

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

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or any state securities laws and, subject to certain exceptions, may not be offered or sold in the United States or to U.S. persons unless the securities are registered under the U.S. Securities Act or an exemption from such registration is available.

PRELIMINARY PROSPECTUS

Initial Public Offering

November 26, 2021

NOVA NET LEASE REIT

Minimum Offering: US\$3,500,000 or 2,800,000 Units

Maximum Offering: US\$6,000,000 or 4,800,000 Units

US\$1.25 per Unit

This prospectus qualifies the distribution to the public (the “**Offering**”) up to 4,800,000 trust units (the “**Units**”) of Nova Net Lease REIT (the “**REIT**”, “**Trust**” or “**Nova**”), a newly-created, internally-managed, unincorporated, open-ended real estate investment trust established under, and governed by, the laws of the Province of Ontario at an offering price per Unit (the “**Offering Price**”) of \$1.25 per Unit. References in this prospectus to dollars or “\$” are to U.S. currency. All capitalized terms referred to above are defined elsewhere in this prospectus including under “**Glossary**”.

The REIT has been formed to acquire specialized industrial and retail properties leased to experienced, state-licensed operators for their Regulated Cannabis (as defined herein) facilities (“**Licensed Facilities**”) in the United States. The REIT intends to acquire properties through sale-leaseback transactions and lease such properties on a triple net lease basis for a targeted 10 to 15 year term and strives to negotiate annual rental rate increases in the leases. The REIT’s portfolio will consist of only Licensed Facilities in the United States with a targeted mix of 80% cultivation/grow/processing facilities and 20% retail/dispensary.

The primary objectives of the REIT are to: (i) provide holders of Units (“**Unitholders**”) an opportunity to invest in a portfolio of Licensed Facilities located in attractive U.S. markets where permissible by law; (ii) provide Unitholders with predictable, sustainable and growing cash distributions; (iii) enhance the value of the REIT’s portfolio and maximize the long-term value of the Units through proactive asset management, disciplined capital management and value-add investment opportunities; and (iv) expand the asset base of the REIT in its existing operational footprint and target growth markets by leveraging management and the Trustees’ (as defined herein) extensive industry experience and relationships to acquire Licensed Facilities that are expected to be accretive to the REIT’s net operating income (“**NOI**”) and funds from operations (“**FFO**”) per Unit. See “**The REIT**”. Both NOI and FFO are non-IFRS financial measures — see “**Non-IFRS Measures**”.

The REIT intends to pay predictable, sustainable, and growing cash distributions to Unitholders on a monthly basis. Initially, the distributions will be between \$0.025 to \$0.03 per Unit per annum, payable monthly to Unitholders, which will provide Unitholders with an approximate annualized cash distribution yield of between 2.0% to 2.4%. The REIT’s portfolio will generate cash flow in U.S. dollars and the distributions made on the Units following the Closing will be denominated in U.S. dollars. None of the net proceeds from the Offering will be deployed by the REIT to acquire Licensed Facilities. See “**Risk Factors**”. FFO is a non-IFRS financial measure, see “**Non-IFRS Measures**”. See “**Use Of Proceeds**” and “**Distribution Policy**”.

The Initial Licensed Facility (as defined herein) is currently owned indirectly by the REIT through its indirect wholly-owned subsidiary, Nova Net Lease Operating, LLC (the “**Operating Partnership**”). The REIT acquired the Initial Licensed Facility from Cloud Cannabis (as defined herein). Cloud Cannabis is a licensed owner and operator of retail

and cultivation cannabis assets, based in Michigan, which presently owns five dispensary locations in; Ann Arbor, Muskegon, Traverse City, Detroit, and Utica. Cloud Cannabis has a strong and reputable operating history with 100% of received applications submitted for licensing. Cloud Cannabis also presently operates the Initial Licensed Facility, and a cannabis processing facility in Plymouth. Currently and following Closing, Cloud Cannabis will be the REIT's only tenant and its most significant tenant for the foreseeable future as Cloud Cannabis is expected to occupy 100% of the REIT's properties. The rent from the Initial Licensed Facility will represent 100% of the REIT's NOI (as defined herein) on Closing. See "Risk Factors — Cloud Cannabis as Key Tenant".

Following Closing, although the REIT expects that the net proceeds from the Offering will be used for working capital purposes, thereby allowing the REIT to operate and take steps towards achieving its stated investment objective. As at the date hereof, the REIT does not have any definitive agreement with respect to future property acquisition(s), but has identified a number of properties on which it intends to conduct due diligence. None of the net proceeds from the Offering will be deployed by the REIT to acquire Licensed Facilities. Should the REIT proceed with acquiring any future Licensed Facility for cash, the REIT is expecting to undertake a future public or private offering of Units and use the proceeds towards the future acquisition. See "Potential Acquisition Pipeline" and "Use of Proceeds".

Offering Price: \$1.25 per Unit

| | Price to public ⁽¹⁾ | Agents Fee ⁽²⁾ | Net Proceeds to The REIT ⁽³⁾ |
|---------------------------------|--------------------------------|---------------------------|---|
| Per Unit | \$1.25 | \$0.075 | \$[●] |
| Minimum Offering | \$3,500,000 | \$210,000 | \$[●] |
| Maximum Offering ⁽⁴⁾ | \$6,000,000 | \$360,000 | \$[●] |

Notes:

- (1) The Offering Price was established by negotiation among the REIT and the Agents (as defined below) and has been determined, in part, based on Pro Forma FFO (as defined below).
- (2) The Agents will receive a cash commission equal to 6% of the gross proceeds of the Offering, payable at closing. The Agent will also be reimbursed by the REIT for their expenses and legal fees, plus applicable taxes and disbursements. In addition, the Agents will be granted non-transferable warrants to purchase that number of Units as is equal to 6% (none if sold to persons on the President's List) of the Units sold in connection with this Offering at a price of \$1.25 per warrant (the "Agents' Warrants"), exercisable for a period of 36 months from the date of listing of the Units on the CSE, which Agent's Warrants are qualified for distribution under this prospectus. See "Plan of Distribution".
- (3) Before deducting the expenses of the offering estimated at \$[●]
- (4) The REIT has granted the Agents an option (the "Over-Allotment Option"), exercisable in whole or in part at any time up to 30 days after Closing, to purchase up to an additional 720,000 Units (being 15% of the Offering) at the Offering Price, solely to cover the Agents' over-allocation position, if any, and for consequent market stabilization purposes. If the Over-Allotment Option is exercised in full, and if the Maximum Offering (as defined herein) was to be achieved, the total "Price to the Public", "Agents' Fee" and "Net Proceeds to the REIT", before deducting the expenses of the Offering, will be as much as \$1.25, \$414,000 and \$[●] respectively. This prospectus also qualifies the grant of the Over-Allotment Option. A purchaser who acquires Units forming part of the Agents' over-allocation position acquires those Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

The following table sets out the number of Units that may be issued to Agents pursuant to the Over-Allotment Option.

| Agent's Position | Maximum Size or Number of Units Available | Exercise Period | Exercise Price |
|-----------------------|---|---|----------------|
| Over-Allotment Option | Option to acquire up to 720,000 Units (being 15% of the Offering) | Exercisable at any time up to 30 days after Closing | Offering Price |

Canaccord Genuity Corp. (“CG”), [●] (“[●]” and, together with CG, the “Agents”) conditionally offer the Units qualified under this prospectus for sale on a best efforts basis, if, as and when issued by the REIT and accepted by the Agents in accordance with the conditions contained in the Agency Agreement between the REIT and the Agents referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the REIT by Goodmans LLP (with respect to Canadian matters), Hodgson Russ LLP (with respect to U.S. corporate and tax matters) and on behalf of the Agents by Blake, Cassels & Graydon LLP.

In connection with the Offering, CG may be considered to be a “connected issuer” within the meaning of National Instrument 33-105 – *Underwriting Conflicts* (“NI 33-105”) to the REIT. Patrick Burke is the president of CG, Capital Markets, and is expected to be a Trustee on Closing. See “Plan of Distribution”.

In connection with this distribution, the Agents have been granted the Over-Allotment Option and may, subject to applicable law, over-allocate or effect transactions which stabilize or maintain the market price of the Units at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. **After the Agents have made reasonable efforts to sell all of the Units at the Offering Price, the Agents may subsequently reduce the selling price to investors from time to time in order to sell any of the Units remaining unsold. Any such reduction will not affect the proceeds received by the REIT.** See “Plan of Distribution”.

Subscriptions will be received subject to rejection or allocation in whole or in part and the Agents reserve the right to close the subscription books at any time without notice. Closing is expected to occur on [●], 2021 or such other date as the REIT and the Agents may agree, but in any event no later than [●], 2021. Registrations and transfers of Units will be effected electronically through the non-certificated inventory system administered by CDS Clearing and Depository Services Inc. Beneficial owners of Units will not, except in certain limited circumstances, be entitled to receive physical certificates evidencing their ownership of Units. See “Declaration of Trust and Description of REIT Units — Non-Certificated Inventory System” and “Plan of Distribution”.

There will be no closing of the Offering unless the Minimum Offering (as defined herein) is achieved. The distribution under the Offering will not continue for a period of more than 90 days after the date of the receipt obtained from the principal securities regulatory authority for the Final Prospectus (as defined herein). If one or more amendments to the Final Prospectus are filed and the principal securities regulatory authority has issued a receipt for any such amendment, the distribution under this Offering will not continue for a period of more than 90 days after the latest date of a receipt for any such amendment. In any case, the total period of distribution under the Offering will not continue for a period of more than 180 days from the date of the receipt for the Final Prospectus. If the Minimum Offering is not achieved during the 90 day period, subscription funds received by the Agents will be returned to subscribers without any deductions, unless the subscribers have otherwise instructed the Agents.

There is no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. This may affect the pricing of the Units in the secondary market, the transparency and availability of trading prices, the liquidity of the Units and the extent of issuer regulation. See “Risk Factors”. The REIT has applied to have its Units listed on the Canadian Securities Exchange (the “CSE”). Listing is subject to the approval of the CSE in accordance with its original listing requirements. The CSE has not conditionally approved the REIT’s listing application and there is no assurance that the CSE will approve the listing application. See “Plan of Distribution”. As at the date of this prospectus, the REIT does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside Canada and the United States of America other than an over-the-counter electronic quotation system maintained by OTC Markets in the U.S.

A return on a purchaser’s investment in Units is not comparable to the return on an investment in a fixed income security. The recovery of the initial investment in Units by an investor is at risk, and the anticipated return on an investment is based on many performance assumptions. Although the REIT intends to make distributions of available cash to Unitholders in accordance with its distribution policy, these cash distributions are not guaranteed and may be reduced or suspended at the discretion of the trustees of the REIT (the “Trustees”). The ability of the REIT to make distributions and the actual amount distributed on Units will depend on numerous factors, including the financial performance of the REIT’s properties, debt covenants and other contractual obligations, working capital requirements

and future capital requirements, all of which are subject to a number of risks. In addition, the market value of the Units may decline if the REIT is unable to meet its cash distribution and FFO targets in the future, and that decline may be significant. It is important for a person making an investment in Units to consider the particular risk factors that may affect the REIT, its business and the real estate industry, and therefore the stability of distributions to Unitholders. A prospective purchaser should review this document in its entirety and carefully consider the risk factors described under “Risk Factors” before purchasing Units.

Because the REIT will be treated as a real estate investment trust for U.S. federal income tax purposes, distributions paid by the REIT to Canadian investors that are made out of the REIT’s current or accumulated earnings and profits (as determined under U.S. federal income tax principles) and not designated by the REIT as a capital gain dividend, will generally be subject to U.S. withholding tax at a rate of 30%, which may be reduced to 15% for investors that qualify for benefits under the United States-Canada Income Tax Convention (1980, as amended) (the “**Treaty**”) and certain requirements under the Treaty, provided that the required form evidencing eligibility for such benefits is filed with the REIT or the appropriate withholding agent. To the extent a Canadian investor is subject to U.S. withholding tax in respect of distributions paid by the REIT on the Units out of the REIT’s current or accumulated earnings and profits, the amount of such tax may be eligible for foreign tax credit or deduction treatment, subject to the detailed rules and limitations under the Tax Act (as defined herein). So long as the Units continue to be regularly traded on an established securities market, distributions with respect to Units in excess of the REIT’s current and accumulated earnings and profits that are distributed to Canadian investors that have not owned (or been deemed to own) more than 10% of the outstanding Units generally will not be subject to U.S. withholding tax, although there can be no assurances that withholding on such amounts will not be required. The REIT estimates that approximately 70% to 85% of the monthly cash distributions to be paid to Unitholders in 2022 will be made out of the REIT’s current or accumulated earnings and profits as determined for U.S. tax purposes and, accordingly, will be subject to U.S. withholding tax. The composition of distributions for U.S. federal income tax purposes may change over time and may be different from the composition for Canadian federal income tax purposes, which may affect the after-tax return to Unitholders. Qualified residents of Canada that are tax-exempt entities established to provide pension, retirement or other employee benefits (including trusts governed by an RRSP, RRIF or DPSP (each as defined herein), but excluding trusts governed by a TFSA, RESP or RDSP (each as defined herein)) may be eligible for an exemption from U.S. withholding tax. The foregoing is qualified by the more detailed summary in this prospectus. See “Certain Canadian Federal Income Tax Considerations” and “Certain U.S. Federal Income Tax Considerations”. See also “Distribution Policy” and “Risk Factors — Risk Factors Related to Tax”.

The after-tax return from an investment in Units to Unitholders subject to Canadian federal income tax will depend, in part, on the composition for Canadian federal income tax purposes of distributions paid by the REIT, portions of which may be fully or partially taxable or may constitute tax deferred returns of capital (i.e., returns that initially are non-taxable but which reduce the adjusted cost base of the Unitholders’ Units). The composition of distributions for Canadian federal income tax purposes may change over time and may be different from the composition for U.S. tax purposes, thus affecting the after-tax return to Unitholders. See “Distribution Policy” and “Risk Factors — Risk Factors Related to Tax”.

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

The following persons are incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or reside outside of Canada. The persons named below have appointed the following agents for service of process:

| <u>Name of Person or Company</u> | <u>Name and Address of Agent for Service</u> |
|--|---|
| Stacy Riffe, in her capacity as CFO | GODA Incorporators, Inc., located at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7 |
| Steve Dawson, in his capacity as Trustee | GODA Incorporators, Inc., located at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7 |
| Katie Barthmaier, in her capacity as Trustee | GODA Incorporators, Inc., located at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7 |

Edward Lowenthal, in his capacity as Trustee GODA Incorporators, Inc., located at 333 Bay Street, Suite 3400,
Toronto, Ontario, M5H 2S7

Newmark Knight Frank Valuation & Advisory, LLC (the “Appraiser”) GODA Incorporators, Inc., located at 333 Bay Street, Suite 3400,
Toronto, Ontario, M5H 2S7

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

This prospectus qualifies the distribution of securities of an entity that currently does, and is expected to continue to, derive most of its revenues from its ancillary involvement with the U.S. cannabis industry. The tenants of the properties comprising the Initial Licensed Facility operate in multiple areas of the United States Regulated Cannabis industry. As such, the REIT will derive most of its revenues from its ancillary involvement with the Regulated Cannabis industry or industries closely associated with the Regulated Cannabis industry, in the state of Michigan initially, which industry is illegal under U.S. Federal Law. As such, the Corporation considers itself a U.S. Marijuana Issuer with material ancillary involvement with the U.S. cannabis industry, as defined in the Canadian Securities Administrators Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana related Activities* dated February 8, 2018.

