the simple average of the following prices established for each of the 10 consecutive trading days ending on such date: the simple average of the last bid and last asking price of the Units for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the simple average of the highest and lowest prices of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day.

**“NBBCA”** means the New Brunswick *Business Corporations Act*, as amended, including the regulations promulgated thereunder.

**“Nominating Unitholder”** has the meaning ascribed thereto in *“Declaration of Trust – Advance Notice Provision”*.

**“Non-Resident”** means a person who is a “Non-Resident” within the meaning of the Tax Act and a partnership other than a Canadian partnership for the purposes of the Tax Act.

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

**“PGML”** means Plaza Group Management Limited.

**“Plaza”** means Plaza Retail REIT, successor to the Company.

**“Plaza Z-Corp”** means Les Immeubles Plaza Z-Corp Inc.

**“Preferred Units”** has the meaning ascribed thereto under “Capital Structure – Description of Units”.

**“Redemption Notes”** has the meaning ascribed thereto under “Declaration of Trust – Redemption Right”.

**“Redemption Price”** means for each Unit, the lesser of:

- (a) 90% of the Market Price of a Unit calculated as at the date of the surrender of the Unit for redemption; and
- (b) 100% of the Closing Market Price on the date of the surrender of the Unit for redemption.

**“REIT Conversion”** has the meaning ascribed thereto under “Corporate Structure”.

**“REIT Exception”** means the exceptions to the SIFT Rules in the Tax Act that qualify a trust to not be considered a SIFT trust for a taxation year.

**“RSU”** has the meaning ascribed thereto under “Capital Structure – Restricted Share Unit Plan”.

**“Series A Debentures”** means the Series A convertible unsecured subordinated debentures maturing on December 31, 2014 assumed by the Company on its acquisition of KEYreit, pursuant to a supplemental indenture.

**“Series B Debentures”** means the Series B convertible unsecured subordinated debentures maturing on December 31, 2016, assumed by the Company on its acquisition of KEYreit, pursuant to a supplemental indenture.

**“Series C Debentures”** means the Series C convertible unsecured subordinated debentures maturing on December 31, 2017, assumed by the Company on its acquisition of KEYreit, pursuant to a supplemental indenture.

**“Series D Debentures”** means the Series D convertible unsecured subordinated debentures maturing on December 31, 2018.

**“SIFT”** means a “SIFT trust” or a “SIFT partnership” as defined in the Tax Act.

**“SIFT Rules”** means the Specified Investment Flow-through Trust Rules promulgated in the Tax Act, which 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. These rules apply only to SIFTs and their investors.

**“Special Voting Units”** has the meaning ascribed thereto under “Capital Structure – Description of Units”.

**“Tax Act”** means the *Income Tax Act* (Canada), as amended, including the regulations promulgated thereunder.

**“Trustee”** means a trustee of the Board.

**“Units”** means the units of Plaza.

## CORPORATE STRUCTURE

Plazacorp Retail Properties Ltd. was incorporated under the New Brunswick *Business Corporations Act* (the “NBBCA”) on February 2, 1999. On December 11, 2002, on receipt of shareholder and regulatory approval, the Company filed articles of amendment with the director under the *Business Corporations Act* adding certain redemption rights to the Common Shares of the Company qualifying it to become a “Mutual Fund Corporation” as defined in the *Income Tax Act* (Canada).

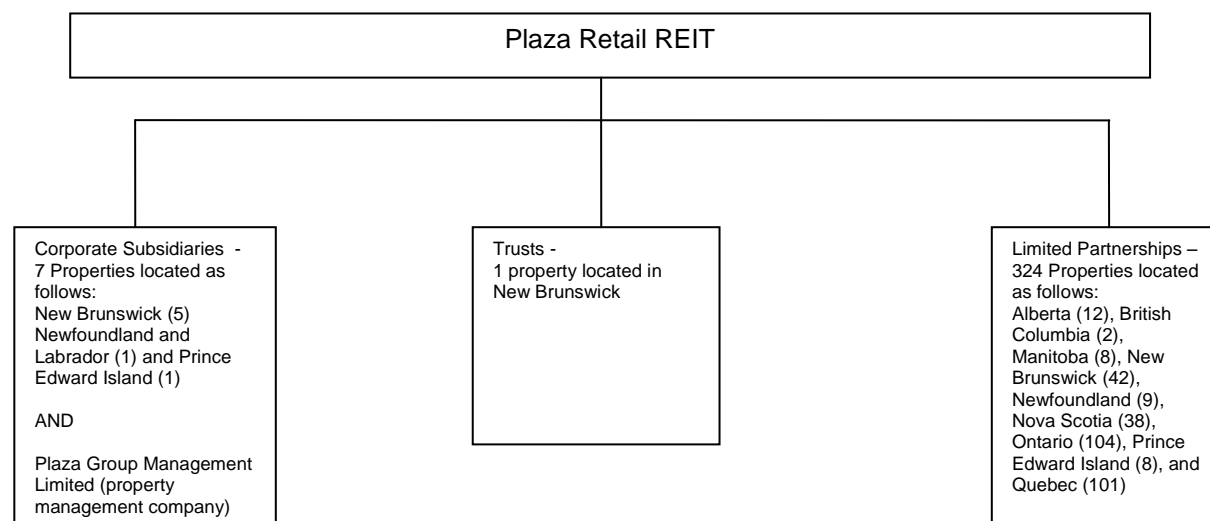
On November 1, 2013, the Company and Plaza entered into an arrangement agreement whereby they agreed to reorganize the affairs of the Company pursuant to a plan of arrangement under Section 128 of the *Business Corporations Act* (New Brunswick) to, among other things, convert the Company from a corporate structure to a real estate investment trust structure and, effective January 1, 2014, the conversion to a real estate investment trust was completed (the “REIT Conversion”). In connection with the REIT Conversion, Common Shares were exchanged for Units on a one-for-one basis and on January 8, 2014, the Units began trading on the Toronto Stock Exchange (“TSX”) under the symbol “PLZ.UN”.



Plaza is a trust governed under the laws of the Province of Ontario. Plaza's head office and principal place of business is located at 98 Main Street, Fredericton, New Brunswick E3A 9N6. Plaza's Units are listed and posted for trading on the TSX under the trading symbol "PLZ.UN".

The Board is responsible for the general direction of Plaza, including decisions regarding the acquisition and disposition of its assets. The Trustees are elected to provide guidance and strategic oversight, both collectively and individually, to management in order to realize Plaza's goal of delivering a reliable and growing yield to unitholders through the development, acquisition and redevelopment of retail real estate properties.

The following chart outlines Plaza's current structure (at March 25, 2014):



Beneficial ownership of all of Plaza's properties are held either directly or indirectly in a corporation, limited partnership or trust. The following table sets forth the name and jurisdiction of formation of each of the subsidiaries of Plaza, together with Plaza's percentage of direct and indirect ownership of such subsidiaries, at March 25, 2014. Certain subsidiaries are excluded from this table where the total revenues and assets of the subsidiary do not exceed 10% of the consolidated revenues and assets of Plaza. In addition the total revenues and assets of the excluded subsidiaries, in aggregate, do not exceed 20% of the consolidated revenues and assets of Plaza.

Name of Subsidiary <sup>(1)</sup>	Jurisdiction of Formation	Percentage Ownership Owned directly	Percentage Ownership owned Indirectly
<b>Limited Partnerships</b>			
Plazacorp Master Limited Partnership	NB	100%	N/A
Scott's Real Estate Limited Partnership <sup>(2)</sup>	ON	100%	N/A

Note: (1) The investment in the subsidiaries above does not include investment in any restricted securities.

(2) Acquired on the acquisition of KEYreit in 2013.

## GENERAL DEVELOPMENT OF THE BUSINESS OF PLAZA

### General

The Company was incorporated on February 2, 1999 and commenced trading on the predecessor to the TSX Venture Exchange on July 30, 1999. On December 11, 2002 after receipt of shareholder and regulatory approval, the Company filed articles of amendment to convert to a mutual fund corporation. On July 2, 2013, the Company graduated its listing from the TSX Venture Exchange to the TSX. On November 1, 2013, the Company and Plaza entered into an arrangement agreement whereby they agreed to reorganize the affairs of the Company pursuant to a plan of arrangement under Section 128 of the *Business Corporations Act* (New Brunswick) to, among other things, convert the Company from a corporate structure to a real estate investment trust structure. On January 1, 2014, the REIT Conversion was completed.

Plaza is a leading retail property owner and developer, particularly in Eastern Canada. Headquartered in Fredericton, New Brunswick, Plaza acquires, develops and redevelops unenclosed and enclosed retail real estate throughout Canada, which are predominantly occupied by national tenants. Plaza's developments are generally focused in Eastern Canada. The portfolio at December 31, 2013 includes interests in 334 properties totaling 6.6 million square feet and additional lands held for development. These include properties indirectly held by Plaza, through subsidiaries and through joint arrangements. Plaza has an entrepreneurial focus with strong "value-add" capabilities. Plaza is fully internalized, therefore providing unitholders directly with the synergies that come with an internalized management structure. Plaza has a strong track record of generating growth in distributions/dividends, having increased its distributions/dividends at least once every year in the last 11 years.

Plaza intends to focus its investments on retail real estate in Canada and expects that unenclosed single tenant and multi-tenant retail centres in primary, secondary or tertiary markets in Central and Eastern Canada will constitute the majority of its acquisition and development activity over the short term. During 2013, growth was primarily created through the acquisition of KEYreit. See "Three Year History – Acquisitions".

### Three Year History

The Company has experienced significant growth in the last three years through acquisitions, development and redevelopment of retail real estate. From January 1, 2011 to December 31, 2013 the Company increased its ownership interests in retail real estate from 107 properties to 334 properties.

### Acquisitions

The following tables outline the property acquisitions and developments undertaken by the Company in the past three fiscal years. Individually, none of these acquisitions are considered significant acquisitions for which disclosure is required under Part 8 of National Instrument 51-102, with the exception of the acquisition of KEYreit. As such, a form 51-102F4 has only been filed for the acquisition of KEYreit.

### 2013 Transactions

Property	Property Type	Square Footage (at 100%)	Ownership % following acquisition	Date Acquired /Developed
Beauport, Quebec City, QC	Single-Use	2,925	100%	06/13/2013
4999 Queen Mary Road, Montreal, QC	Strip Plaza	13,041	25%	04/05/2013
Lansdowne Plaza I & II, Saint John, NB <sup>(1)</sup>	Strip Plaza	162,780	100%	08/29/2013
Commercial Street 2, New Minas, NS	Strip Plaza	9,537	100%	08/31/2013
1086 Lariviere, Rouyn-Noranda, QC	Single-Use	2,700	100%	09/19/2013
KEYreit portfolio (through the acquisition of KEYreit)	Single-Use/Strip Plaza	1,210,949	100%	05/16/2013

Notes: (1) Represents projects under development as at December 31, 2013.

On June 26, 2013, the Company completed the acquisition of 100% of the issued and outstanding units of KEYreit, a real estate investment trust previously listed on the TSX. KEYreit unitholders had the option to tender their units for either \$8.35 per unit in cash, subject to a maximum aggregate cash amount of \$62.1 million, 1.7041 Common Shares of the Company, or any combination thereof, subject to proration. The bid expired on May 16, 2013, at which time 13,288,370 units of KEYreit were tendered (or approximately 88.5% of the then issued and outstanding units of KEYreit) and taken up by the Company. The Company then effected a subsequent acquisition transaction on June 26, 2013 in order to acquire all of the remaining units of KEYreit. All of the issued and outstanding units of KEYreit, being 15.0 million units were purchased by the Company through the payment of \$62.1 million in cash and the issuance of 12.9 million Common Shares of the Company, for total consideration of \$121.9 million. As part of the transaction, the asset management and property management agreements with JBM Properties Inc. (a company owned by the former CEO of KEYreit, John Bitove) were terminated. The Company funded the cash portion of the transaction with a secured bridge facility. The acquisition was accounted for as an asset acquisition and not as a business combination, as no key strategic processes of KEYreit were acquired.

The Company believed that this transaction was attractive for the following reasons:

- The acquisition is accretive, largely as a result of anticipated synergies because of the Company's internalized management team. Given the higher coupon rates on many of KEYreit's mortgages and its convertible debentures, many favourable refinancing opportunities will exist over time, which are expected to augment the accretion.
- KEYreit's properties are compatible with Plaza's portfolio.
- The integration of KEYreit's properties has enhanced the geographic diversification of Plaza, giving Plaza a higher weighting in Ontario and Quebec than what it previously had.
- Over time, Plaza believes that it will be able to use its in-house development/redevelopment expertise to create value at many of the properties.

## **2012 Transactions**

<b>Property</b>	<b>Property Type</b>	<b>Square Footage (at 100%)</b>	<b>Ownership % following acquisition</b>	<b>Date Acquired /Developed</b>
Powell Drive, Carbonear, NL	Single-Use	10,000	100%	01/19/2012
Plaza HDB, Boisbriand, QC <sup>(1)</sup>	Strip Plaza	6,951	33%	01/25/2012
Fairville Boulevard - 3, Saint John, NB <sup>(1)(2)</sup>	Strip Plaza	24,000	100%	04/02/2012
Spencer Drive - 2, Charlottetown, PE <sup>(1)</sup>	Strip Plaza	80,000	100%	05/02/2012
St. Jerome, St. Jerome, QC <sup>(1)(2)</sup>	Strip Plaza	200,000	20%	05/31/2012
Wyse Road, Dartmouth, NS <sup>(1)</sup>	Single-Use	60,979	50%	07/16/2012
Champlain Plaza II, Dieppe, NB <sup>(1)(2)</sup>	Strip Plaza	60,000	100%	12/31/2012

Notes: (1) Represents projects under development as at December 31, 2012.

(2) Represents projects under development as at December 31, 2013.

## **2011 Transactions**

<b>Property</b>	<b>Property Type</b>	<b>Square Footage (at 100%)</b>	<b>Ownership % following acquisition</b>	<b>Date Acquired /Developed</b>
Dundonald and Smythe Plaza, Fredericton, NB	Strip Plaza	19,779	100%	03/23/2011
Spencer Drive Plaza, Charlottetown, PE <sup>(1)</sup>	Strip Plaza	95,713	100%	05/20/2011
West Royalty, Charlottetown, PE	Strip Plaza	56,452	100%	05/20/2011
Manotick, Manotick, ON (1)	Single-Use	28,968	50%	01/05/2011
Plaza De L'Ouest, Sherbrooke, QC <sup>(1)(2)</sup>	Strip Plaza	196,081	50%	06/17/2011

Notes: (1) Represents projects under development as at December 31, 2011.

(2) Represents projects under development as at December 31, 2013.

### **Internalization**

On July 1, 2011, the Company purchased the shares of PGML at net book value, equal to the value of the depreciated capital assets of \$113 thousand. PGML was previously controlled by two Trustees, namely Michael Zakuta and Earl Brewer. As a result of this transaction, property management and corporate management were internalized and Plaza manages all of its properties. See “Business of Plaza – Property and Asset Management”.

### ***Dispositions***

#### **2013 Dispositions**

During the year ended December 31, 2013, the Company disposed of land in Charlottetown, PE, Sherbrooke, QC and Montreal, QC. The Company sold an income producing property in Aurora, ON. As well, the Company sold non-core KEYreit properties in Olds and Brooks, AB; Burnaby, Victoria, Squamish and Westbank, BC; Humboldt, SK; La Tuque and Montreal, QC; and Essex, Toronto and Windsor, ON.

#### **2012 Dispositions**

During the year ended December 31, 2012, the Company disposed of surplus land in Riviere-du-Loup, QC, Shawinigan, QC and Petawawa, ON. The Company also disposed of a property held in one of its equity-accounted investments (Marche de L'Ouest, Montreal, QC).

#### **2011 Dispositions**

During the year ended December 31, 2011, the Company disposed of surplus land in Miramichi, NB.

### ***Equity Financing***

On October 24, 2013, the Company completed a bought deal public offering of 9.4 million Common Shares at a price of \$4.25 per Common Share for gross proceeds of \$40 million and \$30 million aggregate principal amount of Series D Debentures due December 31, 2018. The Series D Debentures are convertible at the option of the holder into Units at \$5.75 per Unit. On November 13, 2013 the underwriters exercised their over-allotment option and purchased an additional \$4 million aggregate principal amount of debentures. Net proceeds of the offering were used as follows: (i) approximately \$15 million was used to repay the outstanding amount on the Company's operating line of credit; (ii) \$35 million was used to partially repay Plaza's bridge facility (See “Capital Structure – Borrowing – Bridge Facility” below); (iii) approximately \$16 million was used to redeem the Series A Debentures on January 7, 2014; and (iv) the remainder was used to fund the Company's current and future ongoing developments and for general corporate purposes.

On September 27, 2011, the Company completed a bought deal public equity offering of 6.6 million Common Shares at a price of \$4.20 per Common Share. The gross proceeds from the offering were approximately \$27.7 million. In October 2011, the underwriters exercised their over-allotment option and purchased an additional 990,000 Common Shares at a price of \$4.20 per Common Share. Gross proceeds to the Company from the over-allotment option were approximately \$4.2 million. Net proceeds of the offering were used as follows: (i) \$6.9 million was used to repay the outstanding Series III mortgage bonds, which matured on September 30, 2011; (ii) \$3.0 million was used to repay the Company's Series IV mortgage bonds, which matured on June 30, 2012; (iii) \$1.5 million was used to repay related party promissory notes payable owing to Michael Zakuta and Earl Brewer; (iv) approximately \$5.3 million was used to repay the remaining balance on the Company's operating line of credit; (v) between \$8.0 and \$9.0 million was used to fund the equity portion of the Company's development and redevelopment activities; and (vi) the remaining proceeds were used for general working capital purposes.

## BUSINESS OF PLAZA

### Overview

Plaza is in the business of retail property ownership and development. Plaza develops, redevelops and acquires shopping malls, strip plazas and single use properties located in Canada. It diversifies its asset base both geographically and with a strong mix of national retail tenants. Plaza, in measuring performance, does not distinguish or group its operations on a geographical basis. Accordingly Plaza has a single operating segment for disclosure purposes under IFRS. One tenant comprises 24.1% of base rental revenue at December 31, 2013.

The following table outlines the number of properties and their gross leasable area as at December 31, 2013 and December 31, 2012:

### Summary of Properties

	Number of Properties December 31, 2013 <sup>(1)</sup>	Gross Leasable Area (sq. ft.) December 31, 2013 <sup>(1) (2)</sup>	Number of Properties December 31, 2012 <sup>(1)</sup>	Gross Leasable Area (sq. ft.) December 31, 2012 <sup>(1) (2)</sup>
Alberta	14	108,687	-	-
British Columbia	2	3,038	-	-
Newfoundland and Labrador	10	623,757	10	620,644
New Brunswick	48	1,700,629	38	1,556,826
Nova Scotia	39	1,156,468	23	1,070,736
Manitoba	8	34,524	-	-
Ontario	103	721,844	14	261,824
Prince Edward Island	9	493,053	8	425,747
Quebec	101	1,742,157	25	1,223,775
<b>Total</b>	<b>334</b>	<b>6,584,157</b>	<b>118</b>	<b>5,159,552</b>

<sup>(1)</sup> Includes properties under development and non-consolidated investments.

<sup>(2)</sup> At 100%, regardless of Plaza's ownership interest in the properties.

### Strategy

Plaza's principal goal is to deliver a reliable and growing yield to unitholders from a diversified portfolio of retail properties. To achieve this goal the Board has set development criteria of a minimum cash yield (unlevered yield) equal to 100 basis points above the mortgage constant for a 10 year mortgage at prevailing rates over a 25 year amortization period.

Plaza strives to:

- maintain access to cost effective sources of debt and equity capital to finance acquisitions and new developments;
- acquire or develop properties at a cost that is consistent with targeted returns on investment;
- maintain high occupancy rates on existing properties while sourcing tenants for properties under development and future acquisitions; and
- diligently manage its properties to ensure tenants are able to focus on their businesses.

Plaza invests in the following property types:

- new properties developed on behalf of existing clients or in response to demand;
- well located but significantly amortized shopping malls and strip plazas to be redeveloped; and
- existing properties that will provide stable recurring cash flows with opportunity for growth.

Management intends to achieve Plaza's goals by:

- acquiring or developing high quality properties with the potential for increases in future cash flows;
- focusing on property leasing, operations and delivering superior services to tenants;

- managing properties to maintain high occupancies and staggering lease maturities appropriately;
- increasing rental rates when market conditions permit;
- achieving appropriate pre-leasing prior to commencing construction;
- managing debt to obtain both a low cost of debt and a staggered debt maturity profile;
- matching, as closely as practical, the weighted average term to maturity of mortgages to the weighted average lease term;
- retaining sufficient capital to fund capital expenditures required to maintain the properties well;
- raising capital where required in the most cost-effective manner;
- properly integrating new properties acquired;
- using internal expertise to ensure that value is surfaced from all of Plaza's properties; and
- periodically reviewing the portfolio to determine if opportunities exist to re-deploy equity from slow growth properties into higher growth investments.

### **Skills and Knowledge**

Plaza through its wholly owned subsidiary PGML employs 82 people in the accounting, finance, engineering, legal, development, leasing and other administrative capacities, excluding property specific staff. Plaza has the capability to manage all aspects of the real estate development cycle. Plaza has consistently created and delivered value by fostering strategic relationships with tenants, suppliers, partners and investors. Plaza's strong infrastructure includes the following areas of expertise:

*Development and Redevelopment:* Plaza's very strong "value-added" capabilities have been consistently demonstrated in a variety of successful development and redevelopment projects across its geography. Much of Plaza's growth over the years has come from developments and redevelopments. Plaza has adapted well to the changing real estate market by shifting its focus from redevelopment to new developments as market conditions evolve.

*Acquisitions and Dispositions:* Plaza invests in properties with a long-term perspective and has demonstrated success in acquiring well-located retail real estate or land assemblies for development. Prior to closing any acquisition, Plaza carries out a thorough due diligence program including environmental, structural (if applicable), leasing, financial and legal reviews. Plaza's team has many years of experience and has a proven track record of creatively structuring acquisitions and dispositions, drafting purchase and sale agreements, negotiating and closing acquisitions and dispositions and completing land assemblies to take advantage of the opportunities within its market.

*Leasing:* Plaza has an experienced leasing team that seeks out leasing opportunities, applies local market knowledge and focuses on the needs of its retail tenants and drafts and structures effective leases. With a consistent track record of meeting deadlines and living up to its commitments, Plaza has established strong relationships with national, regional and local retailers.

*Financing:* With established relationships with a variety of lenders and a strong, diversified and growing investor base, Plaza has been successful in obtaining the necessary equity, interim or long-term financing required to continue to grow its business. Plaza has experience in marketing, negotiating and closing property financings in a timely and efficient manner. Plaza also has capital markets experience, having used both private and public financing to fund its equity requirements.

*Construction Management:* With a number of years of experience completing new-builds, redevelopments and tenant improvements, Plaza's construction management team has the skills to plan, tender and supervise construction projects on time and on budget to the satisfaction of its customers.

*Property Management:* The experienced operations team continually strives to meet the needs of tenants by responding quickly, maintaining clean properties, investing capital when required and monitoring and controlling operating costs.

*Financial Reporting, Investor Relations and Corporate Governance:* Plaza has strong and experienced legal,

financial and accounting teams that keep abreast of and meet continually changing regulatory requirements. They also produce financial and other reports in a timely and cost efficient manner, provide necessary support to the Board and its committees and keep lines of communication open with analysts, investors and other stakeholders.

### Business Environment

The principal regions in which Plaza operates continue to exhibit stability in retailer demand for space and in consumer spending. Plaza's strategy is to develop or acquire properties tenanted by national retailers, with a focus on retailers in the consumer staples market segment. The execution of this strategy has produced a portfolio that is at December 31, 2013, 89% occupied by national retailers, providing investors with stable cash flow. Moreover, the portfolio's overall occupancy rate has remained high at 94.8% at December 31, 2013 (December 31, 2012 – 95.7%).

Long-term debt financing continues to be available at historically competitive fixed rates with long amortization periods and long terms. In terms of equity financing, the capital markets have been less favourable for real estate entities since the latter half of 2013, making raising equity more difficult.

### Top 10 Tenants

Plaza has built a portfolio with a high quality revenue stream. The ten largest tenants based upon current monthly base rents at December 31, 2013 represent approximately 57.4% of total revenues in place.

	% of Gross Revenue		% of Gross Revenue
1. Shoppers Drug Mart	24.1	6. Mark's Work Wearhouse	1.9
2. KFC <sup>(1)</sup>	14.2	7. Pharma Plus	1.9
3. Dollarama	4.4	8. Reitman's Inc.	1.8
4. Staples	3.3	9. Best Buy/Future Shop	1.7
5. Sobeys	2.5	10. Bulk Barn	1.6

<sup>(1)</sup> Represented by 6 tenants.

### Leasing and Occupancy

The following table represents leases expiring for the next 5 years and thereafter for the property portfolio at December 31, 2013 (excluding non-consolidated investments).

Year	Strip Plazas		Enclosed Malls		Single-User		Total	
	Sq Ft <sup>(1)</sup>	%	Sq Ft <sup>(1)</sup>	%	Sq Ft <sup>(1)</sup>	%	Sq Ft <sup>(1)</sup>	%
2014	204,999	6.8	116,229	17.5	5,500	0.4	326,728	6.6
2015	342,004	11.3	88,281	13.3	25,695	2.1	455,980	9.2
2016	356,229	11.8	94,369	14.2	49,345	4.0	499,943	10.1
2017	210,962	7.0	115,213	17.3	91,923	7.4	418,098	8.5
2018	197,829	6.5	79,429	12.0	245,595	19.8	522,853	10.6
Thereafter	1,715,740	56.6	170,661	25.7	820,886	66.3	2,707,287	55.0
Subtotal	3,027,763	100.0	664,182	100.0	1,238,944	100.0	4,930,889	100.0
Vacant	191,136		53,879		23,655		268,670	
<b>Total</b>	<b>3,218,899</b>		<b>718,061</b>		<b>1,262,599</b>		<b>5,199,559</b>	
<b>Weighted average lease term</b>								
	<b>7.1 years</b>		<b>3.8 years</b>		<b>8.4 years</b>		<b>7.0 years</b>	

<sup>(1)</sup> At 100%, regardless of Plaza's ownership interest in the properties.

At December 31, 2013, overall occupancy for the portfolio (excluding properties under development and non-consolidated investments) decreased to 94.8% from 95.7% at December 31, 2012. This decrease was mainly due to the increase in vacancy at Starrs Road, Plaza Boulevard Royale, Madawaska Road and Nashwaaksis Plaza. The decrease in occupancy was also due to: (i) the Village Shopping Centre, which has a lower



occupancy than the average for investment properties and which came out of equity-accounted investments and into investment properties effective January 1, 2013; and (ii) Buchanan Street, which has a lower occupancy than the average for investment properties and which came out of properties under development to income-producing status after Q3 2012. Excluding the Village Shopping Centre and Buchanan Street, occupancy was 95.6%, compared to 95.7% at December 31, 2012.

For the year ended December 31, 2013, the Company completed 841 thousand square feet of new and renewal leasing deals at market rates (including leasing at non-consolidated investments). The 841 thousand square feet of leasing was comprised of 247 thousand square feet on new developments, and 594 thousand square feet on existing properties. Excluding leasing at non-consolidated investments, the Company completed 642 thousand square feet of new and renewal leasing deals at market rates. The 642 thousand square feet of leasing was comprised of 142 thousand square feet on new developments and 500 thousand square feet on existing properties.

On average, embedded or contractual gross rents expiring in 2013 would be at or below current market rates. Plaza's financial exposure to vacancies and lease roll-overs differs among the different retail asset types, as gross rental rates differ dramatically by asset class.

- Occupancy in the strip plazas was 94.1% at December 31, 2013, compared to 95.9% at December 31, 2012.
- Occupancy for enclosed malls was 92.5 % at December 31, 2013, compared to 91.0% at December 31, 2012.
- Occupancy for single use assets was 98.1% at December 31, 2013, compared to 100.0% at December 31, 2012.
- Pre-leased space in properties in the development phase and in the construction phase is 81.3% at December 31, 2013.

Plaza's mix of tenancy is primarily made up of national tenants. The portfolio is well positioned to resist downturns in its markets and provide stability to cash flows from which it funds operations and dividends.

	<b>December 31, 2013</b>	December 31, 2012
National	<b>89.2%</b>	89.2%
Regional	<b>3.1%</b>	3.8%
Local	<b>7.1%</b>	6.0%
Non-Retail	<b>0.6%</b>	1.0%

### **Property and Asset Management**

Prior to July 1, 2011, PGML provided property management and corporate management services to the Company. In Quebec, staff of Plaza Z-Corp handled management duties under a separate management agreement with the Company.

PGML was controlled by two Trustees, namely Michael Zakuta and Earl Brewer. Mr. Brewer is Chairman of the Board and Mr. Zakuta is President and Chief Executive Officer of Plaza. Plaza Z-Corp is controlled by Mr. Zakuta.

On July 1, 2011, the Company purchased 100% of the outstanding shares of PGML at net book value, equal to the value of the depreciated capital assets of \$113 thousand. As a result of this transaction, property management and corporate management were internalized and Plaza manages all of its properties, including properties previously managed by Plaza Z-Corp.

As part of this transaction, employees of Plaza Z-Corp that previously provided services to the Company were employed by PGML. Both management agreements previously in place were terminated.



Details of the fees paid in 2011 under the former management agreements can be found in the Company's Consolidated Financial Statements and Management's Discussion and Analysis for the year ended December 31, 2012, which are filed on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Employees**

As of December 31, 2013 the Company and its wholly owned subsidiary PGML had 82 employees performing accounting, finance, engineering, development, leasing, legal and other administrative functions, excluding property specific staff.