The United States federal government regulates drugs through the CSA (as defined herein) which schedules controlled substances, including cannabis, based on their approved medical use and potential for abuse. Marijuana is classified as a Schedule I controlled substance. The United States Department of Justice (the “Department of Justice”) defines Schedule I drugs, substances or chemicals as “drugs with no currently accepted medical use and a high potential for abuse.” The United States Food and Drug Administration (the “FDA”) has not approved marijuana as a safe and effective treatment for any condition. The FDA has approved cannabidiol, a component of cannabis, for a narrow segment of medical conditions. Additionally, under U.S. federal law, it may be a violation of federal money laundering statutes for to take any proceeds from the sale of marijuana or any other Schedule I controlled substance.

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

As at the date of this prospectus, in the United States, 37 U.S. states and the District of Columbia, have enacted legislation to legalize and regulate the sale and use of Medical-Use Cannabis. Meanwhile, 18 U.S. states have enacted laws that permit the production and sale of Adult-Use Cannabis, and the District of Columbia has legalized possession and use of Adult-Use Cannabis.

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

should be focused on addressing only the most significant threats related to cannabis, a non-exhaustive list of which was enumerated therein.

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

Following the inauguration of Joseph R. Biden as U.S. President in January 2021, Merrick Garland is now the U.S. Attorney General. During his confirmation hearing, and in the ensuing months, Garland took a similar stance as his predecessor, and affirmed that prosecution of businesses and individuals operating in compliance with state law is not a good use of Department of Justice resources. However, he has expressed continued concern over international transport of large amounts of illicit cannabis from other nations—namely Mexico—and large-sale domestic cultivation of illicit cannabis.

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

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

marijuana remains in place even with the passage of the Farm Bill and this additional guidance related to hemp.

Although the Cole Memorandum has been rescinded, one legislative safeguard for the Medical-Use Cannabis industry has historically remained in place: Congress adopted a so-called “rider” provision to the fiscal years 2015, 2016, 2017, and 2018, 2019 and 2020 Consolidated Appropriations Acts (sometimes referred to as the “Rohrabacher/Blumenauer Amendment”) to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated Medical-Use Cannabis actors operating in compliance with state and local law. The Rohrabacher/Blumenauer Amendment was included in the consolidated appropriations bill signed into legislation by President Trump in December 2019 and were effective until September 30, 2021. On September 30, 2021, President Biden signed the Extending Government Funding and Delivering Emergency Assistance Act, which extended the Rohrabacher-Blumenauer Amendment through December 3, 2021. The Rohrabacher/Blumenauer Amendment may or may not be included in a subsequent omnibus appropriations package or a continuing budget resolution. Should the Rohrabacher/Blumenauer Amendment not be renewed upon expiration in subsequent spending bills, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with state law. Such potential proceedings could involve significant restrictions being imposed upon the REIT or third parties.

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

U.S. Attorney Statements in Michigan

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

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

To the best of the REIT’s knowledge, the businesses of its Counterparties and tenants are in compliance with the licensing requirements and regulatory frameworks enacted by each of the U.S. states in which such parties do business.

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

Following Closing, the business of the REIT will only be in the United States. See “Risk Factors”

GLOSSARY OF TERMS

“**2014 Cole Memorandum**” has the meaning set out on the cover page.

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

“**Adult-Use Cannabis**” means the consumption of the herbal substance derived from plants of the genus cannabis by someone 21 or older that is not part of the treatment for a specific symptom or disease, but does not include hemp and hemp products.

“**Advance Notice Provision**” has the meaning set out under the heading “Declaration of Trust and Description of REIT Units — Advance Notice Provision”.

“**AFFO**” has the meaning set out under the heading “Non-IFRS Measures”.

“**Agency Agreement**” means the agency agreement between the REIT and the Agents dated [●].

“**Agents' Warrants**” has the meaning set out on the cover page.

“**Agents**” means collectively CG and [●].

“**allowable capital loss**” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations — Taxation of Holders”.

“**Appraisal**” has the meaning set out under the heading “Assessments and Valuation of the Initial Licensed Facility”.

“**Appraiser**” means Newmark Knight Frank Valuation & Advisory, LLC.

“**ARP**” means the American Rescue Plan Act of 2021.

“**ASTM Standard Practice**” means ASTM Designation E1527-13, “Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process”.

“**Audit Committee**” means the audit committee of the Board, as more particularly described under “Trustees and Management of the REIT”.

“**Acquisition Incentive**” has the meaning set out under the heading “Summary Compensation Table Expected for Fiscal 2021”.

“**Beneficial Ownership**” has the same meaning as in the Declaration of Trust.

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

“**CAOA**” means the Cannabis Administration and Opportunities Act.

“**capital gains refund**” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations — Taxation of the REIT”.

“**CARES Act**” has the meaning set out under the heading “Risk Factors Related to the COVID-19 Pandemic”.

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

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

“**CFA**” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations — Taxation of the REIT”.

“**CG**” means Canaccord Genuity Corp.

“**Charitable Trust**” has the same meaning as in the Declaration of Trust.

“**Class A Units**” means the Class A units of the Operating Partnership, as more particularly described under “Operating Partnership – Operating Partnership Units”.

“**Class B Units**” means the Class B units of the Operating Partnership, as more particularly described under “Operating Partnership – Operating Partnership Units”.

“**Closing**” means the closing of the Offering and other related transactions, the material terms of which are described in this prospectus.

“**Closing Date**” means the date of the Closing.

“**Closing Market Price**” has the meaning set out under the heading “Declaration of Trust and Description of REIT Units — Redemption Right”.

“**Cloud Cannabis**” means Oak Hudson Pharma, LLC, Oak Flint, LLC, East Coastline, LLC, Pinebrook Warren, LLC and Family Brands, LLC, or such other entity that may come to own the aforementioned entities.

“**Code**” means Internal Revenue Code of 1986, as amended.

“**Code of Conduct**” has the meaning set out under the heading “Trustees and Management of the REIT”.

“**Cole Memorandum**” has the meaning set out on the cover page.

“**Compensation, Governance and Nominating Committee**” means the Compensation, Governance and Nominating Committee of the Board, as more particularly described under “Trustees and Management of the REIT”.

“**Constructive Ownership**” has the same meaning as in the Declaration of Trust.

“**Corporate Disclosure Policy**” has the meaning set out under the heading “Trustees and Management of the REIT”.

“**COVID-19**” has the meaning set out under “Risk Factors — Risk Factors Related to the COVID-19 Pandemic”.

“**CPI**” means the consumer price index.

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

“**CREC**” means controlled recognized environmental conditions.

“**CSA**” means the Controlled Substances Act of 1940 and the regulations thereunder, as amended.

“**CSA Notice 51-352**” means Canadian Securities Administrators Staff Notice 51-352 (Revised) dated February 8, 2018 – *Issuers with U.S. Marijuana-Related Activities*, as more particularly set out in “U.S. Regulatory Environment”.

“**CSE**” means the Canadian Securities Exchange.

“**CSE Escrow Agreement**” means the escrow agreement to be entered into prior to Closing, among the REIT, the Escrow Agent and certain security holders of the REIT pursuant to NP 46-201.

“**CSE Publicly Traded Exception**” has the meaning set out under the heading “Certain U.S. Federal Income Tax Considerations — Taxation of Non-U.S. Holders”.

“**Debt to Gross Book Value Ratio**” has the meaning set out under the heading “Non-IFRS Measures”.

“Declaration of Trust” means the amended and restated declaration of trust of the REIT dated as of the Closing Date, as it may be further amended or amended and restated from time to time, as more particularly described under “Declaration of Trust”.

“Deferred Units” means the deferred units granted under the Equity Incentive Plan, as more particularly described under “Executive Compensation – Equity Incentive Plan”.

“Demand Distribution” has the meaning set out under the heading “Cloud Cannabis – Registration Rights Agreement”.

“Demand Registration Right” has the meaning set out under the heading “Cloud Cannabis – Registration Rights Agreement”.

“Department of Justice” means the United States Department of Justice.

“Distribution Date” means the date on which the Trustees have determined that a distribution will be made by the REIT to Unitholders.

“Diversity Policy” has the meaning set out under the heading “Trustees and Management of the REIT — Orientation and Continuing Education”.

“DPSP” has the meaning given to that term under “Eligibility for Investment”.

“Equity Incentive Plan” means the omnibus equity incentive plan of the REIT, as more particularly described under “Executive Compensation – Equity Incentive Plan”.

“Escrow Agent” means [●].

“Escrow Holder” has the meaning set out under the heading “Escrowed Securities”.

“Escrow Securities” means the Units that are held in escrow pursuant to the CSE Escrow Agreement.

“Excepted Holder Limits” has the same meaning as in the Declaration of Trust.

“Exempt Plans” has the meaning set out under the heading “Eligibility for Investment”.

“FAPI” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations — Taxation of the REIT”.

“Farm Bill” has the meaning set out on the cover page.

“FAT” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations — Taxation of the REIT”.

“FATCA” means the Foreign Account Tax Compliance Act.

“FDA” means United States Food and Drug Administration.

“FFO” has the meaning set out on the cover page.

“FFO payout ratio” has the meaning set out under the heading “Non-IFRS Measures”.

“Final Prospectus” means the final prospectus for the Offering.

“FinCEN” means the U.S. Department of the Treasury’s Financial Crimes Enforcement Network.

“FinCEN Memorandum” has the meaning set out on the cover page.

“**FIRPTA**” means the Foreign Investment in Real Property Tax Act of 1980, as amended.

“**Holder**” has the meaning set out under “Certain Canadian Federal Income Tax Considerations”.

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

“**indebtedness**” means on a consolidated basis: (a) any obligation of the REIT for borrowed money other than the impact of any net discount or premium on indebtedness at the time assumed from vendors of properties at rates of interest less or greater than, respectively; (b) any obligation of the REIT incurred in connection with the acquisition of property, assets or business other than the amount of future income tax liability arising out of indirect acquisitions; (c) any obligation of the REIT issued or assumed as the deferred purchase price of property; (d) any obligation of the type referred to in clauses (a) through (c) of another person, the payment of which the REIT has guaranteed or for which the REIT is responsible for or liable, provided that (i) an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the REIT in accordance with IFRS; (ii) obligations referred to in clauses (a) through (c) exclude trade accounts payable, distributions payable to Unitholders and accrued liabilities arising in the ordinary course of business; (iii) exchangeable or redeemable units issued by subsidiaries of the REIT (including for greater certainty, Class B Units) will not constitute indebtedness notwithstanding the classification of such securities as debt under IFRS; and (iv) convertible debentures will constitute indebtedness to the extent of the principal amount thereof outstanding.

“**Initial Licensed Facility**” means the Licensed Facility located at 521 E Mosel Ave, Kalamazoo, MI, inclusive of the greenhouse systems, and other fixtures, machinery and equipment used in connection with cannabis operation.

“**Initial Licensed Facility Phase I Report**” has the meaning set out under the heading “Assessments and Valuation of the Initial Licensed Facility — Environmental Site Assessments”.

“**Insider Trading Policy**” has the meaning set out under the heading “Trustees and Management of the REIT”.

“**IRS**” means the U.S. Internal Revenue Service.

“**joint venture arrangement**” has the meaning set out under the heading “Investment Guidelines and Operating Policies”.

“**Licensed Facilities**” has the meaning set out on the cover page.

“**Locked-up Unitholders**” means [●] and [●].

“**management**” has the meaning set out under the heading “Meaning of Certain References”.

“**Market Price**” has the meaning set out under the heading “Declaration of Trust and Description of REIT Units — Redemption Right”.

“**Maximum Offering**” means the offering of 4,800,000 Units in accordance with the terms of this Prospectus.

“**Medical-Use Cannabis**” means the herbal substance derived from plants of the genus cannabis that is used as part of the treatment for a specific symptom or disease, but does not include hemp or hemp products.

“**Minimum Offering**” means the offering of 2,800,000 Units in accordance with the terms of this Prospectus.

“**MORE Act**” has the meaning set out under the heading “Risk Factors”.

“**NASDAQ**” means the National Association of Securities Dealers Automated Quotations.

“**NI 33-105**” means National Instrument 33-105 – *Underwriting Conflicts*.

“**NI 51-102**” means National Instrument 51-102 - *Continuous Disclosure Obligations*.

“**NI 52-109**” means National Instrument 52-109 – *Certification of Disclosure in Issuers’ Annual and Interim Filings*.

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*.

“**NI 58-101**” means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

“**NOI**” has the meaning set out on the cover page.

“**Nominating Unitholder**” has the meaning set out under the heading “Declaration of Trust and Description of REIT Units — Advance Notice Provision”.

“**Non-Resident**” has the same meaning as in the Declaration of Trust.

“**Non-U.S. Holder**” has the meaning set out under the heading “Certain U.S. Federal Income Tax Considerations — Taxation of Non-U.S. Holders”.

“**NP 46-201**” means National Policy 46-201 – *Escrow for Initial Public Offerings*.

“**NYSE**” means the New York Stock Exchange.

“**Offering**” means the offering of Units pursuant to this prospectus.

“**Offering Price**” means the price per Unit sold to the Agents pursuant to the Offering.

“**Operating Agreement**” means the operating agreement of the Operating Partnership dated as of [●], as amended from time to time.

“**Operating Partnership**” means Nova Net Lease Operating, LLC.

“**Options**” means any options granted under the Equity Incentive Plan, as more particularly described under “Executive Compensation – Equity Incentive Plan”.

“**Over-Allotment Option**” means the option granted to the Agents by the REIT, exercisable in whole or in part and at any time up to 30 days after Closing, to purchase up to an additional 720,000 Units (being 15% of the size of the Offering) at the Offering Price, solely to cover the Agents’ over-allocation position, if any, and for consequent market stabilization purposes, as more particularly described under “Plan of Distribution — General”.

“**PCA Report**” has the meaning set out under the heading “Assessments and Valuation of the Initial Licensed Facility — Property Condition Assessments”.

“**Performance Units**” means the performance units granted under the Equity Incentive Plan, as more particularly described under “Executive Compensation – Equity Incentive Plan”.

“**Person**” has the same meaning as in the Declaration of Trust.

“**Phase I ESA Report**” has the meaning set out under the heading “Assessments and Valuation of the Initial Licensed Facility — Environmental Site Assessments”.

“**Piggy-Back Distribution**” has the meaning set out under the heading “Cloud Cannabis – Registration Rights Agreement”.