### **Properties**

A full list of properties that the Company owned or held an interest in at December 31, 2013 can be found on Plaza's website at [www.plaza.ca](http://www.plaza.ca).

### **Outlook**

Plaza's principal goal is to deliver a reliable and growing yield to unitholders from a diversified portfolio of retail real estate properties. Plaza's goal is to increase its cash flow and distributions per Unit by maintaining its customer focus and dedication to grow its business through the development, acquisition and redevelopment of retail properties. Plaza's potent mix of an entrepreneurial culture with a strong capital base and a diversified stable portfolio will ensure that Plaza continues to meet its goals and produce positive long term results for the benefit of its unitholders and customers.

Plaza's acquisition, development and leasing efforts over the years have produced a property portfolio that is dominated by national retailers and provides investors with a very stable cash flow. Performance to date has demonstrated the strength of current strategies and operating capabilities. Barring unforeseen events, management believes it can deliver solid performance in 2014, as well as growth to the portfolio. The primary benefit to unitholders of Plaza's performance and tenant profile is reliable cash flow and, over time, increasing distributions. Plaza's current distribution policy is to pay unitholders 24.0¢ per Unit for 2014.

In terms of the development pipeline, at December 31, 2013, the Company owns an interest in eleven projects under development or redevelopment which, upon completion, are expected to be accretive to Plaza's earnings. The following properties are under construction, active development or active planning and are anticipated to become income producing at various points over the next three years as follows:

Properties under development	Property Type	Status	Square Footage <sup>(1)</sup>	Ownership	Occupied or Committed at December 31, 2013	Income Producing
90 Blvd. Tache Ouest, Montmagny, QC	Strip Plaza	In Planning <sup>(2)</sup>	6,000	50%	n/a	Q1 2015
Plaza de L'Ouest, Sherbrooke, QC – Phase II	Strip Plaza	In Planning <sup>(2)</sup>	20,000	50%	n/a	Q1 2015
Plaza de L'Ouest, Sherbrooke, QC – Phase III	Strip Plaza	In Planning <sup>(2)</sup>	80,000	50%	n/a	2-3 years
Plaza SP Magog, Magog, QC – Phase I	Strip Plaza	In Construction	50,414	50%	100%	Q1 2014
Plaza SP Magog, Magog, QC – Phase II	Strip Plaza	In Construction	23,614	50%	80%	Q2 2014
Fairville Boulevard – 3, Saint John, NB	Strip Plaza	In Planning <sup>(2)</sup>	24,000	100%	n/a	1-2 years
Oromocto Mall, Oromocto, NB <sup>(3)</sup>	Enclosed	In Planning <sup>(2)</sup>	86,025	100%	70%	2014
Grand Falls Shopping Centre, Grand Falls, NB <sup>(3)</sup>	Enclosed	In Planning <sup>(2)</sup>	133,998	100%	83.8%	2014
St. Jerome, St. Jerome (Montreal), QC - Phase I <sup>(4)</sup>	Strip Plaza	In Planning <sup>(2)</sup>	26,000	20%	n/a	Q4 2014
St. Jerome, St. Jerome (Montreal), QC -Phase II <sup>(4)</sup>	Strip Plaza	In Planning <sup>(2)</sup>	54,000	20%	n/a	Q3 2015
St. Jerome, St. Jerome (Montreal), QC -Phase III <sup>(4)</sup>	Strip Plaza	In Planning <sup>(2)</sup>	120,000	20%	n/a	2-3 years
Champlain Plaza II, Dieppe (Moncton), NB	Strip Plaza	In Planning <sup>(2)</sup>	60,000	100%	n/a	Q1 2015
Lansdowne Place Phase II, Saint John, NB	Strip Plaza	In Planning <sup>(2)</sup>	60,000	100%	n/a	2015
Les Promenades St-Francois, Laval (Montreal), QC	Strip Plaza	In Planning <sup>(2)</sup>	54,694	100%	87.5%	2014
Plaza Chemin Chambly, Longueuil (Montreal), QC	Strip Plaza	In Planning <sup>(2)</sup>	39,431	100%	100%	Q2 2015
<b>Total</b>			<b>838,176</b>			

<sup>(1)</sup> Approximate square footage.

<sup>(2)</sup> All are appropriately zoned for the intended use.

<sup>(3)</sup> This is an existing mall that is in the planning phases of a de-malling redevelopment.

<sup>(4)</sup> This is owned in a limited partnership that is part of Plaza's non-consolidated trusts and partnerships.

There is excess density and expansions at existing properties that Plaza plans to develop in the short term which would represent approximately 50 thousand additional square feet at completion. Plaza is currently developing 19 thousand square feet of the 50 thousand additional square feet.

At December 31, 2013, there were two income producing properties totaling 105 thousand square feet (at Plaza's proposed ownership percentage) under purchase agreements and subject to due diligence or other conditions.

Plaza also benefits from growth stemming from contractual rental rate increases from existing tenants' leases that generally grow at or above the expected rate of inflation.

## **RISK FACTORS**

### **Business Risk**

All property investments are subject to a degree of risk and uncertainty. Property investments are affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand for space particularly affect property investments. Because Plaza's investments consist of retail real estate interests in Canada, it will be subject to risks inherent in investments in a single industry and will not benefit from diversification by commercial property type. The underlying value of its properties and Plaza's income will depend on the ability of Plaza to maintain or increase revenues from its properties and to generate income in excess of operating expenses. Income may be affected by many factors, including changes in interest rates and in the availability, cost and terms of mortgage financing, the impact of present or future environmental legislation and compliance with environmental laws, the ongoing need for capital improvements, the creditworthiness of tenants, the ability of tenants to pay rent particularly in single-tenant properties, changes in real estate assessed values and taxes payable on such values and other operating expenses, changes in governmental laws, regulations, rules and fiscal policies, changes in zoning laws, civil unrest, acts of God, including earthquakes and other natural disasters and acts of terrorism or war (which may result in uninsured losses). Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing income. Finally, governments can expropriate or take real property for less compensation than an owner believes a property is worth. Most of these factors are beyond Plaza's control.

### **Competition**

Plaza competes with numerous developers, owners and operators in the commercial retail real estate industry, some of which own or may in the future own, facilities that compete directly with Plaza's properties, and some of which may have greater capital resources.

If Plaza's competitors build new facilities that compete with Plaza's properties or offer space at rental rates below current market rates or below the rental rates that Plaza charges its tenants, Plaza may lose existing and potential tenants and it may be pressured to discount its rental rates below those it would otherwise charge in order to retain tenants. As a result, Plaza's rental revenues may decrease, which could impair Plaza's ability to satisfy its debt service obligations and to pay distributions to unitholders.

### **Interest Rate, Financing and Refinancing Risk**

Plaza has incurred and will continue to incur indebtedness in connection with acquisitions, including by way of mortgage loans and lines of credit. Although a portion of the cash flow generated by income-producing properties will be devoted to servicing such debt, there can be no assurance that Plaza will continue to generate sufficient cash flow from operations to meet required interest and principal payments.

Plaza is subject to the risks associated with debt financing including the risk that cash flow from operations will be insufficient to meet required payments of principal and interest, that existing debt will not be able to be refinanced or that terms of such refinancing will not be as favourable to Plaza as existing debt and that necessary capital expenditures for such purposes as development, renovations and other improvements will not be able to be financed on favourable terms or at all. In addition, Plaza is subject to the risk that its interest expense may increase on the refinancing of existing indebtedness or on any portion of its indebtedness that

bears interest at floating rates if interest rates increase, which could have a material adverse effect on the results of operations of Plaza and its ability to pay distributions to unitholders. Floating rate debt is typically used for development or redevelopment projects as interim financing, until the projects are completed and are then able to attract the appropriate long-term financing.

### **Restrictive Covenants**

Mortgage indebtedness and/or other credit facilities obtained by Plaza may contain covenants, including limitations on Plaza's ability to incur secured and unsecured indebtedness, sell all or substantially all of its assets and engage in mergers and consolidations and various acquisitions. In addition, mortgage indebtedness and other credit facilities may contain limitations on Plaza's ability to transfer or encumber the mortgaged properties without lender consent. Certain indebtedness of Plaza contains cross default provisions and certain of Plaza's properties serve as collateral for more than one loan. These provisions may restrict Plaza's ability to pursue business initiatives or acquisition transactions that may be in its best interest. They also may prevent Plaza from selling properties at times when, due to market conditions, it may be advantageous to do so. In addition, failure to meet any of the covenants could cause an event of default under, and/or acceleration of, some or all of Plaza's indebtedness, which would have an adverse effect on Plaza.

### **Reliance on External Sources of Capital**

Plaza relies on third-party sources of capital to fund acquisitions, developments and ongoing operations. Third party sources of capital include debt and equity capital, which may or may not be available on favourable terms, if at all. Plaza's access to third-party sources of capital depends on a number of things, including the current state of capital markets, the market's perception of Plaza's growth potential and its current and potential future earnings. If Plaza is unable to obtain third-party sources of capital, it may not be able to acquire or develop assets when strategic opportunities exist, or satisfy its debt obligations.

### **Credit Risk**

Plaza is exposed to credit risk arising from the possibility that tenants may be unable to fulfill their lease commitments. Plaza's tenant mix is diversified and heavily weighted to national tenants.

As at December 31, 2013, one tenant, Shoppers Drug Mart, represents 24.1% of monthly base rents in place. The top 10 tenants collectively represent, at December 31, 2013, approximately 57.4% of total revenues in place. National tenants represent 89.2% of the in-place tenant base.

### **Lease Roll-Over and Occupancy Risk**

Lease roll-over risk arises from the possibility that Plaza may experience difficulty renewing leases as they expire or in re-leasing space vacated by tenants.

Management attempts to stagger Plaza's lease expiry profile so that it is not faced with a disproportionate amount of square footage of leases expiring in any one year.

Although certain, but not all, leases contain a provision requiring tenants to maintain continuous occupancy of leased premises, there can be no assurance that such tenants will continue to occupy such premises. Certain tenants have a right to terminate their leases upon payment of a penalty. Any cessation of occupancy by tenants could have an adverse effect on Plaza and could adversely impact Plaza's financial condition and results of operations and decrease the amount of cash available to pay distributions to unitholders. The majority of Plaza's leases are net leases, in which tenants reimburse Plaza fully for their share of property operating costs (subject to consumer price index adjustments in many cases) and realty taxes. Many of Plaza's operating costs and realty taxes are not reduced by vacancy. Certain costs such as utilities and janitorial costs would not decline with a decline in occupancy.

The hypothetical impact to property net operating income of a change in occupancy of 1.0% would be approximately \$559 thousand per annum. This estimate does not identify a particular cause of such changing occupancy and as a result, it does not reflect the actions management may take in relation to the changes.

Plaza's principal management of occupancy risk is the skewing of tenancies towards national tenants, the signing of longer term leases and significant pre-leasing of development space.

### **Development and Acquisition Risk**

Plaza's external growth prospects will depend in large part on identifying suitable development, redevelopment and acquisition opportunities, pursuing such opportunities, conducting necessary due diligence, consummating acquisitions (including obtaining necessary consents) and effectively operating the properties acquired or developed by Plaza. If Plaza is unable to manage its growth and/or integrate its acquisitions and developments effectively, its business, operating results and financial condition could be adversely affected. There can be no assurance as to the pace of growth through property acquisitions or that Plaza will be able to acquire assets on an accretive basis, and as such there can be no assurance that distributions to unitholders will increase in the future.

As Plaza acquires or develops additional properties, it will be subject to risks associated with managing new properties, including tenant retention and mortgage default. Furthermore, in acquiring or developing additional properties, Plaza will be subject to the risk of incurring capital costs before ensuring rental revenues will be earned from the project, which may cause lower returns until revenue is generated from tenants. As a result, acquired or developed properties may not meet expectations of operational or financial performance.

Plaza's obligations in respect of properties under construction or development, or which are to be constructed or developed, are subject to risks which include: (i) the potential insolvency of a third party contractor or developer (where the Company is not the contractor or developer); (ii) a third party contractor or developer's failure to use advanced funds in payment of construction costs; (iii) construction, leasing or other unforeseeable delays; (iv) cost overruns including interest expense; (v) the failure of tenants to occupy and pay rent in accordance with lease agreements, some of which may be conditional; (vi) the incurring of construction costs before ensuring rental revenues will be earned from the project; (vii) the timing for lease-up of newly developed or redeveloped properties; (viii) the rent levels achieved on newly developed or redeveloped space; and (ix) increases in interest rates during the period of the development.

Plaza's operating policy with respect to new developments is to, where possible: (i) enter into fixed price tendered contracts with general contractors; (ii) attempt to obtain appropriate financing as early as possible post-development; and (iii) pre-lease development projects to the extent possible.

### **Joint Venture Investments**

Plaza has joint venture or joint operation investments and may in the future co-invest with third parties through these joint arrangements. In any such joint arrangement, Plaza may own less than a controlling interest, may not be in a position to exercise sole decision-making authority regarding the properties owned through joint arrangements and may not fully manage those properties. Investments in joint arrangements may, under certain circumstances, involve risks not present when a third party is not involved, including: (i) the possibility that joint arrangement partners might become bankrupt or fail to fund their share of required capital contributions, which could result in additional financial demands on Plaza to maintain and operate such properties or repay the joint arrangement partner's share of property debt guaranteed by Plaza or for which Plaza will be liable and/or result in Plaza suffering or incurring delays, expenses and other problems associated with obtaining court approval of joint arrangement decisions; (ii) the possibility that joint arrangement partners may have business interests or goals that are inconsistent with Plaza's business interests or goals and may be in a position to take actions contrary to Plaza's policies or objectives; (iii) the risk that such joint arrangement partners may, through their activities on behalf of or in the name of, the joint arrangements may expose Plaza to liability; and (iv) the need to obtain the joint arrangement partner's consent with respect to certain major decisions including the decision to distribute cash generated from such properties or to refinance or sell a property, which could make properties owned through joint arrangements more difficult to finance or sell than wholly owned and managed interests.

Any disputes that may arise between Plaza and its joint arrangement partners could result in litigation or arbitration that could increase Plaza's expenses and distract its officers and/or Trustees from focusing their

time and effort on Plaza's business. In addition, the sale or transfer of interests in certain of the joint arrangements and partnerships may be subject to rights of first refusal and certain of the joint arrangement agreements may provide for buy-sell, put or similar arrangements. Such rights may be triggered at a time when Plaza may not desire to buy or sell but may be forced to do so. Such rights may also inhibit Plaza's ability to buy or sell an interest in a property or a joint arrangement within the time frame or otherwise on the basis Plaza would like.

### **Environmental Risk**

Environmental legislation and regulations have become increasingly important in recent years. As an owner of interests in real property, Plaza is subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide that Plaza could be, or become, liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties. Further, liability may be incurred by Plaza with respect to the release of such substances from Plaza's properties to properties owned by third parties, including properties adjacent to Plaza's properties. The failure to remove or otherwise address such substances, if any, may adversely affect Plaza's ability to sell such property, realize the full value of such property or borrow using such property as collateral security, and could potentially result in claims against Plaza by public or private parties by way of civil action.

While Plaza addresses non-material environmental issues in the normal course of its business, Plaza does not believe that there are any material environmental issues in connection with any of its properties and is not aware of any material non-compliance with environmental laws at any of its properties. Plaza is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties.

Plaza's operating policy is to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant (or rely on a Phase I environmental site assessment dated no earlier than six months prior to receipt by Plaza), prior to acquiring a property and to have Phase II environmental site assessment work completed where recommended in a Phase I environmental site assessment. Although such environmental site assessments provide Plaza with some level of assurance about the condition of property, Plaza may become subject to liability for undetected contamination or other environmental conditions at its properties against which Plaza cannot insure, or against which Plaza may elect not to insure, which could negatively impact Plaza's financial condition and results of operations and decrease the amount of cash available for paying distributions to unitholders.

Plaza intends to make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters may have a material adverse effect on Plaza's business, financial condition or results of operation and decrease the amount of cash available for paying distributions to unitholders.

### **Litigation Risk**

From time-to-time, Plaza is involved in litigation and claims in relation to its properties. Plaza may be required to devote significant resources, including management time and attention, to successfully resolve any disputes or litigation. Any such resolutions could involve the payment of damages or expenses which may be significant. In addition, any such resolutions could involve Plaza agreeing to certain settlement terms that restrict the operations of its business. Plaza believes that any liability that may arise from current or pending litigation would not have a material adverse effect on Plaza's financial performance.

### **Potential Undisclosed Liabilities Associated with Acquisitions**

Plaza expects to acquire properties that are subject to existing liabilities, some of which may be unknown at the time of the acquisition or which Plaza may fail to uncover in its due diligence. Unknown liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims by tenants, vendors or other persons dealing with the vendor or predecessor entities (that have not been asserted or

threatened to date), tax liabilities and accrued but unpaid liabilities incurred in the ordinary course of business. Representations and warranties given by third parties to Plaza regarding acquired properties may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. While in some instances Plaza may have the right to seek reimbursement against an insurer or another third party for certain of these liabilities, Plaza may not have recourse to the vendor of the properties for any of these liabilities.

#### **Availability of Cash Flow, Capital Expenditures and Distributions**

Although Plaza intends to pay distributions on a monthly basis, there can be no assurance regarding the amount and frequency of such distributions. Future distribution payments and the level thereof are subject to the discretion of the Board and will depend upon numerous factors, including profitability, fluctuations in working capital, the sustainability of margins, capital expenditures, the satisfaction of statutory tests imposed by the laws governing Plaza for the declaration of distributions and other conditions existing at such future time. The market value of Plaza's Units may deteriorate if Plaza is unable to meet market expectations for distributions in the future and that deterioration may be material.

Capital expenditures are incurred in irregular amounts and may exceed actual cash available from operations or recoveries from tenants during certain periods. In addition, because of items such as principal repayments, distributions may also exceed actual cash available from time to time. Plaza may be required to use part of its debt capacity or reduce distributions in order to accommodate such items, and there can be no assurance that funds from such sources will be available on favourable terms, or at all.

#### **Cash Distributions Are Not Guaranteed**

Plaza's distribution policy is established in its Declaration of Trust and may only be changed with the approval of a majority of unitholders. However, the Board may reduce or suspend cash distributions indefinitely, which could have a material adverse effect on the market price of Plaza's Units.

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

#### **Current Economic Conditions**

Plaza is subject to risks generally incidental to the Canadian real estate, credit, capital and financial markets. Global recessionary economic conditions and global financial liquidity issues may result in interruptions in the credit and capital markets, devaluations of assets directly or indirectly linked to the Canadian real estate finance markets and the concurrent reduction or unavailability of long and short-term liquidity from the capital markets at an economic cost of capital. These conditions could have an adverse effect on Plaza and its assets.

Sensitivity to global economic conditions, and their impact in Canada, may negatively affect the income received from Plaza's properties. Inherent illiquidity may limit Plaza's ability to vary its portfolio in response to changes in the global, national and/or local economic conditions and may ultimately prevent Plaza from implementing its strategies. Increased vacancy rates and difficulties re-leasing properties, commonly associated with recessionary economic conditions, may occur and may adversely affect the income received from Plaza's real property assets.

### **Reliance on Anchor Tenants**

Plaza's net income could be adversely affected in the event of a downturn in the business or the bankruptcy or insolvency of any anchor store or anchor tenant. Anchor tenants generally occupy large amounts of leasable area, pay a significant portion of the total rents at a property and contribute to the success of other tenants by drawing significant numbers of customers to a property. A large number of Plaza's properties are single-tenant properties, the largest tenant of which is Shoppers Drug Mart. At December 31, 2013, Shoppers Drug Mart represented approximately 24.1% of monthly base rents in place. Plaza is reliant on the ability of its anchor tenants generally, and in particular on the ability of Shoppers Drug Mart, to meet their financial targets and sustain operations. Only one other tenant currently exceeds 5% of revenues. The closing of one or more anchor stores at a multi-tenant property or the anchor tenant at a single-tenant property, could have an adverse effect on that property. At a multi-tenant property, vacated anchor tenant space tends to adversely affect the entire shopping centre because of the loss of the departed anchor tenant's power to draw customers to the centre, which in turn may cause other tenants' operations to suffer and adversely affect such other tenants' ability to pay rent or perform any other obligations under their leases. Moreover, a lease termination by an anchor tenant or a failure by that anchor tenant to occupy the premises may entitle other tenants of the centre to cease operating from their premises, to a reduction of rent payable under their leases and/or to terminate their leases. No assurance can be given that Plaza will be able to quickly re-lease space vacated by an anchor tenant on favourable terms, if at all. If any anchor tenant were to leave a property, the property could be negatively affected, which could have an adverse effect on Plaza's financial condition and results of operations and could decrease the amount of cash available to pay distributions to unitholders.

### **Economic Stability of Local Markets**

Some of Plaza's properties are located in regions where the economy is dominated by a small number of industries with only a few major participants. The economic stability and development of these local markets would be negatively affected if such major industry participants failed to maintain a significant presence in such markets. An economic downturn in these markets may adversely affect revenues derived by tenants from their businesses and their ability to pay rent to Plaza in accordance with their leases. An enduring economic decline in a local market may impact the liquidity of the real property with respect to potential liquidation and/or financing activities, and may affect the ability of Plaza to: (i) lease space in its properties; (ii) renew existing leases at current rates; and (iii) derive income from the properties located in such market, each of which could adversely impact Plaza's financial condition and results of operations and decrease the amount of cash available to pay distributions to unitholders.

### **Specific Lease Considerations**

Some of Plaza's properties are leased on a base year or semi-gross basis or otherwise have caps on operating costs. As at December 31, 2013, approximately 45.3% of the leased area is tied to a consumer price index cost recovery formula. As a result, Plaza will bear the economic cost of increases in certain of the operating costs in such cases to the extent it is not able to fully recover increases in operating costs from these tenants. Although management believes that increases in operating costs at Plaza's properties generally track closely with changes in the consumer price index, unusual increases in operating costs above the consumer price index cost recovery formula could adversely impact Plaza's financial condition and results of operations and decrease the amount of cash available to pay distributions to unitholders.

### **Ownership of Ground Lease Properties**

To the extent the properties in which Plaza has or will have an interest are located on leased land, the land leases may be subject to periodic rate resets which may fluctuate and may result in significant rental rate adjustments which could adversely impact Plaza's financial condition and results of operations and decrease the amount of cash available to pay distributions to unitholders.

Plaza has 28 long-term land leases (affecting 27 properties) with total annual rent of \$3.4 million. One of the land leases relates to shared parking facilities. The other properties under land lease represent approximately 9% of the fair value of investment properties and investments. Land leases expire (excluding any non-automatic renewal periods) on dates ranging from 2017 to 2084 with an average life of 41 years, with some of the leases also containing non-automatic renewal options, extending the average life of the leases to 66 years



including these non-automatic renewal options. Plaza has purchase options on 11 of the 28 land leases (Plaza has a right to purchase the freehold interest at fair market value on 9 of the land leases and at a fixed price on two of the land leases). In the event that Plaza is unable to buy ground lease properties at the end of the lease or extend the term of the ground lease for whatever reason, including an agreement as to price with the current owner, Plaza's financial results could be adversely affected by the loss of revenue associated with the properties.

### **Potential Conflicts of Interest**

Plaza's Trustees, officers and employees will, from time to time, in their individual capacities deal with parties with whom Plaza may be dealing, or may be seeking investments similar to those desired by Plaza. The interests of these persons could conflict with those of Plaza. Plaza has a committee of independent Trustees to monitor related party transactions and conflicts of interest. For a detailed description of Plaza's related party transactions, please refer to the Company's consolidated financial statements for the year ended December 31, 2013.

### **Liquidity Risk**

Real property equity investments are relatively illiquid. In particular, certain of Plaza's smaller properties that are located in secondary geographic markets may be inherently illiquid. This illiquidity will tend to limit the ability of Plaza to vary its portfolio promptly in response to a change in economic or investment conditions. If Plaza was required to liquidate its assets, there is a risk that Plaza would realize sale proceeds of less than the current book value of its properties and decrease the amount of cash available to pay distributions to unitholders.

### **Uninsured Losses**

There are certain types of risks, generally of a catastrophic nature, such as wars, acts of terrorism or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or under-insured loss occur, Plaza could lose its investment in, and anticipated profits and cash flows from, the affected property, but Plaza would continue to be obliged to repay any recourse mortgage indebtedness on such property.

Plaza maintains at all times insurance coverage in respect of its potential liabilities and the accidental loss of value of its assets from risks, in amounts, with such insurers, and on such terms as Plaza and the Board consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties. A successful claim against Plaza not covered by, or in excess of, the insurance coverage could have a material adverse effect on Plaza's business, financial condition or results of operations and distributions. In addition, there can be no assurance that liability coverage will continue to be available on acceptable terms.

### **Key Personnel**

Plaza relies on the services of certain key personnel on its executive team, including Earl Brewer, Michael Zakuta, Floriana Cipollone, Jamie Petrie and Kevin Salsberg and the loss of their services could have an adverse effect on Plaza.

### **Operational Risk**

Operational risk is the risk that a direct or indirect loss may result from an inadequate or failed technology, from a human process or from external events. The impact of this loss may be financial loss, loss of reputation or legal and regulatory proceedings.

### **Status for Tax Purposes**

Management believes that Plaza qualifies as a mutual fund trust for income tax purposes. To maintain its mutual fund trust status, Plaza is required to comply with specific restrictions regarding its activities and the investments held by it, and the holdings of its Units. There can be no assurance that the laws and regulations and the administrative and assessing practices of CRA respecting the treatment of mutual fund trusts will not

be changed in a manner that adversely affects the holders of Units. If Plaza were to cease to qualify as a mutual fund trust, the consequences could be material and adverse.

Although Plaza is of the view that all expenses to be claimed by Plaza and any of its subsidiaries in the determination of their respective incomes under the Tax Act will be reasonable and deductible in accordance with the applicable provisions of the Tax Act, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that CRA will agree with the expenses claimed.

Under current legislation, a mutual fund trust cannot be established or maintained primarily for the benefit of Non-Resident persons. Plaza's Declaration of Trust contains certain restrictions relating to the ownership of Units by Non-Resident persons that are designed to mitigate the possibility that Plaza would be viewed as having been established or maintained primarily for the benefit of Non-Resident persons. If Plaza were to lose its mutual fund trust status for the purposes of the Tax Act, the consequences could be material and adverse.

As of the date of this Annual Information Form, based on its assessment of the SIFT Rules, management believes that Plaza meets, and has met at all times during the current taxation year, all the necessary conditions and qualifies for the REIT Exception. Management intends to conduct the affairs of Plaza to qualify for the REIT Exception for the 2014 taxation year and each subsequent taxation year. However, such determination can only be made by Plaza for a year at the end of that taxation year. Should Plaza not meet the conditions of the REIT Exception, the SIFT Rules would be applicable to Plaza. The SIFT Rules have only recently been enacted and there is an absence of specific interpretation from the tax authorities or courts on how these rules should be interpreted.

Management intends to take all the necessary steps to meet these conditions on an ongoing basis in the future. However, there can be no assurances that Plaza will continue to qualify for the REIT Exception such that Plaza and its unitholders will not be subject to the tax imposed by the SIFT Rules.

Quebec's tax legislation has been substantially harmonized with the SIFT Rules (including the REIT Exception). More specifically, a SIFT with an establishment in Quebec at any time in a taxation year is subject to a Quebec tax at a rate generally equal to the Quebec tax rate relating to corporations and a business allocation formula based on the gross income of a SIFT and the wages and salaries it pays, similar to the one used for the purposes of determining the tax payable by a corporation that has activities in Quebec and outside Quebec.

Unless Plaza qualifies for the REIT Exception, the SIFT Rules may have an adverse impact on Plaza and its unitholders, on the value of Plaza's Units and on the ability of Plaza to undertake financings and acquisitions, and if the SIFT Rules were to apply, the distributable cash of Plaza may be materially reduced. The effect of the SIFT Rules on the market for Plaza's Units is uncertain.

#### **Changes in Legislation and Administrative Policy**

There can be no assurance that certain laws applicable to Plaza, including income tax laws, will not be changed in a manner which could adversely affect the value of Plaza. In addition, there can be no assurance that the administrative policies and assessing policies of CRA will not be changed in a manner that negatively affects unitholders. Such changes could, depending on their nature, benefit or adversely affect Plaza.

#### **Dilution**

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

#### **Restrictions on Redemptions**

The entitlement of unitholders to receive cash upon the redemption of their Units is subject to the following limitations: (i) the total amount payable by Plaza in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed \$50,000 (provided that such limitation may be waived at the discretion of the Board); (ii) at the time such Units are tendered for redemption, the outstanding

Units must be listed for trading on a stock exchange or traded or quoted on another market which the Board considers, in its sole discretion, provides fair market value prices for the Units; (iii) the trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the redemption date for more than five trading days during the 10-day trading period commencing immediately after the redemption date; and (iv) the redemption of the Units must not result in the delisting of the Units on the principal stock exchange on which the Units are listed.

### **Market for Units and Unit Prices**

As with any other publicly traded security, the value of the Units depends on various market conditions that will change from time to time. The market value of the Units is influenced by investor perceptions of Plaza's growth potential and Plaza's current and potential earnings. Consequently, the Units may trade at prices that are greater or less than Plaza's underlying net asset value. Factors that may affect the market price of the Units include, but are not limited to, the following:

- the annual yield on the Units;
- general economic conditions;
- the market demand for the Units;
- general reputation of Plaza;
- the underlying net asset value of Plaza's portfolio;
- investor confidence in equity investments generally and the real estate market more specifically; and
- Plaza's financial performance.

### **Nature of Investment**

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

### **Disclosure Controls and Procedures on Internal Control over Financial Reporting**

Plaza could be adversely affected if there are deficiencies in disclosure controls and procedures or internal controls over financial reporting.