“**Piggy-Back Registration Right**” has the meaning set out under the heading “Cloud Cannabis – Registration Rights Agreement”.

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

“**QRS**” has the meaning set out under the heading “Certain U.S. Federal Income Tax Considerations — Taxation of the REIT”.

“**RDSP**” has the meaning set out under “Eligibility for Investment”.

“**REALPAC**” means the Real Property Association of Canada.

“**RECs**” means recognized environmental conditions.

“**Redemption Date**” has the meaning set out under the heading “Declaration of Trust and Description of REIT Units — Redemption Right”.

“**Redemption Notes**” means unsecured subordinated promissory notes of the REIT or a subsidiary of the REIT having a maturity date and interest rate to be determined at the time of issuance by the Trustees, such promissory notes to provide that the REIT or such subsidiary, as the case may be, shall at any time be allowed to prepay all or any part of the outstanding principal without notice or bonus.

“**Redemption Price**” has the meaning set out under the heading “Declaration of Trust and Description of REIT Units — Redemption Right”.

“**Registration Rights Agreement**” has the meaning set out under the heading “Cloud Cannabis – Registration Rights Agreement”.

“**Regulated Cannabis**” means state-legalized Medical-Use Cannabis or Adult-Use Cannabis.

“**REIT**”, or “**NOVA**” means Nova Net Lease REIT and references in this prospectus to these terms should be interpreted as more particularly described under “Meaning of Certain References”.

“**RESP**” has the meaning set out under the heading “Eligibility for Investment”.

“**Restricted Units**” means the restricted units granted under the Equity Incentive Plan, as more particularly described under “Executive Compensation – Equity Incentive Plan”.

“**Rohrabacher/Blumenauer Amendment**” has the meaning set out on the cover page.

“**RRIF**” has the meaning set out under the heading “Eligibility for Investment”.

“**RRSP**” has the meaning set out under the heading “Eligibility for Investment”.

“**SAFE Banking Act**” has the meaning set out under the heading “Risk Factors”.

“**SAR**” means suspicious activity report.

“**Section 7874**” has the meaning set out under the heading “Certain U.S. Federal Income Tax Considerations — Taxation of the REIT”.

“**Sessions Memorandum**” has the meaning set out on the cover page.

“**SIFT**” means specified investment flow-through.

“**SIFT Rules**” means the rules applicable to SIFT trusts and SIFT partnerships in the Tax Act, as more particularly described under “Certain Canadian Federal Income Tax Considerations — Status of the REIT”.

“**Special Resolution**” has the same meaning as in the Declaration of Trust.

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

“**TFSA**” has the meaning given to that term under “Eligibility for Investment”.

“**THC**” means tetrahydrocannabinol.

“**Transfer**” has the same meaning as in the Declaration of Trust.

“**Treasury Regulations**” means the Treasury regulations promulgated under the Code.

“**Treaty**” means the United States-Canada Income Tax Convention 1980, as amended.

“**TRS**” has the meaning set out under the heading “Certain U.S. Federal Income Tax Considerations — Taxation of the REIT”.

“**Trustees**” means the trustees from time to time of the REIT.

“**Unitholder Lock-up**” has the meaning set out under the heading “Principal Unit Holders — Lock-up Period”.

“**Unitholders**” means holders of Units.

“**Units**” means trust units in the capital of the REIT.

“**UPREIT**” has the meaning set out under the heading “Operating Partnership — General”.

“**U.S.**” means the United States.

“**U.S. Holder**” has the meaning set out under the heading “Certain U.S. Federal Income Tax Considerations — Taxation of Non-U.S. Holders”.

“**U.S. Publicly Traded Exception**” has the meaning set out under the heading “Certain U.S. Federal Income Tax Considerations — Taxation of Non-U.S. Holders”.

“**U.S. Securities Act**” means the United States Securities Act of 1933, as it may be amended from time to time.

“**US Holdco**” means Verdant Growth Properties Corp., a wholly-owned subsidiary of the REIT.

“**USRPHC**” has the meaning set out under the heading “Certain U.S. Federal Income Tax Considerations — Taxation of Non-U.S. Holders”.

“**USRPIs**” has the meaning set out under the heading “Certain U.S. Federal Income Tax Considerations — Taxation of Non-U.S. Holders”.

ABOUT THIS PROSPECTUS

An investor should rely only on the information contained in this prospectus and is not entitled to rely on parts of the information contained in this prospectus to the exclusion of others. The REIT has not, and the Agents have not, authorized anyone to provide investors with additional or different information. The REIT is not, and the Agents are not, offering to sell the Units in any jurisdictions where the offer or sale of such Units is not permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the Units. The REIT's business, financial condition, results of operations and prospects may have changed since the date of this prospectus.

For investors outside Canada, the REIT has not and the Agents have not done anything that would permit the Offering or the possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in Canada. Investors are required to inform themselves about, and to observe any restrictions relating to, the Offering and the possession or distribution of this prospectus.

This prospectus includes a summary description of certain material agreements of the REIT. See "Material Contracts". The summary description discloses all attributes material to an investor in Units but is not complete and is qualified by reference to the terms of the material agreements, which will be filed with the Canadian securities regulatory authorities within the requisite timelines and available on SEDAR at www.sedar.com. Investors are encouraged to read the full text of such material agreements upon there having been made available. Any graphs and tables demonstrating the historical performance of the Initial Licensed Facility contained in this prospectus are intended only to illustrate past performance and are not necessarily indicative of future performance.

In order to address certain securities regulatory or public interest policy objectives, the REIT has provided an undertaking to the applicable Canadian securities regulatory authorities wherein the REIT has agreed to, (i) until such time as Cloud Cannabis no longer contributes to over 33% of the REIT's annual revenue: commencing with the annual period ending December 31, 2021, file on SEDAR separate audited annual financial statements and carve-out interim financial reports in respect of Cloud Cannabis, prepared in accordance with US GAAP, and related management's discussion and analysis, prepared in accordance with NI 51-102, and filed in accordance with the REIT's filing deadlines pursuant to NI 51-102; and (ii) file on SEDAR an annual certificate concurrently with filing the annual financial statements referenced in (i) that it has complied with the above undertakings.

MEANING OF CERTAIN REFERENCES

Unless otherwise indicated, the disclosure in this prospectus assumes that: (i) the Maximum Offering is achieved, (ii) the Over-Allotment Option is not exercised; and (iii) that all of the Class B Units have been redeemed for Units pursuant to their terms. Except as otherwise stated in this prospectus, all dollar amounts in this prospectus, including the price per Unit, are stated in U.S. dollars and references to dollars or "\$" are to U.S. currency.

Unless the context otherwise requires or as otherwise provided herein, all references to the "REIT", "us" and "our" in this prospectus refer to the REIT and its subsidiaries on a consolidated basis.

Any statements in this prospectus made by or on behalf of management are made in such persons' capacities as officers of the REIT and not in their personal capacities.

MARKET AND INDUSTRY DATA

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

analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying economic assumptions relied upon by such sources.

FORWARD-LOOKING STATEMENTS

Certain statements contained in this prospectus constitute forward-looking information within the meaning of securities laws. Forward-looking information may relate to the REIT's future outlook and anticipated events or results and may include statements regarding the financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, taxes, plans and objectives of or involving the REIT. Particularly, statements regarding future results, performance, achievements, prospects or opportunities for the REIT or the real estate or U.S. cannabis industries are forward-looking statements. In some cases, forward-looking information can be identified by such terms such as "may", "strive", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "estimate", "predict", "potential", "continue", "likely", "schedule", "forecast", "target", "objectives", or the negative thereof or other similar expressions concerning matters that are not historical facts. Some of the specific forward-looking statements in this prospectus include, but are not limited to, statements with respect to the following:

- the Offering Price, completion, size, expenses and intended use of net proceeds of the Offering and the Over-Allotment Option and the timing of Closing;
- the REIT's objectives;
- the REIT's intention with respect to, and ability to execute, its internal and external growth strategies;
- the Pro-Forma financial results of the REIT, including the assumptions contained in such Pro-Forma FFO calculations set out in this prospectus;
- the listing of the Units on the CSE;
- the current and future acquisition pipeline of the REIT and the availability of future acquisitions;
- the REIT's capital expenditure requirements and capital expenditures to be made by the REIT;
- the REIT's distribution policy, the expected distributions to be paid to Unitholders, and the REIT's expected FFO payout ratio;
- the expected distributions to be paid to holders of Class B Units;
- the REIT's debt strategy;
- the REIT's access to available sources of debt and/or equity financing, including future issuances of Units pursuant to private and/or public offerings;
- the REIT's expectations with respect to the impact of the COVID-19 pandemic and related public health protection measures on its business, operations and financial results;
- future compensation and governance practices by the REIT;
- the expected tax treatment of the REIT and the distributions by the REIT to Unitholders;
- the REIT's ability to meet its stated objectives;
- the REIT's competitive position within its industry;
- the REIT's ability to expand its asset base and make accretive acquisitions; and
- the REIT's liquidity and capital resources and future working capital levels.

The REIT has based these forward-looking statements on assumptions about future events and financial trends that it believes may affect its financial condition, results of operations, business strategy and financial needs, including that:

- inflation will remain relatively low;
- interest rates will remain relatively stable;
- tax laws remain unchanged;
- conditions within the U.S. cannabis industry, including the overall regulatory environment and the competition for acquisitions, will be consistent with the current climate;
- the Canadian and U.S. capital and financial markets will provide the REIT with access to equity and/or debt at reasonable rates when required, notwithstanding the ongoing economic downturn; and
- the current members of management and the Cloud Cannabis will continue their involvement with the REIT.

The REIT cautions that this list of assumptions is not exhaustive. Although the forward-looking statements contained in this prospectus are based upon assumptions that management believes are reasonable based on information currently available to management, there can be no assurance that actual results will be consistent with these forward-looking statements.

When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties.

Forward-looking statements should not be read as guarantees of future performance or results and will not necessarily be accurate indications of whether or not, or the times at or by which, such performance or results will be achieved. A number of factors could cause actual results to differ, possibly materially, from the results discussed in the forward-looking statements, including, but not limited to:

- the REIT's ability to execute its growth strategies;
- the impact of changing conditions in the U.S. cannabis industry, including changes to the regulatory environment;
- the marketability and value of the REIT's portfolio;
- the availability of future growth opportunities;
- changes in the attitudes, financial condition and demand in the REIT's demographic markets;
- fluctuation in interest rates and volatility in financial markets;
- the duration and ultimate impact of the COVID-19 pandemic and related government interventions on the REIT's business, operations and financial results;
- general economic conditions, including any continuation or intensification of the current economic downturn;
- developments and changes in applicable laws and regulations; and
- such other factors discussed under "Risk Factors" in this prospectus.

If any risks or uncertainties with respect to the above materialize, or if the opinions, estimates or assumptions underlying the forward-looking statements prove incorrect, actual results or future events might vary materially from those anticipated in the forward-looking statements. The opinions, estimates or assumptions referred to above and

described in greater detail under “Risk Factors” should be considered carefully by readers. Although management has attempted to identify important risk factors that could cause actual results to differ materially from those contained in forward-looking statements, there may be other risk factors not presently known or that management believes are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking statements.

Forward-looking statements are provided for the purpose of providing information about management’s current expectations and plans relating to the future. Certain statements included in this prospectus may be considered a “financial outlook” for purposes of applicable Canadian securities laws, and as such, the financial outlook may not be appropriate for purposes other than this prospectus. All forward-looking statements are based only on information currently available to the REIT and are made as of the date of this prospectus. Except as expressly required by applicable Canadian securities law, the REIT assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All forward-looking statements in this prospectus are qualified by these cautionary statements.

NON-IFRS MEASURES

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

FFO and AFFO

In February 2019, the Real Property Association of Canada (“**REALPAC**”) published a white paper titled “White Paper on Funds from Operations & Adjusted Funds from Operations for IFRS”. The purpose of the white paper is to provide reporting issuers and investors with guidance on the definition of FFO and adjusted funds from operations (“**AFFO**”) and to help promote more consistent disclosure from reporting issuers. FFO is defined as IFRS consolidated net income adjusted for items such as distributions on redeemable or exchangeable units recorded as finance cost under IFRS (including distributions on the Class B Units), unrealized fair value adjustments to investment properties, loss on extinguishment of mortgages payable, gain on disposition of investment properties and depreciation. FFO should not be construed as an alternative to net income (loss) or cash flows provided by or used in operating activities determined in accordance with IFRS. The REIT’s method of calculating FFO is substantially in accordance with REALPAC’s recommendations, but may differ from other issuers’ methods and, accordingly, may not be comparable to FFO reported by other issuers. The REIT regards FFO as a key measure of operating performance.

AFFO is defined as FFO adjusted for items such as maintenance capital expenditures, and certain non-cash items such as amortization of intangible assets, deferred financing costs that were incurred prior to the formation of the REIT, premiums and discounts on debt and investments. AFFO should not be construed as an alternative to net income (loss) or cash flows provided by or used in operating activities determined in accordance with IFRS. The REIT’s method of calculating AFFO is substantially in accordance with REALPAC’s recommendations, but may differ from other issuers’ methods and, accordingly, may not be comparable to AFFO reported by other issuers. The REIT regards AFFO as an important performance measure to determine the sustainability of future distributions paid to Unitholders after a provision for maintenance capital expenditures and certain other non-cash items.

NOI

NOI is defined as total revenue from properties (i.e., rental revenue and other property income) less direct property operating expenses in accordance with IFRS. NOI should not be construed as an alternative to net income determined in accordance with IFRS. The REIT’s method of calculating NOI may differ from other issuers’ methods and, accordingly, may not be comparable to NOI reported by other issuers. The REIT regards NOI as an important measure of the income generated from the income producing properties and uses NOI in evaluating the performance of the REIT’s properties. It is also a key input in determining the value of the REIT’s properties.

Other Real Estate Industry Metrics

Additionally, this prospectus contains several other real estate industry metrics that are considered non-IFRS financial measures:

- **“Debt to Gross Book Value Ratio”** is calculated by dividing indebtedness by Gross Book Value.
- **“FFO payout ratio”** is defined as total cash distributions of the REIT (including distributions on Class B Units) divided by FFO.
- **“Gross Book Value”** means, at any time, the greater of: (a) the value of the assets of the REIT and its consolidated subsidiaries, as shown on its then most recent consolidated balance sheet prepared in accordance with IFRS, less the amount of any receivable reflecting interest rate subsidies on any debt assumed by the REIT; and (b) the historical cost of the investment properties, plus (i) the carrying value of cash and cash equivalents, (ii) the carrying value of mortgages receivable; and (iii) the historical cost of other assets and investments used in operations.
- **“Pro Forma FFO”** has the meaning set out under the heading “Plan of Distribution”.