The design and effectiveness of disclosure controls and procedures and internal controls over financial reporting may not prevent all errors, misstatements or misrepresentations. Deficiencies, including material weaknesses in internal controls over financial reporting which may occur, could result in misstatements of Plaza's results of operations, restatements of financial statements, a decline in the Unit price, or otherwise materially adversely affect Plaza's business, reputation, results of operations, financial condition or liquidity.

## **DISTRIBUTIONS**

Plaza and the Company have a proven history of distribution/dividend growth, having increased distributions/dividends twelve times over the past eleven years. The Company commenced paying a dividend on November 15, 2002.

Plaza's current distribution policy is to pay 24¢ per Unit payable monthly on the 15<sup>th</sup> of the month, or the first business day thereafter should the 15<sup>th</sup> not be a business day. Distributions are paid to unitholders of record

on the record date as determined by the Board at their discretion based on anticipated future cash flows and the need to retain sufficient cash flow to support the business.

Pursuant to Plaza's Declaration of Trust, the Board has full discretion respecting the timing and amounts of distributions including the adoption, amendment or revocation of any distribution policy. It is Plaza's current intention to make distributions to unitholders at least equal to the amount of net income and net realized capital gains of Plaza as is necessary to ensure that Plaza will not be liable for ordinary income taxes on such income.

Unitholders of record as at the close of business on the last business day of the month preceding a distribution date will have an entitlement on and after that day to receive distributions in respect of that month on such distribution date. Under Plaza's Declaration of Trust and pursuant to the distribution policy of Plaza, where Plaza's cash is not sufficient to make payment of the full amount of a distribution, such payment will, to the extent necessary, be distributed in the form of additional Units.

The following table sets out the dividends paid by the Company during the last eleven years:

<b>Calendar Year</b>	<b>Payment per share</b>
2013	22.5¢
2012	21.5¢
2011 <sup>(1)</sup>	20.63¢
2010	19.25¢
2009	18.5¢
2008	17.5¢
2007	15.0¢
2006	12.5¢
2005	10.5¢
2004	8.75¢
2003	8.0¢

(1) Dividend was 5.0625¢ per share (annualized - 20.25¢) for each of the February and May quarterly dividends and 5.25¢ per share (annualized - 21.0¢) for each of the August and November quarterly dividends.

Plaza has also declared and paid two of its 2014 distributions on February 15, 2014 of 4¢ per Unit and on March 15, 2014 of 2¢ per Unit.

#### ***Distribution Reinvestment Plan***

Plaza has a Distribution Reinvestment Plan to enable Canadian resident unitholders to acquire additional Units through the reinvestment of distributions on their Units. Units issued in connection with the Distribution Reinvestment Plan are issued directly from the treasury of Plaza at a price based on the weighted average closing price of the Units for the five trading days immediately preceding the relevant distribution date. Participants also receive "bonus units" in an amount equal to 3% of the distribution amount reinvested.

No brokerage commission is payable in connection with the purchase of Units under the Distribution Reinvestment Plan and all administrative costs are borne by Plaza.

Unitholders resident outside of Canada are not entitled to participate in the Distribution Reinvestment Plan. Upon ceasing to be a resident of Canada, a unitholder must terminate their participation in the Distribution Reinvestment Plan.

## **DECLARATION OF TRUST**

### **General**

Plaza is an unincorporated open-ended real estate investment trust established pursuant to its Declaration of Trust under, and governed by, the laws of the Province of Ontario.

### **Meetings of Unitholders**

Plaza's Declaration of Trust provides that meetings of unitholders will be required to be called and held in various circumstances, including (i) for the election or removal of Trustees, (ii) the appointment or removal of the auditors of Plaza, (iii) the approval of amendments to the Declaration of Trust, (iv) the sale or transfer of the assets of Plaza as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of Plaza approved by the Trustees), (v) the termination of Plaza, and (vi) for the transaction of any other business as the Trustees may determine or as may be properly brought before the meeting. Meetings of unitholders will be called and held annually for the election of the Trustees and the appointment of the auditors of Plaza. All meetings of unitholders must be held in Canada.

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

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

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

### **Redemption Right**

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

The aggregate Redemption Price payable by Plaza in respect of any Units surrendered for redemption during any calendar month will be paid by cheque, drawn on a Canadian chartered bank or trust company in Canadian dollars within 30 days after the end of the calendar month in which the Units were tendered for redemption, provided that the entitlement of unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by Plaza in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed \$50,000 (provided that such limitation

may be waived at the discretion of the Board); (ii) on the date such Units are tendered for redemption, the outstanding Units must be listed for trading on the TSX or traded or quoted on any other stock exchange or market which the Board considers, in its sole discretion, provides representative fair market value prices for the Units; (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, in any market where the Units are quoted for trading) on the redemption date or for more than five trading days during the 10-day trading period commencing immediately before the redemption date; and (iv) the redemption of the Units must not result in the delisting of the Units on the principal stock exchange on which the Units are listed.

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

#### **Purchases of Units by Plaza**

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

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

The Declaration of Trust contains provisions to the effect that if a take-over bid or issuer bid is made for Units within the meaning of the *Securities Act* (Ontario) 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 do not accept the offer either, at the election of each unitholder, on the terms offered by the offeror or at the fair value of such unitholder’s Units determined in accordance with the procedures set out in the Declaration of Trust.

#### **Issuance of Units**

Plaza may issue new Units from time to time, in such manner, for such consideration and to such person or persons as the Trustees shall determine. Unitholders will not have any pre-emptive rights whereby additional Units proposed to be issued would be first offered to existing unitholders. If the Trustees determine that Plaza 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.

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

The Declaration of Trust also provides that immediately after any *pro rata* distribution of Units to all unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated so that each unitholder will hold, after the consolidation, the same number of Units as the unitholder held before the non-cash distribution. In this case, each certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation. Non-

Resident holders may be subject to withholding tax and if so then the consolidation will not result in such Non-Resident unitholders holding the same number of Units. Such Non-Resident unitholders will be required to surrender the certificates (if any) representing their original Units in exchange for a certificate representing post-consolidation Units.

#### **Non-Certificated Inventory (“NCI”) System**

Other than pursuant to certain exceptions, registration of interests in and transfers of Units held through CDS, or its nominee, will be made electronically through the NCI system of CDS. Units held in CDS must be purchased, transferred and surrendered for redemption through a CDS participant, which includes securities brokers and dealers, banks and trust companies. All rights of unitholders who hold Units in CDS must be exercised through, and all payments or other property to which such unitholders are entitled will be made or delivered by CDS, or the CDS participant through which the unitholder holds such Units. A unitholder participating in the NCI system will not be entitled to a certificate or other instrument from Plaza or Plaza’s transfer agent evidencing that person’s interest in or ownership of Units, nor, to the extent applicable, will such unitholder be shown on the records maintained by CDS, except through an agent who is a CDS participant.

The ability of a beneficial unitholder to pledge such Units or otherwise take action with respect to such unitholder’s interest in such Units (other than through a CDS participant) may be limited due to the lack of a physical certificate.

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

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

#### **Investment Guidelines**

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

- (a) Plaza will invest primarily, directly or indirectly, in interests (including fee ownership and leasehold interests) in real property that is, or will be, primarily commercial in nature and assets ancillary thereto necessary for the operation of such real estate and such other activities as are consistent with Plaza’s other investment guidelines;

- (b) notwithstanding anything else contained in the Declaration of Trust, Plaza shall not make or hold any investment, take any action or omit to take any action or permit a subsidiary to make or hold any investment or take any action or omit to take any action that would result in:
  - (i) Plaza not qualifying as a “mutual fund trust” (effective the date it was established and thereafter) or a “unit trust” both within the meaning of the Tax Act;
  - (ii) Units not qualifying as qualified investments for registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans, each as defined in the Tax Act;
  - (iii) Plaza not qualifying as a “real estate investment trust” within the meaning of the Tax Act if, as a consequence of Plaza not so qualifying, Plaza or any of its subsidiaries would be liable to pay a tax imposed under either paragraph 122(1)(b) or subsection 197(2) of the Tax Act; or
  - (iv) Plaza being liable to pay a tax under Part XII.2 of the Tax Act;
- (c) Plaza may make its investments and conduct its activities, directly or indirectly, through an investment in one or more persons on such terms as the Trustees may from time to time determine, including by way of joint ventures, partnerships (general or limited), and limited liability companies;
- (d) except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province or territory of Canada, deposits with a savings institution, trust company, credit union or similar financial institution that is organized or chartered under the laws of a state or of the United States, short-term government debt securities or money market instruments maturing prior to one year from the date of issue and except as permitted pursuant to these investment guidelines and Plaza’s operating policies, Plaza and/or its subsidiaries may not hold securities of a person other than to the extent such securities would constitute an investment in real property and provided further that, notwithstanding anything contained in the Declaration of Trust to the contrary, but in all events subject to paragraph (b) above, Plaza and/or its subsidiaries may hold securities of a person:
  - (i) acquired in connection with the carrying on, directly or indirectly, of Plaza’s activities or the holding of its assets; or
  - (ii) which focuses its activities primarily on the activities described in paragraph (a) above;
- (e) Plaza and/or its subsidiaries shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- (f) Plaza and/or its subsidiaries may invest in mortgages and mortgage bonds (including participating or convertible mortgages) and similar instruments where:
  - (i) real property which is security therefor is real property which otherwise meets Plaza’s other investment guidelines; and
  - (ii) the aggregate book value of the investments of Plaza and/or its Subsidiaries in mortgages, after giving effect to the proposed investment, will not exceed 15% of Gross Book Value; and
- (g) Plaza and/or its subsidiaries may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any debt incurred or



assumed in connection with such investment) up to 15% of Gross Book Value of Plaza in investments which do not comply with one or more of paragraphs (a), (d), and (f).

Any references in the foregoing to investment in real property will be deemed to include an investment in a joint arrangement that invests in real property.

### **Operating Policies**

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

- (a) Plaza and/or its subsidiaries shall not purchase or sell currency or interest rate futures contracts otherwise than for hedging purposes where, for this purpose, the term "hedging" has the meaning given by National Instrument 81-102 – Mutual Funds adopted by the Canadian Securities Administrators, as replaced or amended from time to time and, in all events, subject to paragraph (b) of "Investment Guidelines" described above.
- (b) (i) any written instrument creating an obligation which is or includes the granting by Plaza of a mortgage; and (ii) to the extent the Trustees determine to be practicable and consistent with their fiduciary duties to act in the best interest of the unitholders, any written instrument which is, in the judgment of the Trustees, a material obligation, shall contain a provision, or be subject to an acknowledgement to the effect, that the obligation being created is not personally binding upon, and that resort must not be had to, nor will recourse or satisfaction be sought from, by lawsuit or otherwise the private property of any of the Trustees, unitholders, annuitants or beneficiaries under a plan of which a unitholder acts as a trustee or carrier, or officers, employees or agents of Plaza, but that only property of Plaza or a specific portion thereof is bound; Plaza, however, is not required, but must use all reasonable efforts, to comply with this requirement in respect of obligations assumed by Plaza upon the acquisition of real property;
- (c) title to each real property shall be held by and registered in the name of Plaza, the Trustees or a person wholly-owned, directly or indirectly, by Plaza or jointly-owned, directly or indirectly, by Plaza, with joint venturers or by any other persons in such manner as the Trustees consider appropriate, taking into account advice of legal counsel; provided that, where land tenure will not provide fee simple title, Plaza, the Trustees or a corporation or other entity wholly-owned, directly or indirectly, by Plaza or jointly owned, directly or indirectly, by Plaza or such person as the Trustees consider appropriate shall hold a land lease as appropriate under the land tenure system in the relevant jurisdiction;
- (d) Plaza shall not incur or assume any Indebtedness (as defined below) if, after giving effect to the incurrence or assumption of such Indebtedness, the total Indebtedness of Plaza would be more than 60% of Gross Book Value (or 65% of Gross Book Value including convertible Indebtedness);
- (e) Plaza shall not directly or indirectly guarantee any Indebtedness or liabilities of any person unless such guarantee: (i) is given in connection with or incidental to an investment that is otherwise permitted by Plaza's investment guidelines and operating policies; and (ii) (A) would not disqualify Plaza as a "mutual fund trust" within the meaning of the Tax Act, and (B) would not result in Plaza losing any status under the Tax Act that is otherwise beneficial to Plaza and its unitholders;
- (f) Plaza shall directly or indirectly obtain and maintain at all times property insurance coverage in respect of potential liabilities of Plaza and the accidental loss of value of the assets of Plaza from risks, in amounts, with such insurers, and on such terms as the Trustees consider

appropriate, taking into account all relevant factors, including the practice of owners of comparable properties; and

- (g) Plaza and/or a subsidiary of Plaza shall either (i) obtain a Phase I environmental site assessment; or (ii) be entitled to rely on a Phase I environmental site assessment dated no earlier than six months prior to receipt by Plaza and/or its subsidiary, of each real property to be acquired by it or any of its Subsidiaries and, if the Phase 1 environmental site assessment report recommends that a further environmental site assessment be conducted, Plaza and/or a Subsidiary of Plaza shall have conducted such further environmental site assessments, in each case by an independent and experienced environmental consultant.

Any references in the sections “Investment Guidelines” and “Operating Policies” above to investment in real property will be deemed to include an investment in a joint venture or other arrangement that invests in real property.

**“Indebtedness”** means (without duplication) on a consolidated basis:

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

provided that (A) an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated statement of financial position of Plaza in accordance with IFRS; (B) obligations referred to in clauses (i) through (iii) exclude accounts payable, distributions payable to unitholders, accrued liabilities arising in the ordinary course of business which are not overdue or which are being contested in good faith, deferred revenues, intangible liabilities, deferred income taxes, tenant deposits and indebtedness with respect to the unpaid balance of installment receipts where such indebtedness has a term not in excess of 12 months; (C) Units or exchangeable units issued by subsidiaries of Plaza shall not constitute indebtedness notwithstanding the classification of such securities as debt under IFRS; and (D) convertible debentures will constitute indebtedness to the extent of the principal amount thereof outstanding.

Where any maximum or minimum percentage limitation is specified in any of the investment guidelines or operating policies, such investment guidelines or operating policies shall be applied on the basis of the relevant amounts calculated immediately after the making of such investment or the taking of such action. Any subsequent change relative to any percentage limitation which results from a subsequent change in the amount of Gross Book Value will not require the divestiture of any investment.

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

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

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

- (a) an exchange, reclassification or cancellation of all or part of the Units;

- (b) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Units;
- (c) any constraint on the issue, transfer or ownership of the Units or the change or removal of such constraint;
- (d) the sale or transfer of the assets of Plaza as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of Plaza approved by the Trustees and not prejudicial to unitholders);
- (e) the termination of Plaza (other than as part of an internal reorganization of the assets of Plaza approved by the Trustees and not prejudicial to unitholders);
- (f) the combination, amalgamation or arrangement of any of Plaza or its subsidiaries with any other entity (other than as part of an internal reorganization of the assets of Plaza approved by the Trustees and not prejudicial to unitholders); and
- (g) except as described herein, the amendment of the investment guidelines and operating policies of Plaza (as described above).

Notwithstanding the foregoing, the Trustees may, without the approval of the unitholders, make certain amendments to the Declaration of Trust, including amendments:

- (a) aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over: (i) the Trustees or Plaza; (ii) the status of Plaza as a “unit trust”, a “mutual fund trust” and a “real estate investment trust” under the Tax Act; or (iii) the distribution of Units;
- (b) which, in the opinion of the Trustees, provide additional protection for the unitholders;
- (c) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the unitholders;
- (d) of a minor or clerical nature or to correct typographical mistakes, ambiguities or manifest omissions or errors, which amendments, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the unitholders;
- (e) which, in the opinion of the Trustees, are necessary or desirable: (i) to ensure continuing compliance with IFRS; or (ii) to ensure the Units qualify as equity for purposes of IFRS;
- (f) which, in the opinion of the Trustees, are necessary or desirable to enable Plaza to implement a Unit option or purchase plan, a distribution reinvestment plan or issue Units for which the purchase price is payable in instalments;
- (g) to create and issue one or more new classes of Preferred Units that rank in priority to the Units (in respect of payment of distributions and in connection with any termination or winding-up of Plaza);
- (h) which, in the opinion of the Trustees, are necessary or desirable for Plaza to qualify for a particular status under, or as a result of changes in, taxation or other laws, or the interpretation of such laws, including to qualify for the definition of “mutual fund trust” and “real

estate investment trust” in the Tax Act or to otherwise prevent Plaza or any of its subsidiaries from becoming subject to tax under the SIFT Rules;

- (i) to create one or more additional classes of units solely to provide voting rights to holders of shares, units or other securities that are exchangeable for Units entitling the holder thereof to a number of votes not exceeding the number of Units into which the exchangeable shares, units or other securities are exchangeable or convertible but that do not otherwise entitle the holder thereof to any rights with respect to Plaza’s property or income other than a return of capital; and
- (j) for any purpose (except one in respect of which a unitholder vote is specifically otherwise required) which, in the opinion of the Trustees, is not prejudicial to unitholders and is necessary or desirable.

### **Advance Notice Provision**

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

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

In addition to any other applicable requirements, for a nomination to be made by a Nominating Unitholder, the Nominating Unitholder must have given timely notice thereof in proper written form to the Trustees.

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

To be in proper written form, a Nominating Unitholder’s notice to the Trustees must set forth: (a) as to each person whom the Nominating Unitholder proposes to nominate for election as a Trustee: (A) the name, age, business address and residential address of the person; (B) the principal occupation or employment of the person; (C) the class or series and number of Units or Special Voting Units which are controlled or which are

owned beneficially or of record by the person as of the record date for the meeting of unitholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and (D) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of Trustees pursuant to applicable securities laws (as defined in the Declaration of Trust ); and (b) as to the Nominating Unitholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Unitholder has a right to vote any Units and any other information relating to such Nominating Unitholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of Trustees pursuant to applicable securities laws. Plaza may require any proposed nominee to furnish such other information as may reasonably be required by Plaza to determine the eligibility of such proposed nominee to serve as an independent Trustee or that could be material to a reasonable unitholder's understanding of the independence, or lack thereof, of such proposed nominee.

The chairperson of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

Notwithstanding the foregoing, the Board may, in its sole discretion, waive any requirement in the Advance Notice Provision.

## CAPITAL STRUCTURE

### Description of Units

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

The Declaration of Trust authorizes the issuance of an unlimited number of two classes of units, namely Units and special voting units ("**Special Voting Units**"). Special Voting Units are only issued in tandem with the issuance of securities exchangeable into Units.

In addition, preferred units ("**Preferred Units**") may from time to time be created and issued in one or more classes (each of which may be made up of unlimited series) without requiring voting unitholder approval. Before the issuance of Preferred Units of a series, the Board will execute an amendment to Plaza's Declaration of Trust containing a description of such series, including the designations, rights, privileges, restrictions and conditions determined by the Board, and the class of Preferred Units of which such series is a part.

No Unit will have any preference or priority over another. Each Unit will represent a unitholder's proportionate undivided beneficial ownership interest in Plaza and will confer the right to one vote at any meeting of unitholders and to participate *pro rata* in any distributions by Plaza, whether of net income, net realized capital gains or other amounts and, in the event of termination or winding-up of Plaza, in the net assets of Plaza remaining after satisfaction of all liabilities. Units will be fully paid and non-assessable when issued and are transferable. The Units are redeemable at the holder's option, as described below under the heading "Declaration of Trust - Redemption Right", and the Units have no other conversion, retraction, redemption or pre-emptive rights. Fractional Units may be issued as a result of an act of the Board, but fractional Units will

not entitle the holders thereof to vote, except to the extent that such fractional Units may represent in the aggregate one or more whole Units.

### **Special Voting Units**

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

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

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

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

### **Preferred Units**

Subject to the Board executing an amendment to the Declaration of Trust providing for their creation, Preferred Units may from time to time be created and issued in one or more classes (each of which may be comprised of unlimited series), and the Board may fix from time to time before such issue the number of Preferred Units which is to comprise each class and series and the designation, rights, privileges, restrictions and conditions attaching to each class and series of Preferred Units including, without limiting the generality of the foregoing, any voting rights, the rate or amount of distributions (which may be cumulative or non-cumulative and variable or fixed) or the method of calculating distributions, the dates of payment thereof, the terms and conditions of redemption, purchase and conversion, if any, any rights on the liquidation, dissolution or winding-up of Plaza, and any sinking fund or other provisions; provided, however that the rights, privileges, restrictions and conditions attaching to each series of Preferred Units shall allow Plaza to continue to qualify as a "mutual fund trust" under the Tax Act and to be entitled to deduct in computing its income any income paid or made payable by it to its unitholders. The creation or issuance of Preferred Units is subject to the prior written consent of the TSX.

The Preferred Units of each class and series shall, with respect to the payment of distributions (other than distributions paid solely through the distribution of additional Units) and the distribution of assets of Plaza or return of capital in the event of liquidation, dissolution or winding-up of Plaza, whether voluntary or involuntary, or any other return of capital or distribution of assets of Plaza among its unitholders for the purpose of winding-up its affairs, be entitled to preference over the Units ranking by their terms junior to the Preferred Units. The Preferred Units of any series may also be given such other preferences, not inconsistent with the Declaration of Trust, over the Units ranking by their terms junior to the Preferred Units. If any cumulative distributions or amounts payable on the return of capital in respect of a series of Preferred Units are not paid in full, all classes and series of Preferred Units of equal ranking shall participate rateably in respect of accumulated distributions and return of capital, based on the accumulated distributions and return of capital of a class and series of Preferred Units as a proportion of the accumulated distributions and return of capital of all classes and series of Preferred Units of equal ranking.

Plaza has no present intention of issuing Preferred Units, but wishes to have the flexibility to do so in the future as a means of seeking an alternate source of equity financing. Plaza will not create or issue Preferred Units for anti-takeover purposes.

### **Restricted Share Unit Plan**

Plaza has a restricted share unit plan whereby Trustees, officers and employees of Plaza may be awarded restricted share units (“**RSUs**”). On the applicable vesting date, each vested RSU will be exchanged for one Unit or a lump-sum cash payment calculated by multiplying the number of RSU's to be redeemed by the volume weighted average closing price of the Units for the five trading days immediately preceding such applicable day. In addition, each participant in the RSU will receive a distribution of additional RSU's equal to the amount of distributions paid per Unit. These distribution RSUs will be granted immediately following any distribution payment date of Plaza and shall vest immediately and be redeemed for either one Unit for each distribution RSU or a lump-sum cash payment. For a more detailed description of the restricted share unit plan, please refer to Plaza's Management Information Circular to be filed in connection with its annual meeting of unitholders to be held on May 22, 2014.

### **Borrowing**

Plaza utilizes a combination of debt financing sources, including operating and development lines of credit, secured long term mortgage debt, secured mortgage bonds, unsecured debentures and convertible debentures.

The Series B, C and D Debentures carry various rights including the following:

(a) adjustments to the conversion price should there be a subdivision, redivision, reduction, combination consolidation, stock dividend, issuance of rights, options or warrants to all or substantially all the holders of outstanding Units;

(b) rights upon capital reorganization - if there is a reclassification of the Units or a capital reorganization of Plaza (other than as described above) or a consolidation, amalgamation, arrangement or merger of Plaza with or into any other person or a sale, conveyance or lease of the properties and assets of Plaza as an entirety or substantially as an entirety to any other person or a liquidation, dissolution or winding-up or other similar transaction of Plaza (any of which are herein referred to as a “capital reorganization”), any debenture holder who has not exercised its right of conversion prior to the effective date of the capital reorganization, shall be entitled to receive and shall accept, in lieu of the number of Units then sought to be acquired by it, the number of units, shares or other securities or property of Plaza or of the person resulting from the capital reorganization that such debenture holder would have been entitled to receive on the capital reorganization if, on the record date or the effective date thereof, as the case may be, the holder had been the registered holder of the number of Units sought to be acquired by it and to which it was entitled to acquire upon the exercise of the conversion right, and such securities shall be subject to adjustments thereafter which shall be as nearly equivalent as may be practicable;

(c) rights upon change of control - within thirty (30) days following a change of control (as defined in the indenture), Plaza shall make an offer (the “**Change-in-Control Offer**”) to purchase all then outstanding debentures at a price equal to one hundred and one percent (101%) of the principal amount thereof plus accrued and unpaid interest, if any, thereon (the “**Debenture Offer Price**”). If ninety percent (90%) or more of the aggregate principal amount of the debentures outstanding on the date of the giving of the notice of the change of control and Change-in-Control Offer have been tendered for purchase pursuant to the Change-in-Control Offer, Plaza will have the right and obligation to redeem all of the remaining debentures at the Debenture Offer Price.

The Series VI convertible debentures carry similar rights.

### ***Credit Facilities & Mortgages***

Below is a summary of the operating and development credit facilities at December 31, 2013 and December 31, 2012.

<b>(000s)</b>	<b>\$21.5 Million Operating</b>	<b>\$20.0 Million Development</b>	<b>\$15.0 Million Development</b>
December 31, 2012 <sup>(1)</sup>	\$ 3,647	\$ 4,912	\$ 5,094
Net Change	(3,647)	7,349	1,913
December 31, 2013 <sup>(1)</sup>	\$ -	\$ 12,261	\$ 7,007
Interest rate	Prime + 1.00% or BA + 2.50%	Prime + 1.00% or BA + 2.75%	Prime + 1.00% or BA + 2.50%
Maturity	July 31, 2014	July 31, 2014	July 31, 2014
Security	First charges on pledged properties	First charges on applicable pledged development property	First charges on applicable pledged development property
Other terms	Debt service, interest coverage, occupancy & equity maintenance covenants	Debt service, occupancy & leverage covenants	Debt service, interest coverage, occupancy & equity maintenance covenants
Line reservations available for letters-of-credit	\$2.0 million	\$1.5 million	\$500 thousand
Issued and outstanding	\$137 thousand	-	-

<sup>(1)</sup> Excludes unamortized finance charges

Funding is secured by first mortgage charges on properties or development properties as applicable. Plaza must maintain certain financial ratios to comply with the facilities. These covenants include loan-to-value, debt service coverage, interest coverage, occupancy and shareholder equity thresholds. As of December 31, 2013, all debt covenants in respect of the above facilities have been maintained.



The total mortgages payable, including development lines of credit at December 31, 2013 and December 31, 2012 were as follows:

(000s)	Rate Range	Weighted Average	Maturity Dates	December 31, 2013	December 31, 2012
			Up to Dec. 2033		
Fixed rate loans:	3.83% - 7.29%	5.36%		\$ 392,818	\$ 234,572
Revaluation of loans upon acquisition of KEYreit, net of amortization of \$849				5,185	-
Less: unamortized finance charges				(2,456)	(2,474)
Total net fixed rate loans				395,547	232,098
Variable rate loans:					
- \$20 million development facility	Prime plus 1.00% or BA plus 2.75%		July 31, 2014	12,261	4,912
- \$15 million development facility	Prime plus 1.00% or BA plus 2.50%		July 31, 2014	7,007	5,094
- \$7 million secured construction loan	Prime plus 1.25%		June 22, 2014	2,574	3,259
- \$1.645 million secured construction loan	Prime plus 1.25%		Aug 1, 2014	823	-
- \$1.25 million secured construction loan	Prime plus 1.25%		Aug 1, 2014	625	-
- \$0.9 million secured construction loan	Prime plus 1.25%		Aug 1, 2014	447	-
Less: unamortized finance charges				(84)	(87)
Total net variable rate loans				23,653	13,178
Total mortgages payable				\$ 419,200	\$ 245,276

Plaza's strategy is to balance maturities and terms on new debt with existing debt maturities to minimize maturity exposure in any one year and to reduce overall interest costs. Maintaining or improving the average cost of debt will be dependent on market conditions at the time of refinancing. Plaza's debt strategy involves maximizing the term of long-term debt available based on the tenant profiles for the assets being financed, at current market rates, in order to stabilize cash flow available for reinvestment and distribution payments.

As a conservative interest rate risk management practice, Plaza's use of floating-rate debt is generally limited to its operating line (to fund ongoing operations and acquisitions) and its development lines. As a result of obtaining the bridge facility (see "Bridge Facility" below), at December 31, 2013, fixed-rate debt decreased to 85.0% of mortgages and lines of credit secured on investment properties. Once the temporary bridge facility is paid off, fixed-rate debt will increase to more normal levels of between 90 and 100%.

#### **Bridge Facility**

On May 17, 2013, the Company entered into a one-year secured credit facility with a Canadian chartered bank for up to \$122.5 million, to fund the acquisition of KEYreit, acquisition-related costs for the acquisition of KEYreit and other working capital requirements. On July 11, 2013 the unused portion of the facility was reduced by \$15 million and on November 13, 2013, the facility was further reduced by \$7.6 million. Of the remaining \$99.9 million available, \$82.5 million is extendible for two additional six-month periods at Plaza's request and with the lender's consent. Prepayment of the facility may be made in whole or in part at any time without penalty. Plaza must maintain certain financial ratios, including debt service, debt to gross assets, equity maintenance and distribution covenants. As of December 31, 2013, the Company was in compliance with all applicable covenants. Interest is payable at prime plus 3.25% or BAs plus 4.25%, escalating to prime plus 3.625% or BAs plus 4.625% after six months and to prime plus 4.00% or BAs plus 5.00% after nine

months. Plaza is currently paying interest on this facility at approximately 6.22%. At December 31, 2013, \$45.4 million was outstanding on the facility. Plaza intends to repay the remainder of the bridge facility through moderate asset sales as well as pursuing refinancing opportunities. At the date of this AIF, the balance outstanding on the facility is \$19.9 million.