ELIGIBILITY FOR INVESTMENT

In the opinion of Goodmans LLP, Canadian counsel to the REIT, and Blake, Cassels & Graydon LLP, Canadian counsel to the Agents, based on the current provisions of the Tax Act, provided that the REIT qualifies at all times as a “mutual fund trust” (as defined in the Tax Act) or the Units are listed on a “designated stock exchange” (as defined in the Tax Act, which includes the CSE), the Units will be a qualified investment for trusts governed by a registered retirement savings plan (“RRSP”), registered education savings plan (“RESP”), registered retirement income fund (“RRIF”), deferred profit sharing plan (“DPSP”), registered disability savings plan (“RDSP”) or a tax-free savings account (“TFSA”) (collectively, “Exempt Plans”).

Notwithstanding the foregoing, if the Units are a “prohibited investment” (as defined in the Tax Act) for a trust governed by a TFSA, RRSP, RRIF, RESP or RDSP, the holder, annuitant or subscriber thereof will be subject to a penalty tax as set out in the Tax Act if Units are held in such trust. The Units will not be a prohibited investment for a TFSA, RRSP, RRIF, RESP or RDSP provided the holder, annuitant or subscriber (as the case may be) of such registered plan deals at arm’s length with the REIT, for purposes of the Tax Act, and does not have a “significant interest” (as defined in the Tax Act) in the REIT. Generally, a holder, annuitant or subscriber will have a significant interest in the REIT if the holder, annuitant or subscriber and/or persons not dealing at arm’s length with the holder, annuitant or subscriber, for the purposes of the Tax Act, own, directly or indirectly, 10% or more of the fair market value of the Units. In addition, the Units will not be a “prohibited investment” if the Units are “excluded property” as defined in the Tax Act for trusts governed by a TFSA, RRSP, RRIF, RESP or RDSP. Prospective purchasers who intend to hold their Units in their TFSAs, RRSPs, RRIFs, RESPs or RDSPs should consult their own tax advisors regarding their particular circumstances.

EXCHANGE RATE INFORMATION

The Initial Licensed Facility is located in the state of Michigan. The REIT discloses all financial information contained in this prospectus in U.S. dollars. The following table sets forth, for the periods indicated, the high, low, average and period-end rates of exchange for \$1.00, expressed in Canadian dollars, published by the Bank of Canada.

| | Year ended December 31 | | | Nine-Months Ended September 30 | |
|--------------------------------------|------------------------|--------|--------|--------------------------------------|--------|
| | 2018 | 2019 | 2020 | 2020 | 2021 |
| Highest rate during the period | 1.3642 | 1.3600 | 1.4496 | 1.4496 | 1.2856 |
| Lowest rate during the period..... | 1.2288 | 1.2988 | 1.2718 | 1.2970 | 1.2040 |

| | | | | | |
|------------------------------------|--------|--------|--------|--------|--------|
| Average rate for the period..... | 1.2957 | 1.3269 | 1.3415 | 1.3541 | 1.2513 |
| Rate at the end of the period..... | 1.3642 | 1.2988 | 1.2732 | 1.3339 | 1.2741 |

On [●], 2021, the daily average rate of exchange posted by the Bank of Canada for conversion of U.S. dollars into Canadian dollars was \$1.00 equals C\$[●].

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PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus. Numerous terms used in this prospectus are defined in the Glossary.

The REIT

Nova Net Lease REIT is a newly created, unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust under the laws of the Province of Ontario. The registered and head office of the REIT is located at 181 Bay Street, Suite 1030, Toronto, Ontario. The REIT has been formed for the purpose of the acquisition of specialized industrial and retail properties leased to experienced, state-licensed operators in the legal U.S. cannabis industry. The REIT intends to acquire properties through sale-leaseback transactions and lease such properties on a triple-net lease basis for a targeted 10 to 15 year term and strive to negotiate annual rental rate increases, where the tenant is responsible for all aspects of and costs related to the property and its operation during the lease term, including structural repairs, maintenance, taxes and insurance.

Upon and following Closing, the REIT will indirectly hold a 100% interest in the Initial Licensed Facility, located in the state of Michigan. The Initial Licensed Facility is located in a key market where Cloud Cannabis has comprehensive knowledge and experience. See “The Initial Licensed Facility”.

The REIT will be internally managed by a vertically integrated team of seasoned real estate and cannabis professionals with expertise across the spectrum of real estate investment management, including: acquisitions, underwriting, financing, asset management, property management, operations, development and redevelopment, accounting, regulatory affairs and marketing. Cloud Cannabis has extensive experience with the Licensed Facilities, having operated the Initial Licensed Facility since the date of their respective acquisition and development. The assets will continue to be operated by licensed producers through the REIT’s acquisition and sale-leaseback strategy. Upon Closing, the Trustees and the REIT’s executive officers are expected to collectively beneficially own 12.82% of the Units outstanding, providing a significant alignment of interests with all other Unitholders.

The REIT will rely on management’s and the Trustee’s industry experience in both the public and private markets to execute on the REIT’s strategic objectives, while maintaining an efficient and scalable cost structure.

See “The REIT”.

Objectives of the REIT

The primary objectives of the REIT are to:

- Provide Unitholders an opportunity to invest in a portfolio of Licensed Facilities located in attractive U.S. markets where permissible by law;
- Provide Unitholders with predictable, sustainable and growing cash distributions;
- Enhance the value of the REIT’s portfolio and maximize the long-term value of the Units through proactive asset management, disciplined capital management and value-add investment opportunities; and
- Expand the asset base of the REIT in its existing operational footprint and target growth markets by leveraging management and Trustee’s extensive industry experience and relationships to acquire Licensed Facilities that are expected to be accretive to the REIT’s NOI and FFO per Unit.

See “The REIT — Objectives of the REIT”.

Investment Opportunity

The REIT is being formed to provide investors with the opportunity to invest indirectly in the cannabis industry in the United States in a manner that complies with state laws, while benefiting from the investment and operational expertise

of Nova's vertically integrated management platform and triple net lease sale-leaseback platform. Management believes that investing in Licensed Facilities is a prudent investment strategy that will create long-term value, as a result of the following attributes: (i) significant opportunity created from the dislocation of private and public markets relative to other real estate asset classes as a result of the lack of conventional financing opportunities; (ii) diversification strategy targeting a mix of 80% in cultivation/grow/processing facilities and 20% in retail/dispensaries; (iii) accelerating U.S. cannabis market, where permissible by law; and (iv) first-mover advantage as the first pure-play Canadian cannabis REIT owning U.S. assets.

Management believes that macro characteristics and trends in the United States real estate as well as the Regulated Cannabis industry specifically, offer investors an attractive investment opportunity. These characteristics and trends include (i) 1 in 3 Americans now live in states where marijuana is legal for adults over the age of 21¹; (ii) U.S. cannabis market expected to grow from \$16.3 billion in 2020 to \$33.9 billion by 2025²; (iii) \$35 billion U.S. cannabis real-estate opportunity required to support the anticipated \$330 billion in U.S. Cannabis revenue over the next 10 years³; and (iv) Regulated Cannabis operators demand for capital. Management believes that the Initial Licensed Facility is well-positioned to benefit from these dynamics in the industrial real estate and cannabis industry. See "Overview of the United States Cannabis Industry".

See "The REIT — Investment Opportunity".

Investment Highlights

Management believes that the following are the key strengths and investment highlights of the REIT and the Licensed Facilities:

First Pure-Play Canadian Cannabis REIT Owning U.S. Assets

Upon Closing, the REIT will be the first Canadian pure-play publicly traded cannabis REIT owning exclusively U.S. assets, representing a unique opportunity to invest in a platform that has exposure to the U.S. Regulated Cannabis industry indirectly through cash flow positive real estate assets. U.S. stock exchanges, such as the NYSE and NASDAQ, will decline to list any companies which are engaged in cannabis activities that are legal in the state but not federally, and since cannabis remains illegal at the federal level in the U.S., no additional companies who deal directly with cannabis inside the United States can list on the NYSE or NASDAQ.⁴ The same stands for the TSX and TSXV as TMX policy states that every issuer listed on its exchanges must comply with all the laws in the jurisdictions in which they operate.⁵ This provides the opportunity for Nova to list on the CSE and be the first pure-play U.S. cannabis REIT listed on a Canadian regulated exchange in North America. The CSE is the preeminent option for U.S. cannabis companies as over 70 U.S. cannabis companies are listed on the exchange with a total market value of over \$28 billion⁶.

Opportunity to Provide Capital to Accelerating U.S. Cannabis Market

To date, the status of recreational-use cannabis under federal law has significantly limited the ability of state-licensed industry participants to fully access the U.S. banking system and traditional financing sources. These limitations, when combined with the high costs of maintaining licensed and stringently regulated cannabis facilities (including meeting extensive zoning requirements), substantially increase the cost of production. While it is anticipated that future changes in federal and state laws may ultimately open up financing options that have not been available to date in this industry, management believes that such changes will take time, thereby creating an opportunity over the next few years to provide sale-leaseback solutions to state-licensed industry participants that lack access to traditional financing sources.

¹ Source: National Conference of State Legislatures.

² Source: ArcView, 8th Edition The State of Legal Cannabis Markets.

³ Source Morningstar, Kristoffer Inton 2020, Management Analysis.

⁴ Source: NASDAQ, Marijuana Stocks on the Move, March 2021.

⁵ Source: TSX, Business Activities Related to Marijuana in the United States, October 2017.

⁶ Source: CSE, Canadian Securities Exchange Reports Record Performance Figures in the First Half of 2021, July 2021.

Diversification Strategy

The REIT intends to implement a diversification strategy targeting a mix of specialized industrial facilities for the use of cultivation, grow and processing as well as specialized retail facilities for the use of dispensaries. The targeted diversification mix is approximately 80% in cultivation/growth/processing and 20% retail/dispensary assets exclusively in the United States. The REIT also intends to have geographic diversification as well, targeting the markets of Michigan, California, Nevada, New York, New Jersey, Arizona and Massachusetts in the medium term. Additionally, over time, the REIT intends to expand its tenant base in order to diversify its sources of rental revenues and to manage over the long term its concentration of invested capital in any one property. Management intends to target having no more than 5% of its revenues generated by any single asset and no more than 25% of its revenues generated by any one tenant.

Well-Positioned to Capitalize on Strategic Growth Opportunities

The REIT will seek to continuously improve financial performance and related operational performance indicators to generate stable, recurring and growing cash flow while enhancing portfolio value through strategic investment programs and active asset and property management. Management has identified several strategic avenues for growth including: (i) organic cash flow growth through embedded annual rental rate increases, and continued implementation of expense optimization initiatives, where available; (ii) targeted value-enhancing investments; (iii) sourcing third party acquisitions; and (iv) build-out of the Licensed Facilities through the development of excess land and/or buildings. Management believes that its extensive relationship network, deep knowledge of local markets and regular dialogue with local owner-operators seeking liquidity opportunities support the origination and execution of sale-leaseback transaction opportunities and provide an opportunity to grow within both Nova's existing operational footprint and target growth markets. Upon Closing, the REIT is expected to have the ability to offer potential U.S.-based vendors tax deferred consideration in the form of Class B Units, which management believes is a unique form of consideration that will provide potential vendors with an additional incentive to transact with the REIT, representing an enduring strategic advantage for the REIT over competitors.

Vertically Integrated Platform Led by an Experienced and Aligned Internal Management Team

The REIT's management platform will be composed of a fully integrated team of seasoned professionals with significant expertise and experience across the spectrum of real estate, cannabis and capital markets. The vertical integration of the REIT's management and administrative personnel and activities are expected to enable the REIT to actively control, manage and execute across all aspects of Licensed Facility investment management. The REIT's executive management team has been involved in the real estate industry for an extensive amount of time serving as executives on several public and private companies ranging from small-cap REITs to \$10 billion in enterprise value REITs. Cloud Cannabis has operated the Initial Licensed Facility since the date of its acquisition by Cloud Cannabis, providing the REIT's management visibility on Cloud Cannabis' operating capabilities. Upon Closing, the Trustees and the REIT's executive officers are expected to collectively beneficially own 2,081,475 Units representing an approximate 12.82% effective interest in the REIT, or an approximate 12.28% effective interest in the REIT if the Over-Allotment Option is exercised in full, providing a significant alignment of interests with all other Unitholders.

Stable Cash Yield and Conservative Capital Structure

The REIT intends to pay predictable, sustainable and growing cash distributions to Unitholders. Initially, the distributions will be \$0.025 to \$0.030 per Unit per annum payable monthly, which will provide Unitholders with an approximate annual cash distribution yield of 2.0% to 2.4%. Additionally, the REIT will initially have no debt but intends to focus on maintaining a conservative leverage profile with a Debt to Gross Book Value Ratio not exceeding 55%, long-term debt maturities and a diversified capital structure to avoid reliance on any particular source of capital once management feels the REIT is at appropriate scale. None of the net proceeds from the Offering will be deployed by the REIT to acquire Licensed Facilities. See "Use Of Proceeds", "Distribution Policy" and "Risk Factors". Both FFO and Pro-Forma FFO are non-IFRS financial measures, see "Non-IFRS Measures".

See "The REIT – Investment Highlights".

Growth Strategies of the REIT

Internal Growth

The REIT intends to primarily acquire properties through sale-leaseback transactions with experienced operators. The REIT expects to lease its properties on a triple-net lease basis with annual rental rate increases. Under a triple-net lease, tenants are responsible for all aspects of, and costs related to, the property and its operation during the lease term, including maintenance, taxes and insurance. The REIT intends to pursue a disciplined growth strategy through investing in high quality properties under long-term triple-net leases with licensed tenants in the state Regulated Cannabis industry, however, the REIT is not limited to entering into triple net leases and will acquire assets which do not meet these parameters if management determines that such acquisitions are in the best interests of the REIT.

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

Differentiated, Multi-Faceted Investment Strategy Driven Growth

We intend to grow our portfolio by acquiring properties occupied by quality tenants operating in the Regulated Cannabis industry focused on specialized activities such as, cultivation, processing and/or grow operations, in addition to specialized retail facilities in the form of dispensaries. In addition to sale-leaseback originations, we intend to grow our portfolio through a multi-faceted investment strategy, which includes acquiring net leased industrial and retail properties subject to existing stabilized long-term leases, build-to-suit transactions and reverse build-to-suit transactions as well as through pre-sale arrangements with experienced third-party developers. Each of these types of transactions offers unique benefits to our business.

Sale-Leasebacks

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

Existing Stabilized Leases

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

Build-To-Suit

In build-to-suit transactions, the landlord will construct a property for the specific needs of a particular tenant. The tenant will lease the building upon successful completion of construction.

Reverse Build-to-Suit

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

Pre-Sale Arrangements

In a pre-sale arrangement, the REIT will enter into agreements with experienced developers who will construct properties using their own financing sources with the intention that the REIT will purchase the asset from the developer upon satisfactory completion, licensing and lease-up of the property with approved tenants. Pre-sale arrangements allow the REIT to acquire properties in new and existing markets at a potentially lower cost while shifting the development, construction and lease-up risks to the third party developer.

External Growth

Extensive Relationships

Management believes it has a competitive advantage in pursuing both off-market and marketed acquisition opportunities through its extensive network of owner, tenant and brokerage contacts at both the national and regional levels. Management and Trustees have significant experience in the cannabis industry as executives, investors, advisors, founders and board members. The management's and Trustees' extensive experience has allowed them to develop an extensive network of long-standing relationships across the medicinal and Adult-Use Cannabis industry, which the REIT believes will provide an ongoing pipeline of potential transactions. The management and Trustees have been active in the real estate investment and management industry for several decades, serving several executive and board roles across private and public companies. The management's and Trustees' extensive experience has allowed them to develop a broad network of long-standing relationships with brokers, intermediaries, financial institutions and others in the cannabis real estate industry and commercial real estate industry broadly, which we believe will provide us with an ongoing pipeline of both marketed and off-market investment opportunities.

Structuring and Managing Portfolio with Disciplined Underwriting and Risk Management

The REIT seeks to build a scaled portfolio with stable rental revenue with diversification geographically, by tenant, by industry sub-sector, and by numbers of properties with a strategy designed to manage risk and maximize the long-term return on our investments by implementing disciplined underwriting and risk management processes. The REIT is focused on acquiring high quality properties tenanted by licensed operators in the Regulated Cannabis industry. The REIT seeks to enter into leases with terms of 10 to 15 years with annual rent escalation and, when acquiring properties, look for opportunities to acquire properties with long-term leases in place at the time of closing. In addition, to seek acquisition opportunities that enhance the tenant and geographic diversification of the REIT's portfolio and actively monitor and manage existing investments to reduce the risks associated with adverse developments affecting tenants or markets. Finally, to use an active portfolio management strategy to: (i) regularly review the portfolio for changes in unit performance, tenant credit and local real estate conditions, (ii) identify properties that do not meet the disciplined underwriting strategy, diversification objectives or risk management criteria, including rent coverage ratios or likelihood of non-renewal upon lease expiration, and (iii) opportunistically dispose of those properties and reinvest the proceeds in acquisitions that will generate higher returns, enhance the credit quality of the real estate portfolio or extend the average remaining lease term.

Due to the status of the cannabis industry as a growing industry, revenue is the metric conventionally used by industry participants to demonstrate financial condition and performance. Further, analyst coverage and reporting in the cannabis industry typically also uses revenue as the main indicator of the financial condition of a company in the industry. For these reasons, management believes revenue is the metric by which investors will be able to most accurately compare companies across the industry, but investors should note that not all revenue will be distributed. See "Risk Factors" and "Distribution Policy".

Access to Capital and Maintaining a Conservative Capital Structure

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

As a publicly listed real estate investment trust, the REIT believes having increased access to public capital will provide it with a competitive advantage over local cannabis real estate investors without ready access to lower cost debt and equity capital, while adding certainty for sellers at closing. The REIT expects to finance future acquisitions through multiple capital sources, including (a) cash flow from operations, (b) funds from issuing public equity, (c) the issuance of equity to vendors, and (d) sources of debt financing, including bank mortgages, publicly issued bonds and convertible debentures. When appropriate to bring on debt, the REIT will seek to maintain a capital structure that provides flexibility to manage the business and scale the platform through targeted acquisitions, while servicing debt requirements and generating appropriate risk-adjusted returns. Currently and for the foreseeable future, the REIT expects to be funded with equity. When the time comes to add debt to the capital structure, the REIT will target a conservative net Debt to Gross Book Value Ratio not exceeding 55%, a scale that we believe will best position the REIT for growth. As we scale, we anticipate having increasingly broad access to the debt and equity capital markets

to maintain a prudent balance between debt and equity financing. Debt to Gross Book Value Ratio is a non-IFRS measure, see “Non-IFRS Measures”.

See “The REIT – Growth Strategies”.

The Initial Licensed Facility

The REIT currently owns one Licensed Facility, the Initial Licensed Facility, a fully-tenanted (which holds a cultivation license) and currently operating in approximately 35,000 of the total 70,000 square foot specialized industrial cannabis cultivation facility in Kalamazoo, Michigan that also includes 3,000 square feet of retail space. The Initial Licensed Facility was acquired by the REIT via a sale leaseback transaction which closed on November 24, 2021 and prior to Closing, represents 100% of the REIT’s portfolio. The consideration paid by the REIT in connection with the Initial Licensed Facility was in the form of causing the Operating Partnership to issue to Cloud Cannabis 8,000,000 Class B Units (based on a valuation of \$10.0 million). The following are the key terms of the transaction relating to the Initial Licensed Facility:

| Property Overview | |
|--------------------|---|
| Location | Kalamazoo, MI |
| Asset Type | Cultivation – Industrial and Retail |
| Going-In Valuation | \$10.0 million |
| Going-In Cap Rate | 13.0% |
| Appraised Value | \$10.4 million |
| Annual Rent | US\$1.3 million 3% annual rent escalation after year-2 |
| Sq. Ft. | 70,000 (67,000 sqft grow + 3,000 sqft retail) |
| Rent Sq. Ft. | US\$18.57 |
| Lease | NNN, 15 years + two ten year renewal options |
| Security | Full corporate guaranty from Cloud Cannabis Co. |
| Tenant | Cloud Cannabis Co. |

Lease Agreement Terms

The Initial Licensed Facility has a triple net lease in place with its current tenant with an initial term of 15 years and two 10 year renewal options, exercisable by Pinebrook Warren, LLC (a member of the group that comprises Cloud Cannabis). There is currently 14.9 years remaining on the initial term of the lease. The annual rent for the Initial Licensed Facility is \$1,300,000, which payments shall commence on the Closing Date, with rent escalation provisions after the second year of the lease for the greater of 3% or CPI in annual rental escalation. The lease is covered by a full corporate guarantee by Cloud Cannabis. Cloud Cannabis has an option, exercisable at their discretion, to require the REIT to convey to Cloud Cannabis the leased premises for 8,000,000 Class B Units in the event that within six months following the date that the REIT acquired the Initial Licensed Facility, the Closing Date has not occurred. The lease also contains a tenant right of first offer if the REIT decides to offer the premises for sale to any third party, at any time after the 34th anniversary of the lease commencement date, thereby requiring the REIT to first offer Cloud Cannabis any proposed lease.

See “The Initial Licensed Facility”.

Independent Appraisal of the Initial Licensed Facility

The REIT retained the Appraiser in September, 2021 to provide independent opinions as to the market value of the Initial Licensed Facility (the “Appraisal”).

The Appraisal was developed based on, and prepared in conformance with, the REIT’s appraisal requirements, the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP) and

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

The following is a summary of the Appraisal prepared by the Appraiser: According to the Appraisal, the estimated market value of the Initial Licensed Facility, as at September 28, 2021, was approximately \$10.4 million. The value conclusions made by the Appraiser reflect all known information about the Initial Licensed Facility, market conditions and available data.

The estimated market value of the Initial Licensed Facility was determined by the Appraiser using both the (a) income capitalization approach, which utilized the direct capitalization method using comparable cannabis asset lease rates as well as local market traditional use lease rates, as investors in similar types of property typically rely solely on this method, (b) sales comparison approach, which utilized the sale price for comparable cannabis real estate asset types, and which was used primarily as support for the income capitalization approach, as significant adjustments are required because of the differences in the various elements of comparison, and (c) cost approach, which is based on the proposition that the informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. The income capitalization approach was given the greatest weight in the conclusion of value in the Appraisal, as the value indication from the income capitalization approach is supported by market data regarding income, expenses and required rates of return and a typical investor would place greatest reliance on the income capitalization approach.

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

In determining the appropriate market value of the Initial Licensed Facility, under the sales comparison approach, the Appraiser gave appropriate consideration to adjustment factors, an analysis and adjustment of comparable sales and the effective net income for comparable sales. Under the income capitalization approach, the Appraiser gave appropriate consideration to occupancy and rental rates, a market rent analysis, a gross income estimate, operating expenses, net operating income and the appropriate capitalization rate.

In appraising the Initial Licensed Facility, the Appraiser assumed that title to the property is good and marketable and free and clear of all liens and encumbrances and the improvements on each such property were structurally sound. The Appraiser assumed that there are no adverse soil, engineering, structural or environmental matters.

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

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the Appraisal. The Appraisal will be filed with the securities regulatory authorities in each of the provinces and territories of Canada and will be available on SEDAR at www.sedar.com. Investors are

advised to read the Appraisal for a full description of applicable assumptions and conditions prior to making an investment in the Units offered by this prospectus.

See “Assessments and Valuation of the Initial Licensed Facility — Independent Appraisal”.

Debt Strategy and Indebtedness

The REIT will initially and for the foreseeable future be capitalized without the use of debt. However, in the future, it may choose to utilize debt to take advantage of lower-cost capital. When that time comes, the REIT will seek to maintain a conservative balance sheet through the judicious use of capital from various sources including a conservative mix of fixed and variable rate debt from regional and national banks, public securities, and other secured and unsecured lenders. Management believes that the REIT’s focus on intrinsic real estate value and strong tenant cash flows and credit will allow us to borrow on accretive terms. Debt will be taken on once management believes it is accretive and the REIT is at appropriate scale.

As the REIT scales management intends to target and maintain a Debt to Gross Book Value Ratio of less than 55% in order to maximize returns while minimizing leverage risk.

On Closing, the REIT’s Debt to Gross Book Value Ratio will be 0% as there is currently no debt on the REIT’s balance sheet.

See “Debt Strategy and Indebtedness”.

Trustees and Management of the REIT

The following table sets forth information regarding the Trustees of the REIT.

| Name, Municipality Residence | Position/Title | Independent | Committees | Relevant Experience |
|---|-------------------------------|--------------------|--|--|
| Richard Michaeloff, Toronto, Ontario, Canada | President and CEO, Trustee | No | None | President and CEO |
| Steve Dawson, Telluride, Colorado, USA | Chair of the Board | No | None | Private Investor |
| Katie Barthmaier, Brooklyn, New York, USA | Vice-Chair | No | None | Private Investor |
| Patrick Burke, Toronto, Ontario, Canada | Trustee | Yes | Audit Compensation, Governance and Nominating | President, Canaccord Genuity |
| Edward Lowenthal, New York, New York, USA | Trustee | Yes | Compensation, Governance and Nominating | President, Ackerman Management LLC |
| Andrew Oppenheim, Calgary, Alberta, Canada | Trustee | Yes | Audit Compensation, Governance and Nominating | Corporate Director |

| Name, Municipality Residence | Position/Title | Independent | Committees | Relevant Experience |
|---|-----------------------|--------------------|-------------------|---|
| Andrew Shapack, Toronto, Ontario, Canada | Trustee | Yes | Audit | President, Mohawk Medical Properties REIT |

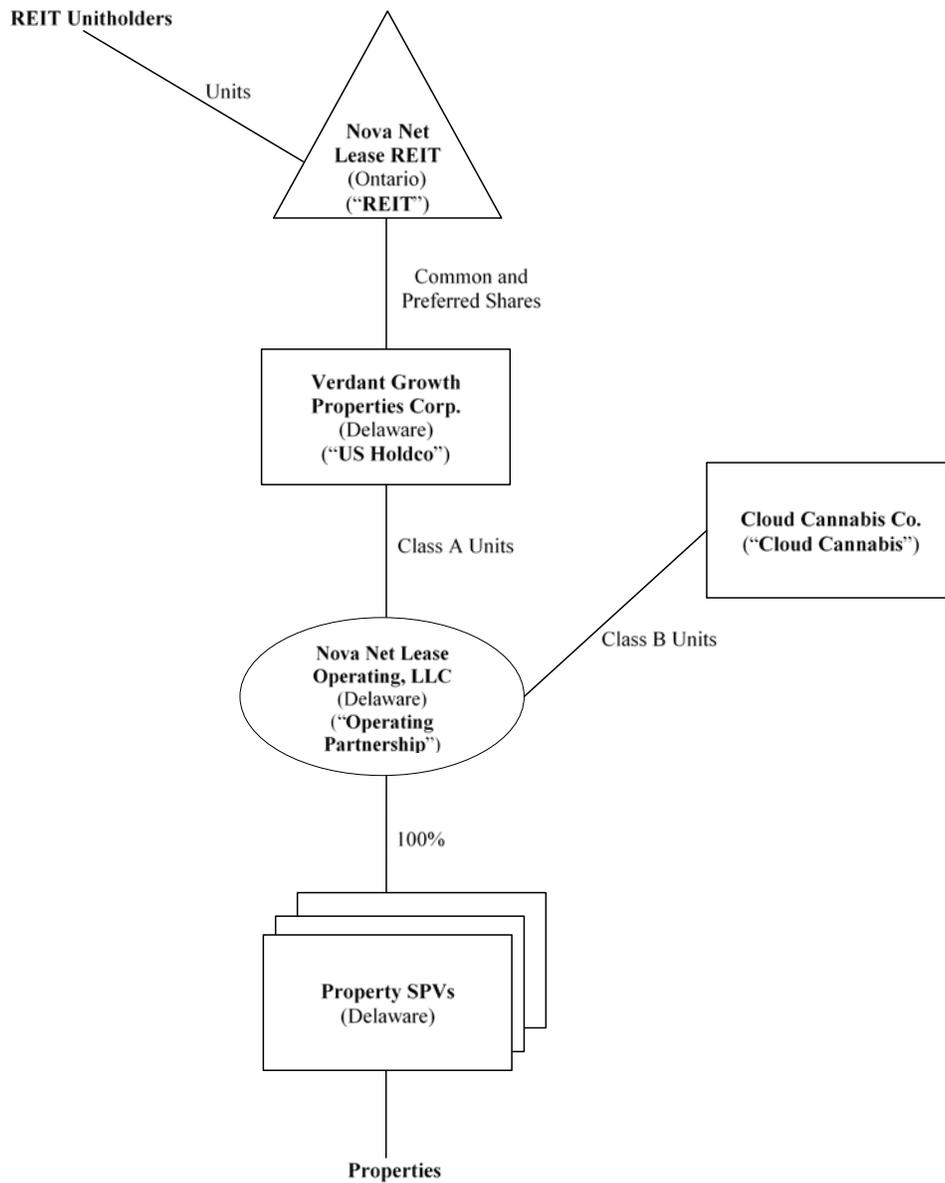
The following table sets forth information regarding the executive officers of the REIT at Closing.

| Name and Municipality of Residence | Office with the REIT |
|---|---|
| Richard Michaeloff, Toronto, Ontario, CAN | Chief Executive Officer and Trustee |
| Stacy Riffe, Brownwood, Texas, USA | Chief Financial Officer and Executive Vice President |
| Potter Polk, New York, New York, USA | Chief Investment Officer and Executive Vice President |

See "Trustees and Management of the REIT".

Post-Closing Structure

The following is a diagram of the simplified organizational structure of the REIT immediately following Closing:



Notes:

- (1) It is anticipated that upon the Closing, the public will hold an approximate 37.90% ownership interest in the REIT, and an aggregate approximate 40.54% ownership interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units).
- (2) Ownership of the Initial Licensed Facility and future Licensed Facilities is held through special purpose entities.