### ***Mortgage Bonds, Debentures and Convertible Debentures***

The following mortgage bonds, unsecured non-convertible debentures and unsecured convertible debentures were outstanding at December 31, 2013 and December 31, 2012 (all at face value and excluding unamortized finance charges) (in 000s):

<b>Series</b>	<b>December 31, 2013</b>	<b>December 31, 2012</b>	<b>Interest Rate</b>	<b>Conversion Price</b>	<b>Company's Next Redemption Date</b>	<b>Maturity Date (s)</b>
<b>Secured Mortgage Bonds</b>						
<b>Series V</b>	<b>1,185</b>	1,185	8.00%	N/A	N/A	June 4, 2016
<b>Series VI</b>	<b>900</b>	900	5.25%	N/A	N/A	February 24, 2016
<b>Series VII <sup>(1)</sup></b>	<b>4,000</b>	-	6.00%	N/A	N/A	August 15, 2014
<b>Series VIII <sup>(2)</sup></b>	<b>5,000</b>	-	6.00%	N/A	N/A	August 30, 2014
<b>Subtotal</b>	<b>11,085</b>	2,085				
<b>Non-Convertible Debentures</b>						
<b>Tranche A</b>	<b>1,600</b>	-	5.00%	N/A	N/A	February 26, 2018
<b>Tranche B</b>	<b>2,300</b>	-	5.00%	N/A	N/A	April 15, 2018
<b>Tranche C</b>	<b>100</b>	-	5.00%	N/A	N/A	May 2, 2018
<b>Subtotal</b>	<b>4,000</b>	-				
<b>Convertible Debentures</b>						
<b>Series VI</b>	<b>15,214</b>	16,695	7.50%	\$3.80	March 31, 2014 <sup>(3)</sup>	March 31, 2015
<b>Series A</b>	<b>15,991</b>	-	7.75%	(4)	(4)	December 31, 2014
<b>Series B</b>	<b>9,155</b>	-	8.00%	(5)	December 31, 2014	December 31, 2016
<b>Series C</b>	<b>16,921</b>	-	7.00%	(6)	December 31, 2015	December 31, 2017
<b>Series D</b>	<b>34,000</b>	-	5.75%	\$5.75	December 31, 2016	December 31, 2018
<b>Subtotal</b>	<b>91,281</b>	16,695				

(1) Issued on August 15, 2013

(2) Issued on August 30, 2013

(3) On February 11, 2014, Plaza issued a redemption notice to redeem the Series VI debentures on April 1, 2014

(4) On January 7, 2014, Plaza redeemed all of the Series A Debentures for cash

(5) Convertible into \$99.76 and 169 Units for each \$1,000 principal amount of debentures

(6) Convertible into \$112.76 and 190 Units for each \$1,000 principal amount of debentures

With the acquisition of KEYreit, the Company assumed \$52.3 million in convertible debentures of KEYreit (Series A, B and C Debentures). With the exception of the Series A Debentures that were redeemed on January 7, 2014, these debentures, along with the Series D Debentures, are listed on the TSX. Due to the resulting change of control of KEYreit, the Company was required to make a repurchase offer for these debentures at a price equal to 101% of their respective principal amounts. The repurchase offer expired on June 28, 2013 with \$10.3 million of face value of debentures tendering to the offer. The tendered debentures were paid out on July 8, 2013.

On October 24, 2013, the Company completed a bought deal public offering of \$30 million aggregate principal amount of Series D Debentures. On November 13, 2013, the underwriters exercised the over-allotment option and purchased an additional \$4 million aggregate principal amount of Series D Debentures.

During the year ended December 31, 2013, \$1.5 million of Series VI convertible debentures were converted to 390 thousand Common Shares.

Mortgage bonds are secured by either property or cash.

Plaza's estimated payments on account of principal for its mortgages, development lines of credit, bank operating line of credit, the bridge facility, its mortgage bonds and non-convertible and convertible debentures at December 31, 2013 are as follows:

(000s)	Year 1 2014	Year 2 2015	Year 3 2016	Year 4 2017	Year 5 2018	After 5 Years	Face Value Total
Mortgages – periodic principal payments	\$ 8,989	\$ 8,700	\$ 8,230	\$ 6,783	\$5,191	\$ 22,763	\$ 60,656
Mortgages – due at maturity	19,976	22,966	60,263	65,040	22,422	141,495	332,162
Development lines of credit	19,268	-	-	-	-	-	19,268
Variable rate construction loans	4,469	-	-	-	-	-	4,469
Bridge facility	45,388	-	-	-	-	-	45,388
Mortgage bonds	9,000	-	2,085	-	-	-	11,085
Non-convertible debentures	-	-	-	-	4,000	-	4,000
Convertible debentures	15,991	15,214	9,155	16,921	34,000	-	91,281
Total	123,081	46,880	79,733	88,744	65,613	164,258	568,309

### **2014 Debt and Equity Financing Activity**

From January 1, 2014 to the date of this AIF, Plaza completed the following financing activities:

- In January 2014, Plaza obtained long term mortgage financing on Plaza de L'Ouest, Sherbrooke, QC, in the amount of \$11.1 million with a 10 year term and an interest rate of 4.75%. Plaza owns a 50% interest in this property.
- On January 7, 2014, Plaza redeemed all of the Series A Debentures for cash. The principal amount plus accrued and unpaid interest was \$16.0 million.
- On February 11, 2014, Plaza issued a redemption notice to Series VI 7.5% convertible debenture holders. Plaza will redeem all of the unconverted Series VI convertible debentures on April 1, 2014.
- In March 2014, Plaza obtained long term mortgage financing for 24 previously unencumbered single-use properties in Quebec, in the amount of \$8.9 million with a five year term and an interest rate of 3.87%.
- Plaza paid cash distributions of \$0.06 per Unit for a total of \$4.6 million and 175 thousand Units were issued at a purchase price of \$3.94 per Unit for a total of \$690 thousand under the distribution reinvestment plan.
- In connection with the monthly distributions, Plaza issued distribution RSUs to employees in accordance with the restricted share unit plan, resulting in 964 Units being issued at a price of \$4.07 per Unit for those distribution RSUs redeemed for Units, and \$2,085 being paid for those distribution RSUs redeemed for cash.

## MARKET FOR SECURITIES

The Units are listed and posted for trading on the TSX and trade under the stock symbol "PLZ.UN".

The following chart describes the monthly trading range and volume of the Common Shares on a monthly basis during the 2013 fiscal year:

Date	High	Low	Close	Volume Traded
January 2013	5.22	4.95	5.09	248,608
February 2013	5.09	4.92	4.95	153,593
March 2013	5.05	4.40	4.94	1,370,949
April 2013	5.00	4.55	4.69	2,259,193
May 2013	4.90	4.35	4.49	1,676,305
June 2013	4.50	4.215	4.28	4,161,566
July 2013	4.50	4.01	4.10	509,019
August 2013	4.37	3.98	4.04	903,114
September 2013	4.59	4.00	4.50	1,143,671
October 2013	4.55	4.11	4.24	1,670,989
November 2013	4.28	4.10	4.25	1,363,196
December 2013	4.51	4.01	4.35	5,523,919

The Series A Debentures are listed and posted for trading on the TSX and trade under the stock symbol "PLZ.DB.A".<sup>1</sup>

The following chart describes the monthly trading range and volume of the Series A Debentures on a monthly basis during the 2013 fiscal year:

Date	High	Low	Close	Volume Traded
January 2013	102.00	100.51	101.99	4,480
February 2013	101.80	101.01	101.50	5,930
March 2013	101.55	101.00	101.50	5,680
April 2013	102.50	101.51	102.49	5,320
May 2013	102.98	101.17	101.17	6,350
June 2013	101.87	101.15	101.25	4,250
July 2013	102.50	100.75	101.02	2,900
August 2013	101.99	100.80	101.55	1,600
September 2013	102.30	100.85	102.25	1,760
October 2013	102.00	100.76	101.00	23,720
November 2013	100.95	100.50	100.70	4,620
December 2013	100.55	100.00	100.00	11,660

The Series B Debentures are listed and posted for trading on the TSX and trade under the stock symbol "PLZ.DB.B".

<sup>1</sup> The Series A Debentures were redeemed by Plaza on January 7, 2014.

The following chart describes the monthly trading range and volume of the Series B Debentures on a monthly basis during the 2013 fiscal year:

<b>Date</b>	<b>High</b>	<b>Low</b>	<b>Close</b>	<b>Volume Traded</b>
January 2013	104.00	101.00	104.00	1,380
February 2013	104.00	103.12	103.40	1,600
March 2013	103.40	102.00	102.00	760
April 2013	103.50	101.06	101.20	3,450
May 2013	101.99	100.03	101.25	4,440
June 2013	102.50	101.15	102.50	4,770
July 2013	104.89	102.90	102.90	1,270
August 2013	104.00	103.00	103.00	1,980
September 2013	103.5	102.00	103.00	200
October 2013	104.05	103.10	104.05	1,080
November 2013	104.05	100.50	102.00	960
December 2013	105.75	101.52	105.75	400

The Series C Debentures are listed and posted for trading on the TSX and trade under the stock symbol "PLZ.DB.C".

The following chart describes the monthly trading range and volume of the Series C Debentures on a monthly basis during the 2013 fiscal year:

<b>Date</b>	<b>High</b>	<b>Low</b>	<b>Close</b>	<b>Volume Traded</b>
January 2013	102.00	98.50	101.01	11,220
February 2013	101.91	100.62	101.00	7,750
March 2013	101.70	101.00	101.51	12,680
April 2013	102.55	101.75	101.75	32,200
May 2013	102.75	101.50	101.50	12,470
June 2013	102.00	101.00	102.00	22,830
July 2013	104.50	102.25	103.50	8,410
August 2013	104.01	101.00	102.75	4,260
September 2013	104.25	100.01	104.25	1,400
October 2013	105.00	100.26	102.25	1,230
November 2013	104.00	100.63	101.50	1,660
December 2013	106.00	100.31	103.00	2,740

The Series D Debentures are listed and posted for trading on the TSX and trade under the stock symbol "PLZ.DB.D".

The following chart describes the monthly trading range and volume of the Series D Debentures on a monthly basis during the 2013 fiscal year:

<b>Date</b>	<b>High</b>	<b>Low</b>	<b>Close</b>	<b>Volume Traded</b>
October 2013	99.00	97.00	98.00	24,500
November 2013	100.00	98.00	100.00	12,170
December 2013	100.05	98.76	99.75	4,720

## **TRUSTEES AND EXECUTIVE OFFICERS**

### **Trustees and Executive Officers**

The names, municipality and country of residence, positions held with Plaza and principal occupations within the previous five years of the Trustees and executive officers of Plaza are set forth in the table below.

<b>Trustees</b>	<b>Position Presently Held with Plaza</b>	<b>Principal Occupation</b>	<b>Trustee of Plaza or Director of the Company Since</b>
Edouard F. Babineau, Charlottetown, Prince Edward Island, Canada (1)(2)	Trustee	President and CEO of Babineau Holdings Ltd. (a holding company) and shareholder and director in various other business ventures including real estate development (housing).	April 21, 2004
Earl A. Brewer, Fredericton, New Brunswick, Canada	Chairman and Trustee	Chairman of the Board of Plaza and Plaza Group Management Limited	February 2, 1999
Richard Hamm, Toronto, Ontario, Canada (1)	Trustee	Partner, BristolGate Capital Partners and Principal of Stepp Three Holdings Ltd. (a consulting and advisory business).	February 2, 1999
Stephen Johnson, Toronto, Ontario, Canada (2)	Trustee	President and CEO of Canadian Real Estate Investment Trust.	February 2, 1999
Denis Losier, Moncton, New Brunswick, Canada (1)	Trustee	Former President and Chief Executive Officer of Assumption Mutual Life Insurance Company of Moncton, Chairman of Assumption Life's subsidiaries and Louisbourg Investments (September 1, 1994 to April 1, 2013). Also a Board member of Canadian National Railway, Enbridge Gas New Brunswick Limited Partnership, Security and Intelligence Review Committee, Canadian Blood Services and Chair of Invest NB.	April 5, 2007
Barbara Trenholm, Fredericton, New Brunswick, Canada (1) (2)	Trustee	Professor emerita in the Faculty of Business Administration at the University of New Brunswick, President and Owner of Tantramar Management Ltd.	March 1, 2005
Michael A. Zakuta, Montreal, Quebec, Canada	President & CEO and Trustee	President and Chief Executive Officer of Plaza and Plaza Group Management Limited. Also a trustee of Fronsac Real Estate Investment Trust and Inovalis Real Estate Investment Trust	February 2, 1999
Floriana Cipollone Mississauga, Ontario, Canada	Chief Financial Officer	Chief Financial Officer of Plaza. Previously, Chief Financial Officer of Charter REIT (a publicly traded real estate investment trust) from 2007 to 2010.	N/A
James Petrie, Fredericton, New Brunswick, Canada	Executive Vice President & General Counsel	Executive Vice President and General Counsel of Plaza since May 13, 2013. Previously Vice President and General Counsel from August 20, 2009. Prior to that, Secretary and Corporate Counsel since 2004.	N/A
Kevin Salsberg, Toronto, Ontario, Canada	Executive Vice President	Executive Vice President of Plaza since May 17, 2013. Previously Chief Operating Officer of KEYreit (a publicly traded real estate investment trust) from 2006 – 2013	N/A
Kimberly Strange, Fredericton, New Brunswick, Canada	Secretary & Corporate Counsel	Secretary and Corporate Counsel of Plaza since June 2, 2010. Previously Corporate Counsel since January, 2007.	N/A

Notes:

(1) Member of the Audit Committee.

(2) Member of the Corporate Governance and Compensation Committee.

(3) At the date of this AIF, the Trustees and executive officers of Plaza beneficially own or have control or direction over 26,477,189 Units representing 28.90% of the number of issued and outstanding Units. In addition, a Trustee of Plaza beneficially owns series VI convertible debentures which may be convertible to 197,368 Units on or before March 31, 2014.

Each Trustee of Plaza will hold office until the close of the next annual meeting of unitholders of Plaza or until such Trustee's successor is duly elected or appointed.

## **Committees**

### ***Audit Committee***

The Audit Committee was established by the Board for the purpose of fulfilling its oversight responsibility to unitholders, potential unitholders, the investment community and others relating to (1) the financial reporting process, (2) systems of internal accounting and financial controls, (3) identifying and monitoring the management of principal risks that could affect the integrity of Plaza's financial reporting, (4) the appointment and communication with the external auditor, including oversight of its work and monitoring its independence and (5) Plaza's compliance with legal and regulatory requirements with respect to financial reporting matters. The Audit Committee must maintain a written charter setting out the Audit Committee's mandate and responsibilities and it must assess the adequacy of the charter on an annual basis and recommend any changes to the Board.

More information on the Audit Committee and its composition is contained in Schedule "A" - Form 52-110 FI - Audit Committee Information Required in an AIF.

### ***Corporate Governance and Compensation Committee***

The Corporate Governance and Compensation Committee was established by the Board to assist it in establishing the governance guidelines within which Plaza carries out its responsibilities. The purpose of the Committee is to develop, define and evaluate the process and structure used to supervise the business and affairs of Plaza. This provides accountability of the Board and management to Plaza's unitholders and other stakeholders. The Corporate Governance and Compensation Committee must maintain a written charter setting out the Corporate Governance and Compensation Committee's mandate and responsibilities and it must assess the adequacy of the charter on an annual basis and recommend any changes to the Board. The Corporate Governance and Compensation Committee charter was adopted and updated effective January 1, 2014 and can be found on Plaza's website at [www.plaza.ca](http://www.plaza.ca) or on SEDAR at [www.sedar.com](http://www.sedar.com) and is incorporated herein by reference. Plaza will promptly provide a copy of this charter free of charge to a security holder of Plaza upon request to the Corporate Secretary.

The Corporate Governance and Compensation Committee must also:

- assess the adequacy of the Board mandate on an annual basis and recommend any suggested changes to the Board;
- assess the adequacy of Plaza's Code of Business Conduct and Ethics on an annual basis and recommend any suggested changes to the Board;
- assess the adequacy of Plaza's Disclosure Policy on an annual basis and recommend any suggested changes to the Board;
- review with the Board, the appropriate skills and characteristics required of Board members;
- act as the nominating committee for Plaza and annually review, approve and recommend to the Board, the nominees for election or re-election to the Board;
- act as the compensation committee for Plaza and in that capacity its responsibilities include, but are not limited to: (i) annual review and approval of the compensation for the Trustees; (ii) reviewing and approving and reporting to the Board, the compensation for the Chief Executive Officer, the Chairman of the Board and any other of Plaza's Named Executive Officers (as defined in CSA Form 51-102F6); (iii) reviewing and approving recommendations in respect of any incentive compensation plans, including equity-based plans of Plaza and amendments to such plans as applicable; (iv) developing and annually reviewing the position descriptions for the Chairman of the Board, the Chair of each Board committee, and reviewing the performance of the Chief Executive Officer as well as his roles and responsibilities on an annual basis; (v) reviewing, prior to any public disclosure, the executive compensation disclosure included in Plaza's annual management information circular; and (vi) discussing, no less than every two (2) years, succession planning with the Chief Executive Officer and the Chairman of the Board (done by

the Chair of the Corporate Governance and Compensation Committee who reports back to the Corporate Governance and Compensation Committee); and

- review the results of an assessment questionnaire completed by each Board member containing his/her views regarding the functionality, effectiveness and contribution of the Board and any committee during the year.

The Corporate Governance and Compensation Committee consists of as many members as the Board may determine, but in no event fewer than three Trustees. In addition, each member must be considered an “independent” Trustee under appropriate securities law.

### **Cease Trade Orders and Bankruptcies**

To the knowledge of Plaza, none of the Trustees is or, in the past 10 years has been, a director, chief executive officer or chief financial officer of any issuer that, (a) while the person was acting in that capacity was the subject of a cease trade order or similar order or an order that denied the issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days, or (b) was subject to an order described in (a) that was issued after that person ceased to be a director, chief executive officer or chief financial officer, and which resulted from an event that occurred while the person was acting in that capacity.

To the knowledge of Plaza, none of the Trustees (a) is, or has been within the past 10 years, a director or executive officer of any issuer that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver/manager or trustee appointed to hold its assets, or (b) has made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver/manager or trustee appointed to hold the assets of the person, except for Richard Hamm who was Chairman and a director of Vivacorp Properties et al. which filed for bankruptcy in 2008.

## **CONFLICTS OF INTEREST**

Earl Brewer and Michael Zakuta indirectly control some of the general partners of the limited partnerships in which Plaza has an ownership interest, either directly or indirectly.

Earl Brewer and Michael Zakuta indirectly control TC Land LP which leases nine parcels of land to Plaza. The land leases expire at various times from October 2043 to November 2047, subject to options to renew or purchase.

Earl Brewer and Michael Zakuta directly or beneficially, through companies they control, hold interests in common with Plaza's 25% interest in the Gateway Mall, Sussex, NB

Earl Brewer, Michael Zakuta and Edouard Babineau, directly or indirectly, hold interests in common with Plaza's 10% interest in Northwest Plaza Commercial Trust, the owner of Northwest Centre, Moncton, NB.

Plaza has notes payable of \$261 thousand (December 31, 2012 - \$261 thousand) that are owed to parties controlled directly or indirectly by Michael Zakuta. The non-interest bearing notes existed at the time of acquisition of properties in September, 2000 and are repayable on sale or refinancing of the related asset.

On July 1, 2011 as part of the internalization of property and corporate management, PGML entered into an aircraft operating agreement with Plaza Atlantic Limited, a company owned by Earl Brewer and Michael Zakuta, with respect to the use and operation of a turbo-prop airplane, used from time to time by PGML and the Company to facilitate more timely access to properties across the portfolio mainly for construction and development. As of the date of this AIF, PGML is no longer a party to that agreement as a result of the sale of the airplane.



PGML is a party to an office lease for the Company's former corporate headquarters in Fredericton, New Brunswick. The owner of the office building (and counter party to the office lease) is a company indirectly owned by Michael Zakuta and Earl Brewer. The lease expires March 31, 2014 and Plaza has not renewed the lease as it has moved its corporate headquarters to one of its own properties.

PGML manages 527 Queen Street, Fredericton, NB, a property owned indirectly by Michael Zakuta and Earl Brewer.

Some of the officers and Trustees of Plaza will participate and will continue to participate in similar lines of business within the real estate industry on their own behalf and on behalf of other corporations and entities. If any conflicts arise whereby the officers or Trustees have an interest in companies or in business activities which are in competition with the business of Plaza, such conflicts will be subject to and governed by Plaza's Code of Business Conduct and Ethics.

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

Plaza is exposed to various litigation and claims that arise from time to time in the normal course of business. These actions generally fall within Plaza's property insurance coverage. During the fiscal year ended December 31, 2013, the Company was not the subject of, or was a party to, any material legal proceedings.

During the fiscal year ended December 31, 2013, the Company has not been subject to any penalties or sanctions imposed by a court or regulatory authority nor have any settlement agreements been entered into in respect thereof.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

None of the Trustees or officers of Plaza, and no associate or affiliate of them, has or is engaged in any material transactions that materially affects Plaza other than:

1. Trustees and officers of Plaza own certain mortgage bonds, unsecured debentures or convertible debentures of Plaza;
2. Plaza is a party to various land leases on nine parcels of land with TC Land LP, an entity indirectly owned and controlled by Earl Brewer and Michael Zaktua;
3. Plaza has notes payable of \$261 thousand (December 31, 2012 - \$261 thousand) that are owed to parties controlled directly or indirectly by Michael Zakuta. The non-interest bearing notes existed at the time of acquisition of properties in September 2000 and are repayable on sale or refinancing of the related asset;
4. As part of the internalization of property and corporate management in 2011, PGML entered into an aircraft operating agreement with Plaza Atlantic Limited, a company owned by Earl Brewer and Michael Zakuta, with respect to the use and operation of a turbo-prop airplane, used from time to time by PGML and the Company to facilitate more timely access to properties across the portfolio mainly for construction and development;
5. PGML manages 527 Queen Street, Fredericton, NB, a property owned indirectly by Michael Zakuta and Earl Brewer; and
6. PGML is a party to an office lease for the Company's former corporate headquarters in Fredericton, New Brunswick. The owner of the office building (and counter party to the office lease) is a company

indirectly owned by Michael Zakuta and Earl Brewer. The lease expires March 31, 2014 and Plaza has not renewed the lease as it has moved its corporate headquarters to one of its own properties.

#### **TRANSFER AGENT AND REGISTRAR**

The registrar and transfer agent of Plaza is CST Trust Company as the Administration Agent for CIBC Mellon Trust Company, 600 The Dome Tower, 333 - 7<sup>th</sup> Avenue S.W., Calgary, Alberta T2P 2Z1.

#### **MATERIAL CONTRACTS**

Except for contracts entered into in the ordinary course of business such as leases with tenants and other agreements, there are no other contracts entered into by Plaza, which are material to investors.

#### **EXPERTS**

The Consolidated Financial Statements of the Company as at and for the year ended December 31, 2013 and December 31, 2012 have been audited by KPMG LLP Chartered Accountants, who are independent of the Company and Plaza within the meaning of the Rules of Professional Conduct of the New Brunswick Institute of Chartered Accountants.

#### **ADDITIONAL INFORMATION**

Additional information regarding Plaza, including Trustees' and officers' compensation, principal holders of Plaza securities and other equity compensation will be contained in Plaza's Management Information Circular with respect to the annual meeting of unitholders to be held on Thursday, May 22, 2014. Additional financial information can also be found in the Company's annual report which contains the Consolidated Financial Statements and the Management's Discussion and Analysis for the fiscal year ended December 31, 2013. Additional information relating to Plaza is available and may be found on SEDAR at [www.sedar.com](http://www.sedar.com) or from Plaza's Corporate Secretary at 506-451-1826.

## **Schedule “A” – Form 52-110F1**

### **Audit Committee Information Required in an AIF**

#### **Audit Committee Charter**

The Audit Committee Charter was adopted and most recently amended by the Board effective January 1, 2014. The Charter is available on Plaza's web site, on SEDAR at [www.sedar.com](http://www.sedar.com) or may be obtained upon request from the Corporate Secretary at 506-451-1826.

#### **Composition of the Audit Committee**

The Audit Committee consists of:

Barbara Trenholm (Chair)  
Denis Losier (Member)  
Richard Hamm (Member)  
Edouard Babineau (Member)

All members of the Audit Committee are independent and financially literate (as defined in National Instrument 52-110).

#### **Relevant Education and Experience**

##### *Barbara Trenholm*

Barbara Trenholm, the Committee's Chair, taught accounting full-time at the undergraduate and graduate levels at the Faculty of Business Administration, University of New Brunswick (UNB) from 1980 – 2008. In 2009, she was honoured on retirement by the University as a professor emerita and continues to teach part-time at UNB. Ms Trenholm has served on a number of boards of directors over the years and audit committees, many of which she has chaired. She has also chaired and/or served on pension and risk management committees. She is the President and owner of Tantramar Management Ltd. She holds a Bachelor of Commerce, an MBA, an FCA (fellow of the New Brunswick Institute of Chartered Accountants), is a member of the Institute of Corporate Directors and has taken a number of governance courses over the years.

##### *Denis Losier*

Mr. Losier is the former President and CEO of Assumption Mutual Life Insurance Company of Moncton (September 1, 1994 to April 1, 2013), and former Chairman of Assumption Life's subsidiaries and Louisbourg Investments. Mr. Losier held various cabinet-level positions with the Government of the Province of New Brunswick from 1989 – 1994. He is a Director and Chair of the Audit Committee of Canadian National Railway Company and a director of Enbridge Gas New Brunswick Limited Partnership. Mr. Losier also sits on the Board of a number of associations and groups including, the Security and Intelligence Review Committee, Canadian Blood Services and is Chair of Invest NB. Mr. Losier is also a past director and past Chair of the Corporate Governance Committee of NAV Canada. Mr. Losier holds a Master of Economics degree from the University of Western Ontario.

##### *Richard Hamm*

Mr. Hamm is presently a partner of BristolGate Capital Partners Inc. and principal of Stepp Three Holdings Ltd., a private investment management company. Previously, Mr. Hamm held many executive positions in the financial services industry in Canada and has been involved in the real estate development business since 1996. He is a former President and CEO of the Company (2002 – 2005). Mr. Hamm holds a Bachelor of Commerce (Honours) degree from Queen's University.

##### *Edouard Babineau*

Mr. Babineau is currently President and CEO of Babineau Holdings Ltd. He is also a shareholder and director in various other business ventures including real estate development (housing). His extensive business experience includes President and owner of Babineau Fisheries Ltd., Souris Seafoods Ltd., International

Seafoods Ltd. and Northumberland Seafoods Ltd. (an international marketing company). He has served two terms of three years each as President of the Seafood Processors Association of Prince Edward Island, as well as sitting as a Governor on the Board of Holland College in Prince Edward Island for six years, where he was a member of the Finance Committee and the Pension Committee. Mr. Babineau currently serves as a Director of Holland College Foundation. Mr. Babineau is a former Chair of the Company's Audit Committee and is the current Chair of Plaza's Corporate Governance and Compensation Committee. Mr. Babineau has taken accounting courses at Holland College, as well as an Audit Committee Chair course presented by KPMG in Halifax, Nova Scotia in 2005. In all of his positions, Mr. Babineau has been directly involved in reviewing financial statements and financial information of complex organizations, both for profit and not-for-profit.

#### **Audit Committee Pre-Approval Policy**

Plaza and its subsidiaries will not engage its auditors for any prohibited service as defined by regulation. The Audit Committee will consider the pre-approval of permitted services to be performed by the external auditor in each of the following broad categories:

##### **A. *Audit Services***

The Audit Committee will approve and recommend that the unitholders appoint a firm as Plaza's auditor at each annual general meeting. The Audit Committee will pre-approve all Audit Services through the Audit Committee's review of the auditor's annual audit plan.

##### **B. *Pre-Approval of Audit Related, Tax and Other Non-Audit Services***

Annually, the Audit Committee updates a list of pre-approved services and pre-approves services that are recurring or otherwise reasonably expected to be provided. The Audit Committee is informed quarterly of the services on the pre-approved list for which the auditor has been actually engaged. Any additional requests for pre-approval will be addressed on a case-by-case, specific engagement basis as described below.

Any Plaza employee requiring a service from the Auditor will submit the request to the Chief Financial Officer of Plaza. The request for service includes a description of the service, the estimated fee, a statement that the service is not a Prohibited Service (as such term is defined in Plaza's pre-approval policy) and the reason the auditor is being engaged.

For services where the aggregate fees are estimated to be less than or equal to \$40,000, recommendations in respect of each engagement will be submitted by the Chief Financial Officer to the Chair of the Audit Committee for consideration and approval. The full Audit Committee will subsequently be informed of the service at its next meeting. The engagement may commence upon approval of the Chair.

For services where the aggregate fees are estimated to be greater than \$40,000, recommendations in respect of each engagement will be submitted by the Chief Financial Officer to the full Audit Committee for consideration and approval, generally at its next meeting or at a special meeting called for the purpose of approving such services. The engagement may commence upon approval of the full Committee.

At each Audit Committee Meeting, the Auditor will confirm either verbally or in writing all non-audit services performed since the last Audit Committee Meeting.

**Auditor Fees – Fiscal Year Ended December 31, 2013 and December 31, 2012**

The fees billed by KPMG LLP to Plaza are as follows:

	2013	2012
Audit Fees <sup>(1)</sup>	<b>\$224,250</b>	\$190,287
Audit Related Fees <sup>(2)</sup>	<b>57,750</b>	63,250
Tax Fees	<b>6,500</b>	3,000
All Other Fees (including, prospectus, translation, accounting policy reviews, transaction assistance and IFRS) <sup>(2)</sup>	<b>86,873</b>	8,295
Fees relating to KEYreit acquisition <sup>(2)</sup>	<b>123,013</b>	
Fees relating to REIT conversion <sup>(2)</sup>	<b>139,248</b>	
<b>TOTAL</b>	<b>\$637,634</b>	\$264,832

*(1) Audit fee includes accrual for 2013*

*(2) Fees include accruals for 2013*