THE OFFERING

| | |
|-------------------------------|--|
| Offering: | Maximum Offering – 2,800,000 Minimum Offering - 4,800,000 |
| Amount: | Maximum Offering - \$3,500,000 Minimum Offering - \$6,000,000 |
| Offering Price: | \$1.25 per Unit. |
| Over-Allotment Option: | The REIT has granted to the Agents an option exercisable in whole or in part and at any time up to 30 days after Closing to purchase up to an additional 720,000 (being 15% of the Offering) Units at the Offering Price solely to cover the Agents' over-allocation position, if any, and for consequent market stabilization purposes. See "Plan of Distribution". |
| Use of Proceeds: | The net proceeds of the Offering will be approximately \$[●] million if the Minimum Offering is achieved and \$[●] million if the Maximum Offering is achieved, after deducting the REIT's estimated expenses of the Offering and the Agents' fee. The REIT will use the net proceeds of the Offering to fund transaction costs associated with the Closing and for general working capital purposes. The proceeds received by the REIT on the exercise of the Over-Allotment Option, to the extent exercised, will be used by the REIT for general working capital purposes. None of the net proceeds from the Offering will be deployed by the REIT to acquire Licensed Facilities. See "Use of Proceeds". |
| Unit Attributes: | The REIT is authorized to issue an unlimited number of Units. Each Unit represents a proportionate undivided beneficial ownership interest in the REIT. Each Unit is transferable and entitles the holder thereof to: (i) an equal participation in distributions of the REIT; (ii) rights of redemption; and (iii) one vote at all meetings of Unitholders. See "Declaration of Trust and Description of REIT Units". |
| Cloud Cannabis: | Following Closing, Cloud Cannabis will own, in the aggregate, 8,000,000 Class B Units, representing an aggregate approximate 49.28% ownership interest in the REIT, and an aggregate approximate 47.18% ownership interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units). Subject to certain limited exceptions, Cloud Cannabis will be required to hold their interests in the REIT for 12 months following Closing. The Class B Units are economically equivalent to Units and are redeemable by the holder thereof for cash or Units (on a one-for-one basis subject to customary anti-dilution adjustments), as determined by the Operating Partnership in its sole discretion. The holder of a Class B Unit will be entitled to receive distributions proportionately to the distributions made by the REIT to the holder of a Unit. |
| Lock-Up Arrangements: | For a period beginning on the Closing Date and ending 180 days after the Closing Date, the Locked-Up Unitholders have agreed, except with the prior written consent of CG, on behalf of the Agents and the REIT, to not, directly or indirectly, (a) offer, sell, contract to sell, secure, pledge, grant or sell any option, right or warrant to |

purchase, or otherwise lend, transfer, assign or dispose of any Units or securities convertible into or exercisable or exchangeable for Units (except for transfers to affiliates, provided they remain affiliates); (b) make any short sale, engage in any hedging transaction, or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Units, whether any such transaction is to be settled by delivery of Units, other securities, cash or otherwise; or (c) agree or publicly announce any intention to do any of the foregoing, except (i) pursuant to a bona fide third party take-over bid made to all Unitholders or similar acquisition transaction provided that in the event that the take-over bid or acquisition transaction is not completed, any subject securities held by the Locked-up Unitholder shall remain subject to the restrictions contained the Unitholder Lock-up; (ii) by way of pledge or security interest, provided that the pledgee or beneficiary of the security interest agrees in writing with each of CG, on behalf of the Agents, to be bound by the Unitholder Lock-up for remainder of its term; and (iii) pursuant to bona fide gifts to the immediate family of the Locked-Up Unitholder, provided the recipient thereof agrees in writing with the Agents to be bound by the terms of the Unitholder Lock-up.

For a period beginning at the Closing Date and ending 180 days after the Closing Date, the REIT will not, without the prior written consent of CG, on behalf of the Agents, directly or indirectly, (a) offer, issue or grant any option, right or warrant to purchase, or otherwise transfer or dispose of any Units, financial instruments or securities convertible into or exercisable or exchangeable for Units or announce any intention to do any of the foregoing, in a public offering, by way of private placement or otherwise (except pursuant to employee or executive incentive compensation arrangements, or issued to vendors as consideration for the acquisition of a business or assets provided that such vendors agree to not transfer such securities prior to the date that is 180 days after the Closing), or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Units, whether any such transaction is to be settled by delivery of Units, other securities, cash or otherwise.

As a result of the Unitholder Lock-up and the lock-up arrangements with Cloud Cannabis, [●]% of Units outstanding prior to the Offering on a non-diluted basis, will be locked-up by current Unitholders and therefore not freely tradeable for a period of 180 days after the Closing Date (in the case of the Units subject to the Unitholder Lock-up) or 12 months (in the case of the Units held by Cloud Cannabis).

In addition, 62.10% of Units outstanding prior to the Offering on a non-diluted basis will be subject to certain escrow requirements imposed by the CSE.

See “Escrowed Securities” and “Plan of Distribution — Lock-Up Arrangements”.

Distribution Policy:

The REIT intends to adopt a distribution policy pursuant to which the REIT will make monthly cash distributions to Unitholders and, through the Operating Partnership, holders of Class B Units, on each Distribution Date initially equal to, on an annual basis, up to approximately 80.0% of the Pro-Forma FFO.

Pursuant to this distribution policy, distributions will be paid to Unitholders of record at the close of business on the last business day of the month preceding a Distribution Date. The Declaration of Trust will provide that, in exercising its discretion to declare a cash distribution on the Units, the Board will be required to confirm that the Operating Partnership has or will have sufficient funds to make a corresponding cash distribution on the Class B Units in accordance with their terms.

The first distribution is expected to be for the period from Closing to [●] and is expected to be paid on [●], in the amount of \$[●] per Unit (assuming that Closing occurs on [●]). The REIT intends to make subsequent monthly distributions in the estimated amount of \$[●] per Unit thereafter. The REIT intends to pay such distributions in cash. Notwithstanding the distribution policy, the Trustees retain full discretion with respect to the timing, quantum and form of distributions. See “Risk Factors”. FFO is a non-IFRS financial measure, see “Non-IFRS Measures”. See “Distribution Policy”.

Risk Factors:

An investment in Units is subject to a number of risks that should be carefully considered by a prospective purchaser. Cash distributions by the REIT are not guaranteed and will be based, in part, upon the financial performance of the REIT’s properties, which is susceptible to a number of risks. These risks, and other risks associated with an investment in Units, include but are not limited to those related to the real estate industry and the business of the REIT, the U.S. cannabis industry, the Offering and the structure of the REIT and tax-related risks. See “Risk Factors” and the other information included in this prospectus for a discussion of the risks that an investor should carefully consider before deciding to invest in Units.

THE REIT

Nova Net Lease REIT is a newly created, unincorporated, open-ended real estate investment trust established pursuant to the Declaration of Trust under the laws of the Province of Ontario. The registered and head office of the REIT is located at 181 Bay Street, Suite 1030, Toronto, Ontario. The REIT has been formed for the purpose of the acquisition of specialized industrial and retail properties leased to experienced, state-licensed operators in the legal U.S. cannabis industry. The REIT intends to acquire properties through sale-leaseback transactions and lease such properties on a triple-net lease basis for a targeted 10 to 15 year term and strive to negotiate annual rental rate increases, where the tenant is responsible for all aspects of and costs related to the property and its operation during the lease term, including structural repairs, maintenance, taxes and insurance.

Upon and following Closing, the REIT will indirectly hold a 100% interest in the Initial Licensed Facility, located in the state of Michigan. The Initial Licensed Facility is located in a key market where Cloud Cannabis has comprehensive knowledge and experience. See “The Initial Licensed Facility”.

The REIT will be internally managed by a vertically integrated team of seasoned real estate and cannabis professionals with expertise across the spectrum of real estate investment management, including: acquisitions, underwriting, financing, asset management, property management, operations, development and redevelopment, accounting, regulatory affairs and marketing. Cloud Cannabis has extensive experience with the Licensed Facilities, having operated the Initial Licensed Facility since the date of their respective acquisition and development. The assets will continue to be operated by licensed producers through the REIT’s acquisition and sale-leaseback strategy. Upon Closing, the Trustees and the REIT’s executive officers are expected to collectively beneficially own 12.82% of the Units outstanding, providing a significant alignment of interests with all other Unitholders.

The REIT will rely on management’s and the Trustee’s industry experience in both the public and private markets to execute on the REIT’s strategic objectives, while maintaining an efficient and scalable cost structure.

Objectives of the REIT

The primary objectives of the REIT are to:

- Provide Unitholders an opportunity to invest in a portfolio of Licensed Facilities located in attractive U.S. markets where permissible by law;
- Provide Unitholders with predictable, sustainable and growing cash distributions;
- Enhance the value of the REIT’s portfolio and maximize the long-term value of the Units through proactive asset management, disciplined capital management and value-add investment opportunities; and
- Expand the asset base of the REIT in its existing operational footprint and target growth markets by leveraging management and Trustee’s extensive industry experience and relationships to acquire Licensed Facilities that are expected to be accretive to the REIT’s NOI and FFO per Unit.

Investment Opportunity

The REIT is being formed to provide investors with the opportunity to invest indirectly in the cannabis industry in the United States in a manner that complies with state laws, while benefiting from the investment and operational expertise of Nova’s vertically integrated management platform and triple net lease sale-leaseback platform. Management believes that investing in Licensed Facilities is a prudent investment strategy that will create long-term value, as a result of the following attributes: (i) significant opportunity created from the dislocation of private and public markets relative to other real estate asset classes as a result of the lack of conventional financing opportunities; (ii) diversification strategy targeting a mix of 80% in cultivation/grow/processing facilities and 20% in retail/dispensaries; (iii) accelerating U.S. cannabis market, where permissible by law; and (iv) first-mover advantage as the first pure-play Canadian cannabis REIT owning U.S. assets.

Management believes that macro characteristics and trends in the United States real estate as well as the Regulated Cannabis industry specifically, offer investors an attractive investment opportunity. These characteristics and trends

include (i) 1 in 3 Americans now live in states where marijuana is legal for adults over the age of 21⁷; (ii) U.S. cannabis market expected to grow from \$16.3 billion in 2020 to \$33.9 billion by 2025⁸; (iii) \$35 billion U.S. cannabis real-estate opportunity required to support the anticipated \$330 billion in U.S. Cannabis revenue over the next 10 years⁹; and (iv) Regulated Cannabis operators demand for capital. Management believes that the Initial Licensed Facility is well-positioned to benefit from these dynamics in the industrial real estate and cannabis industry. See “Overview of the United States Cannabis Industry”.

INVESTMENT HIGHLIGHTS

Management believes that the following are the key strengths and investment highlights of the REIT and the Licensed Facilities:

First Pure-Play Canadian Cannabis REIT Owning U.S. Assets

Upon Closing, the REIT will be the first Canadian pure-play publicly traded cannabis REIT owning exclusively U.S. assets, representing a unique opportunity to invest in a platform that has exposure to the U.S. Regulated Cannabis industry indirectly through cash flow positive real estate assets. U.S. stock exchanges, such as the NYSE and NASDAQ, will decline to list any companies which are engaged in cannabis activities that are legal in the state but not federally, and since cannabis remains illegal at the federal level in the U.S., no additional companies who deal directly with cannabis inside the United States can list on the NYSE or NASDAQ.¹⁰ The same stands for the TSX and TSXV as TMX policy states that every issuer listed on its exchanges must comply with all the laws in the jurisdictions in which they operate.¹¹ This provides the opportunity for Nova to list on the CSE and be the first pure-play U.S. cannabis REIT listed on a Canadian regulated exchange in North America. The CSE is the preeminent option for U.S. cannabis companies as over 70 U.S. cannabis companies are listed on the exchange with a total market value of over \$28 billion¹².

Opportunity to Provide Capital to Accelerating U.S. Cannabis Market

To date, the status of recreational-use cannabis under federal law has significantly limited the ability of state-licensed industry participants to fully access the U.S. banking system and traditional financing sources. These limitations, when combined with the high costs of maintaining licensed and stringently regulated cannabis facilities (including meeting extensive zoning requirements), substantially increase the cost of production. While it is anticipated that future changes in federal and state laws may ultimately open up financing options that have not been available to date in this industry, management believes that such changes will take time, thereby creating an opportunity over the next few years to provide sale-leaseback solutions to state-licensed industry participants that lack access to traditional financing sources.

Diversification Strategy

The REIT intends to implement a diversification strategy targeting a mix of specialized industrial facilities for the use of cultivation, grow and processing as well as specialized retail facilities for the use of dispensaries. The targeted diversification mix is approximately 80% in cultivation/growth/processing and 20% retail/dispensary assets exclusively in the United States. The REIT also intends to have geographic diversification as well, targeting the markets of Michigan, California, Nevada, New York, New Jersey, Arizona and Massachusetts in the medium term. Additionally, over time, the REIT intends to expand its tenant base in order to diversify its sources of rental revenues and to manage over the long term its concentration of invested capital in any one property. Management intends to target having no more than 5% of its revenues generated by any single asset and no more than 25% of its revenues generated by any one tenant.

⁷ Source: National Conference of State Legislatures.

⁸ Source: ArcView, 8th Edition The State of Legal Cannabis Markets.

⁹ Source Morningstar, Kristoffer Inton 2020, Management Analysis.

¹⁰ Source: NASDAQ, Marijuana Stocks on the Move, March 2021.

¹¹ Source: TSX, Business Activities Related to Marijuana in the United States, October 2017.

¹² Source: CSE, Canadian Securities Exchange Reports Record Performance Figures in the First Half of 2021, July 2021.

Well-Positioned to Capitalize on Strategic Growth Opportunities

The REIT will seek to continuously improve financial performance and related operational performance indicators to generate stable, recurring and growing cash flow while enhancing portfolio value through strategic investment programs and active asset and property management. Management has identified several strategic avenues for growth including: (i) organic cash flow growth through embedded annual rental rate increases, and continued implementation of expense optimization initiatives, where available; (ii) targeted value-enhancing investments; (iii) sourcing third party acquisitions; and (iv) build-out of the Licensed Facilities through the development of excess land and/or buildings. Management believes that its extensive relationship network, deep knowledge of local markets and regular dialogue with local owner-operators seeking liquidity opportunities support the origination and execution of sale-leaseback transaction opportunities and provide an opportunity to grow within both Nova's existing operational footprint and target growth markets. Upon Closing, the REIT is expected to have the ability to offer potential U.S.-based vendors tax deferred consideration in the form of Class B Units, which management believes is a unique form of consideration that will provide potential vendors with an additional incentive to transact with the REIT, representing an enduring strategic advantage for the REIT over competitors.

Vertically Integrated Platform Led by an Experienced and Aligned Internal Management Team

The REIT's management platform will be composed of a fully integrated team of seasoned professionals with significant expertise and experience across the spectrum of real estate, cannabis and capital markets. The vertical integration of the REIT's management and administrative personnel and activities are expected to enable the REIT to actively control, manage and execute across all aspects of Licensed Facility investment management. The REIT's executive management team has been involved in the real estate industry for an extensive amount of time serving as executives on several public and private companies ranging from small-cap REITs to \$10 billion in enterprise value REITs. Cloud Cannabis has operated the Initial Licensed Facility since the date of its acquisition by Cloud Cannabis, providing the REIT's management visibility on Cloud Cannabis' operating capabilities. Upon Closing, the Trustees and the REIT's executive officers are expected to collectively beneficially own 2,081,475 Units representing an approximate 12.82% effective interest in the REIT, or an approximate 12.28% effective interest in the REIT if the Over-Allotment Option is exercised in full, providing a significant alignment of interests with all other Unitholders.

Stable Cash Yield and Conservative Capital Structure

The REIT intends to pay predictable, sustainable and growing cash distributions to Unitholders. Initially, the distributions will be \$0.025 to \$0.030 per Unit per annum payable monthly, which will provide Unitholders with an approximate annual cash distribution yield of 2.0% to 2.4%. Additionally, the REIT will initially have no debt but intends to focus on maintaining a conservative leverage profile with a Debt to Gross Book Value Ratio not exceeding 55%, long-term debt maturities and a diversified capital structure to avoid reliance on any particular source of capital once management feels the REIT is at appropriate scale. None of the net proceeds from the Offering will be deployed by the REIT to acquire Licensed Facilities. See "Use Of Proceeds", "Distribution Policy" and "Risk Factors". Both FFO and Pro-Forma FFO are non-IFRS financial measures, see "Non-IFRS Measures".

GROWTH STRATEGIES OF THE REIT

Internal Growth

The REIT intends to primarily acquire properties through sale-leaseback transactions with experienced operators. The REIT expects to lease its properties on a triple-net lease basis with annual rental rate increases. Under a triple-net lease, tenants are responsible for all aspects of, and costs related to, the property and its operation during the lease term, including maintenance, taxes and insurance. The REIT intends to pursue a disciplined growth strategy through investing in high quality properties under long-term triple-net leases with licensed tenants in the state Regulated Cannabis industry, however, the REIT is not limited to entering into triple net leases and will acquire assets which do not meet these parameters if management determines that such acquisitions are in the best interests of the REIT.

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

Differentiated, Multi-Faceted Investment Strategy Driven Growth

We intend to grow our portfolio by acquiring properties occupied by quality tenants operating in the Regulated Cannabis industry focused on specialized activities such as, cultivation, processing and/or grow operations, in addition to specialized retail facilities in the form of dispensaries. In addition to sale-leaseback originations, we intend to grow our portfolio through a multi-faceted investment strategy, which includes acquiring net leased industrial and retail properties subject to existing stabilized long-term leases, build-to-suit transactions and reverse build-to-suit transactions as well as through pre-sale arrangements with experienced third-party developers. Each of these types of transactions offers unique benefits to our business.

Sale-Leasebacks

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

Existing Stabilized Leases

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

Build-To-Suit

In build-to-suit transactions, the landlord will construct a property for the specific needs of a particular tenant. The tenant will lease the building upon successful completion of construction.

Reverse Build-to-Suit

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

Pre-Sale Arrangements

In a pre-sale arrangement, the REIT will enter into agreements with experienced developers who will construct properties using their own financing sources with the intention that the REIT will purchase the asset from the developer upon satisfactory completion, licensing and lease-up of the property with approved tenants. Pre-sale arrangements allow the REIT to acquire properties in new and existing markets at a potentially lower cost while shifting the development, construction and lease-up risks to the third party developer.

External Growth

Extensive Relationships

Management believes it has a competitive advantage in pursuing both off-market and marketed acquisition opportunities through its extensive network of owner, tenant and brokerage contacts at both the national and regional levels. Management and Trustees have significant experience in the cannabis industry as executives, investors, advisors, founders and board members. The management's and Trustees' extensive experience has allowed them to develop an extensive network of long-standing relationships across the medicinal and Adult-Use Cannabis industry, which the REIT believes will provide an ongoing pipeline of potential transactions. The management and Trustees have been active in the real estate investment and management industry for several decades, serving several executive and board roles across private and public companies. The management's and Trustees' extensive experience has allowed them to develop a broad network of long-standing relationships with brokers, intermediaries, financial institutions and others in the cannabis real estate industry and commercial real estate industry broadly, which we believe will provide us with an ongoing pipeline of both marketed and off-market investment opportunities.

Structuring and Managing Portfolio with Disciplined Underwriting and Risk Management

The REIT seeks to build a scaled portfolio with stable rental revenue with diversification geographically, by tenant, by industry sub-sector, and by numbers of properties with a strategy designed to manage risk and maximize the long-term return on our investments by implementing disciplined underwriting and risk management processes. The REIT is focused on acquiring high quality properties tenanted by licensed operators in the Regulated Cannabis industry. The REIT seeks to enter into leases with terms of 10 to 15 years with annual rent escalation and, when acquiring properties, look for opportunities to acquire properties with long-term leases in place at the time of closing. In addition, to seek acquisition opportunities that enhance the tenant and geographic diversification of the REIT's portfolio and actively monitor and manage existing investments to reduce the risks associated with adverse developments affecting tenants or markets. Finally, to use an active portfolio management strategy to: (i) regularly review the portfolio for changes in unit performance, tenant credit and local real estate conditions, (ii) identify properties that do not meet the disciplined underwriting strategy, diversification objectives or risk management criteria, including rent coverage ratios or likelihood of non-renewal upon lease expiration, and (iii) opportunistically dispose of those properties and reinvest the proceeds in acquisitions that will generate higher returns, enhance the credit quality of the real estate portfolio or extend the average remaining lease term.

Due to the status of the cannabis industry as a growing industry, revenue is the metric conventionally used by industry participants to demonstrate financial condition and performance. Further, analyst coverage and reporting in the cannabis industry typically also uses revenue as the main indicator of the financial condition of a company in the industry. For these reasons, management believes revenue is the metric by which investors will be able to most accurately compare companies across the industry, but investors should note that not all revenue will be distributed. See "Risk Factors" and "Distribution Policy".

Access to Capital and Maintaining a Conservative Capital Structure

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

As a publicly listed real estate investment trust, the REIT believes having increased access to public capital will provide it with a competitive advantage over local cannabis real estate investors without ready access to lower cost debt and equity capital, while adding certainty for sellers at closing. The REIT expects to finance future acquisitions through multiple capital sources, including (a) cash flow from operations, (b) funds from issuing public equity, (c) the issuance of equity to vendors, and (d) sources of debt financing, including bank mortgages, publicly issued bonds and convertible debentures. When appropriate to bring on debt, the REIT will seek to maintain a capital structure that provides flexibility to manage the business and scale the platform through targeted acquisitions, while servicing debt requirements and generating appropriate risk-adjusted returns. Currently and for the foreseeable future, the REIT expects to be funded with equity. When the time comes to add debt to the capital structure, the REIT will target a conservative net Debt to Gross Book Value Ratio not exceeding 55%, a scale that we believe will best position the REIT for growth. As we scale, we anticipate having increasingly broad access to the debt and equity capital markets to maintain a prudent balance between debt and equity financing. Debt to Gross Book Value Ratio is a non-IFRS measure, see "Non-IFRS Measures".

OVERVIEW OF THE UNITED STATES CANNABIS INDUSTRY

The Regulated U.S. Cannabis Industry

The REIT believes that shifting public attitudes and increased legalization momentum in an increasing number of states toward Medical-Use Cannabis and Adult-Use Cannabis creates an attractive opportunity to invest in the real estate sector with a focus on Regulated Cannabis properties. The REIT also believes that the increased sophistication of the Regulated Cannabis industry and the incorporation of strong business, operational, and compliance practices have made the sector more attractive for investment. Increasingly, state-licensed cannabis cultivation, processing and retail facilities are becoming sophisticated business enterprises that use state-of-the-art technologies and well-honed business and operational processes to maximize product yield and revenues. Additionally, the REIT believes that

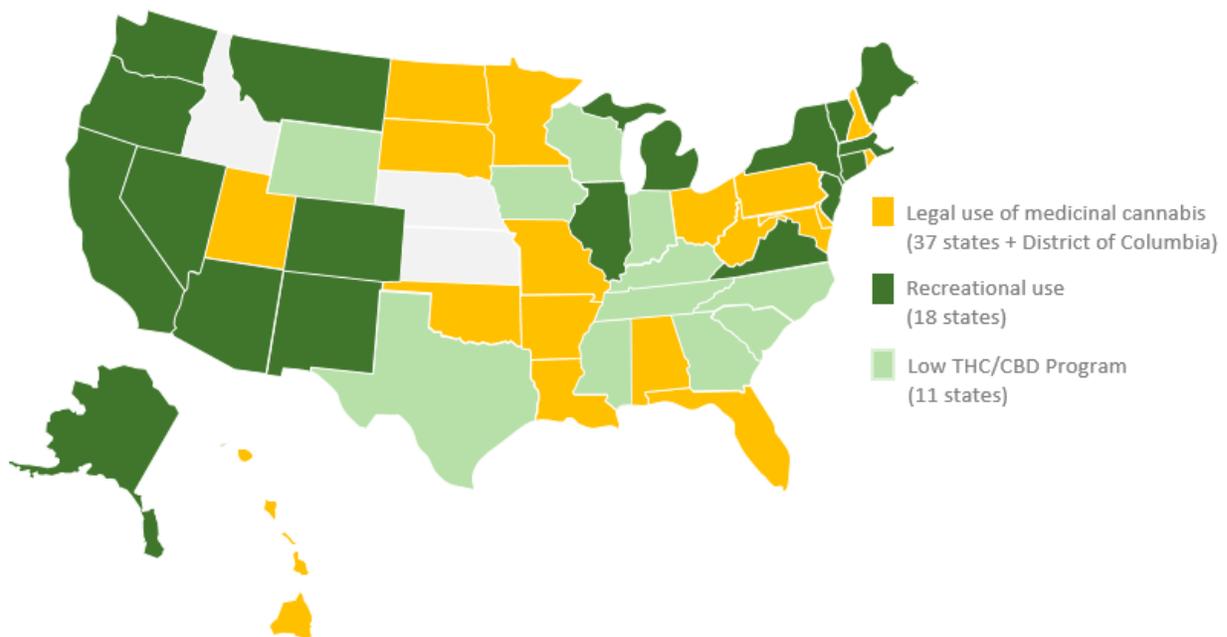
growers and dispensers have developed a broadening portfolio of products into which they are able to incorporate Regulated Cannabis in a safe and appealing manner, including a variety of form factors including edibles, drinks, and topicals.

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

- significant industry growth in recent years and expected continued growth;
- a shift in public opinion and increasing momentum toward the legalization of cannabis, especially as it relates to Medical-Use Cannabis;
- the Congressional enactment of annual appropriations acts that prohibit the Department of Justice from spending funds to interfere with the implementation of state Medical-Use Cannabis laws; and
- limited access to capital by industry participants in light of banking and money transfer limitations driven by federal law.

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

The following map outlines the states where Regulated Cannabis is currently legalized in some form.



Source: BDS Analytics, National Conference of State Legislatures

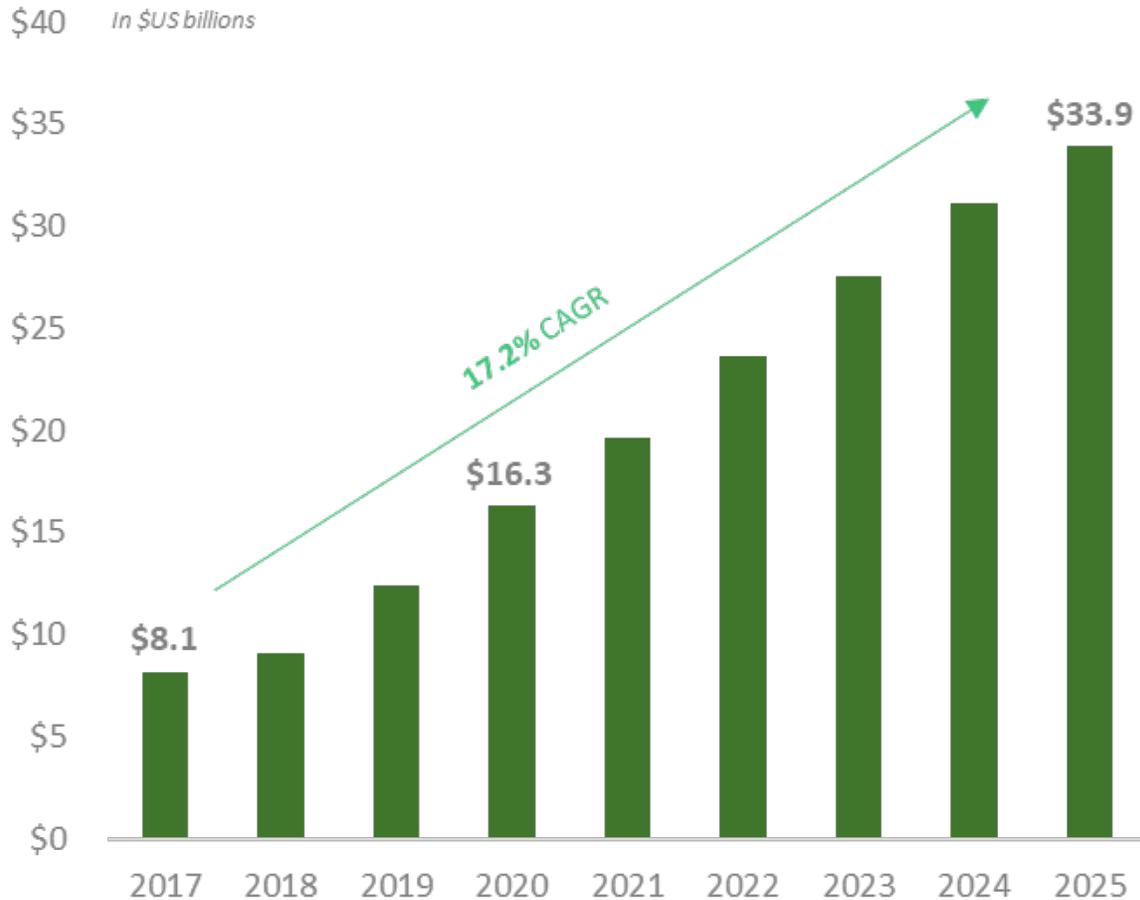
As of May 18, 2021, 36 states and four territories have enacted legislation to allow medical use of cannabis products in some form. As of June 22, 2021, 18 states, two territories, and the District of Columbia have enacted legislation to regulate adult use cannabis in some form.¹³

¹³ In November 2020, medical use in Mississippi passed by ballot initiative, but that initiative was overturned by the state supreme court in May 2021. South Dakota approved a ballot measure to regulate adult use cannabis in November 2020, but that measure was overturned by an

In 2020, the U.S. state-legal marijuana market was estimated to generate up to US\$16.3 billion, The U.S. state-legal marijuana market is projected to grow to US\$33.9 billion by 2025, representing approximately 72% of total global legal spending on cannabis.¹⁴

Polls throughout the United States consistently show overwhelming support for the legalization of Medical-Use Cannabis, together with strong majority support for the full legalization of Adult-Use Cannabis. It is estimated that 67% of the U.S. public supports legalizing Adult-Use Cannabis.¹⁵

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



Source: BDS Analytics, National Conference of State Legislatures

To support the growth in the U.S. cannabis industry, it is estimated that by 2029 a total of \$70 billion will have to be spent on infrastructure. This estimates that there is a \$35 billion U.S. Cannabis real estate opportunity required to support the anticipated cumulative \$330 billion in U.S. cannabis revenue over the next 10 years.

intermediate court in February 2021. That decision was being appealed as of March 2021. South Dakota’s legislature is currently considering a bill that would overhaul cannabis policies and regulate adult use cannabis.

¹⁴ Source: ArcView Market Research, The State of Legal Cannabis 8th Edition.

¹⁵ Source: Pew Research Center, November 2019.



Cumulative U.S. Cannabis **Market Revenue** 2019 - 2029

US\$330 billion



Cumulative **Spend on Infrastructure** by 2029

US\$70 billion

21% est. CAPEX



U.S. Cannabis **Real Estate Opportunity**

US\$35 billion

Real Estate est. 50% of CAPEX

Source: New Frontier Data, Morningstar, management analysis

Shifting Public Attitudes

The REIT believes that the growth of the Regulated Cannabis market will be fueled by changing public attitudes in the United States toward regulation and legalization of cannabis. A 2019 Pew Research Center survey found that two thirds of Americans support legalization of cannabis use.¹⁶

We understand that the growth of the Regulated Cannabis industry has been driven by changing public perception in the United States. A 2021 poll by Pew Research Center found that 91% of Americans support the legalization of Adult-Use Cannabis or Medical-Use Cannabis.¹⁷

U.S. Regulatory Environment

In accordance with CSA Notice 51-352 and Staff Notice 51-537, dated October 10, 2018 – *Staff Review of Reporting Issuers in the Cannabis Industry*, below is a discussion of the U.S. regulatory regime.

Due to its ownership of properties tenanted by persons with involvement in the U.S. cannabis industry, the REIT considers itself a U.S. Marijuana Issuer with material ancillary involvement with the U.S. cannabis industry, as defined in the CSA Notice 51-352. Below is a table of concordance that is intended to assist readers in identifying parts of this prospectus that address the disclosure expectations set out in CSA Notice 51-352.

Further, we will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation.

| Industry Involvement | Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties | Reference Section or Comment |
|-----------------------------|---|---|
| | Describe the nature of the issuer’s involvement in the U.S. marijuana industry and include the disclosures indicated for at | <i>The REIT</i> <i>Growth Strategies of the REIT</i> |

¹⁶ Source: Pew Research Center, November 2019.

¹⁷ Source: Pew Research Center, April 2019.

| Industry Involvement | Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties | Reference Section or Comment |
|--|--|--|
| All Issuers with U.S. Cannabis-Related Activities | least one of the direct, indirect and ancillary industry involvement types noted in this table. | <i>Overview of the United States Cannabis Industry – U.S. Regulatory Environment</i> |
| | Prominently state that marijuana is illegal under U.S. federal law and that enforcement of relevant laws is a significant risk. | Cover Page – disclosures in bolded box <i>Overview of the United States Cannabis Industry – U.S. Regulatory Environment</i> <i>Risk Factors</i> |
| | Discuss any statements and other available guidance made by federal authorities or prosecutors regarding the risk of enforcement action in any jurisdiction where the issuer conducts U.S. marijuana-related activities | Cover Page – disclosures in bolded box <i>Overview of the United States Cannabis Industry – U.S. Regulatory Environment</i> <i>Risk Factors</i> |
| | Outline related risks including, among others, the risk that third party service providers could suspend or withdraw services and the risk that regulatory bodies could impose certain restrictions on the issuer’s ability to operate in the U.S. | Cover Page – disclosures in bolded box <i>Overview of the United States Cannabis Industry – U.S. Regulatory Environment</i> <i>Risk Factors</i> |
| | Given the illegality of marijuana under U.S. federal law, discuss the issuer’s ability to access both public and private capital and indicate what financing options are / are not available in order to support continuing operations. | <i>The REIT</i> <i>Growth Strategies of the REIT</i> <i>Overview of the United States Cannabis Industry – U.S. Regulatory Environment</i> <i>Risk Factors</i> |
| | Quantify the issuer’s balance sheet and operating statement exposure to U.S. marijuana-related activities. | At the time of this prospectus, the major operations of the Corporation are only in the United States. |
| | Disclose if legal advice has not been obtained, either in the form of a legal opinion or otherwise, regarding (a) compliance with applicable state regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law. | Cover Page – disclosures in bolded box |
| U.S. Marijuana Issuers with direct involvement in cultivation or distribution | Outline the regulations for U.S. states in which the issuer operates and confirm how the issuer complies with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. | Not applicable. |
| | Discuss the issuer’s program for monitoring compliance with U.S. state law on an ongoing basis, outline internal compliance procedures and provide a positive statement indicating that the issuer is in compliance with U.S. state law and the related licensing framework. Promptly disclose any | Not applicable. |

| Industry Involvement | Specific Disclosure Necessary to Fairly Present all Material Facts, Risks and Uncertainties | Reference Section or Comment |
|--|--|--|
| | noncompliance, citations or notices of violation which may have an impact on the issuer’s licence, business activities or operations. | |
| U.S. Marijuana Issuers with indirect involvement in cultivation or distribution | Outline the regulations for U.S. states in which the issuer’s investee(s) operate. | Not applicable. |
| | Provide reasonable assurance, through either positive or negative statements, that the investee’s business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. Promptly disclose any non-compliance, citations or notices of violation, of which the issuer is aware, that may have an impact on the investee’s licence, business activities or operations. | Not applicable. |
| U.S. Marijuana Issuers with material ancillary involvement | Provide reasonable assurance, through either positive or negative statements, that the applicable customer’s or investee’s business is in compliance with applicable licensing requirements and the regulatory framework enacted by the applicable U.S. state. | <i>Overview of the United States Cannabis Industry – U.S. Regulatory Environment</i> |

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

The following is a list of the states and territories that have legalized Medical-Use Cannabis in some form or provide for medical use in some form as a legal defense, as of August 20th, 2021:

- Alabama
- Alaska
- Arizona
- Arkansas
- California
- Colorado
- Connecticut
- Montana
- Nevada
- New Hampshire
- New Jersey
- New Mexico
- New York
- North Dakota

- Delaware
- District of Columbia
- Florida
- Hawaii
- Illinois
- Louisiana
- Maine
- Maryland
- Massachusetts
- Michigan
- Minnesota
- Missouri
- Ohio
- Oklahoma
- Oregon
- Pennsylvania
- Rhode Island
- South Dakota
- Texas
- Utah
- Vermont
- Virginia
- Washington
- West Virginia

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

Following state passage of state legislation legalizing Medical-Use Cannabis or Adult-Use Cannabis, programs must be developed and businesses must be licensed before commencing Regulated Cannabis sales. Some states have developed the necessary procedures and licensing requirements quickly, while other states have taken years to develop their programs for production and sales of Regulated Cannabis. For example, New York approved Adult-Use Cannabis in March 2021, but as of August 2021, it had not promulgated any implementing regulations under which licenses could be issued. According to the same source, there are signs of industry maturation, and states are increasingly demonstrating an ability to efficiently and quickly establish regulatory frameworks following legalization or decriminalization. This is particularly true when Adult-Use Cannabis use is legalized in states where Medical-Use Cannabis systems are already in place.

Even when regulatory frameworks for Regulated Cannabis production and sales are in place, states tend to revise these rules over time. These revisions often impact sales, making it difficult to predict the potential of new markets. States may restrict the number of Regulated Cannabis businesses permitted or limit the medical conditions that are eligible for treatment with Medical-Use Cannabis, both of which can limit growth of the Regulated Cannabis industry in those states. States may also restrict the way in which Regulated Cannabis businesses may be structured, or who may have an interest or other relationship in Regulated Cannabis businesses – by stock ownership, landlord-tenant relationship or otherwise. Alternatively, management believes that states may relax their initial regulations relating to Regulated Cannabis production and sales, which would likely accelerate growth of the Regulated Cannabis industry in such states.

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

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

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

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

Industrial Sub-Market

The industrial real estate sub-market recently has performed well with historically low vacancies and high asking rents across most markets. According to Colliers, the U.S. industrial market rents hit highest prices on record in Q1 2021. Tightening markets and new, higher-quality Class A industrial space hitting the market drove up asking rents for warehouse/distribution space to \$6.15 per sq. ft. per year in Q1 2021, 5% higher than the same time last year and the highest asking rent on record. Property vacancy stands at 5.2% down 0.1% from Q1 2020 and U.S. industrial property fundamentals are showing continued strength. Overall net absorption posted its largest quarterly totals, with occupancy gains of nearly 110 million sq. ft. during the first quarter. Driven by low vacancy and strong demand, development activity remained elevated with 355.6 million sq. ft. under construction at the close of Q1 2021.¹⁸

The REIT believes this supply/demand dynamic creates significant opportunity for owners of industrial facilities, particularly those focused on niche categories, as options are limited for tenants requiring specialized buildings. Specialized industrial cannabis facilities are required to be operated by businesses that have completed a rigorous state and local licensing process. The number of licenses granted in a particular state and municipality is typically restricted, which creates a barrier to entry for competing facilities. The REIT believes owning these mission critical industrial facilities with long-term leases will generate highly attractive current yields and above-market returns.

In light of the foregoing factors unique to cannabis cultivation and production facilities, the purchase prices for the properties the REIT will acquire that are licensed as cannabis facilities, may be considered in excess of valuations for non-cannabis properties. We believe the property valuations associated with these licensed cannabis assets are

¹⁸ Source: Colliers Industrial Market Outlook Q1 2021, July 2021

supported by the higher expected rents, as well as the significant capital invested in the facilities to build out the highly specialized environments, particularly for cultivation and production industrial real estate.

Retail Sub-Market

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

Within the retail sector of commercial real estate, the rent paid by a tenant frequently includes a percentage of gross revenue that the store occupant generates. In cannabis retail, the gross revenue numbers generated by a store or dispensary are generally expected to be greater than other traditional retail, and therefore, a normalized rent results in a cannabis tenant able to typically pay higher monthly amounts than a traditional retail tenant.

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

INITIAL MARKETS

Initial Licensed Facility Market Trends

The markets in which the Initial Licensed Facility is located are characterized by stable economies anchored by private sector, government, healthcare, and light trucking employers. In addition, many of the markets are hubs for manufacturing as well as logistics and transportation. Management has assembled the following information about the Initial Licensed Facility.

Kalamazoo, Michigan Economic Overview

| | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Gross metro product (\$ billions) | \$11.4 | \$11.6 | \$12.1 | \$12.6 | \$12.8 |
| Total employment (thousands) | 148 | 151 | 153 | 155 | 157 |
| Unemployment rate (%) | 4.8% | 4.5% | 4.3% | 3.7% | 3.5% |
| Personal income growth (%) | 4.8% | 2.7% | 4.8% | 5.3% | 3.9% |
| Population (thousands) | 320 | 323 | 325 | 326 | 328 |

Source: U.S. Bureau of Labor Statistics

Kalamazoo is the 13th largest city in Michigan with a population of approximately 328 thousand residents. Economic activity in Kalamazoo is primarily driven by logistics, manufacturing, information, financial activities, and professional services. Due to the growth in Kalamazoo, the city attracts many large companies like Stryker, Bronson Healthcare Group, Poch Personnel. In addition to large employers, Kalamazoo is home to Western Michigan University which has approximately 24,000 students enrolled. The State of Michigan is home to numerous Fortune 500 Companies such as General Motors, Ford Motors, and Dow. The Kalamazoo cannabis industry has seen robust growth even during the COVID-19 pandemic, with select retailers reporting increased sales of 400%. In addition to individual dispensary success, the cannabis industry as a whole in Kalamazoo ranks in the top 5 cities in Michigan in terms of tax revenue generated from cannabis sales. On a broader scale, the number of employees working cannabis related jobs in Michigan doubled, equaling the number of auto repair mechanics in the state. In addition to robust economic activity, cannabis sales increased 56% year over year to a record \$171 million in July 2021 and \$985 million year-to-date. Recreational dispensaries generated a total of \$430 million in revenue while creating \$73 million in excise taxes to cash strapped local governments.¹⁹

THE PORTFOLIO

Our Target Properties

We intend to acquire specialized industrial real estate assets operated by licensed Regulated Cannabis growers and licensed retail dispensaries through sale-leaseback transactions. In sale-leaseback transactions, concurrently upon closing of the acquisition, we will lease the properties back to the licensed operators under long-term, triple-net lease agreements. We intend to target properties owned by operators that have been among the top candidates in the rigorous state licensing process and have been granted one or more licenses to operate multiple facilities and/or dispensaries. Based on our review of potential acquisitions in connection with the Offering, indoor cultivation facilities generally appear to have a shell or base building that may be similar to standard light industrial buildings. However, the regulated cultivation process typically requires a finely tuned environment to achieve consistent high quality and specificity in cannabinoid levels and to maximize yields. This translates into certain capital improvements in the building's infrastructure. These improvements can include enhanced HVAC systems for climate and humidity control, high-capacity plumbing systems, specialized lighting systems, and sophisticated building management, cultivation monitoring and security systems. Through this sale-leaseback strategy, we will serve as a source of capital to these licensed Regulated Cannabis growers, which will allow them to redeploy their sale proceeds back into their core operations to grow their business and achieve higher returns.

We are actively seeking and evaluating regulated licensed cannabis facilities to purchase with the net proceeds of this offering. We have entered into a definitive purchase agreement for, and subsequently closed, the acquisition of the Initial Licensed Facility, a 70,000-sq. ft. industrial property located in Michigan for a purchase price of approximately \$10.0 million in a sale-leaseback transaction. See "The Initial Licensed Facility". In addition, our management team has identified and is in various stages of diligence and discussion with respect to another \$118 million of potential acquisitions and is reviewing in excess of \$1 billion of future potential acquisition candidates. This amount is estimated based on the sellers' asking prices for the properties, preliminary discussions with the sellers or our own internal assessment of the values of such properties after taking into account the current and expected annualized lease revenue, operating history, known and estimated improvements age and condition of the property and other relevant factors. There can be no assurance that we will consummate the acquisition of any of the properties in our current acquisition pipeline on the terms anticipated, or at all. See "Risk Factors".

Leases

The following is a general description of the type of lease we typically expect to enter into with our tenants. The terms and conditions of any actual lease may vary from those described below. If we determine that the terms of a lease at a property, in the context of the entire investment, are favorable to us, we may enter into leases with terms that are substantially different from the terms described below.

We intend to acquire specialized industrial and retail Regulated Cannabis facilities and lease them to tenants who are the state-licensed operators of such facilities. Our leases with tenants will be triple-net lease arrangements, where we as the landlord have limited exposure to expense escalations. While the structure of our leases may vary depending

¹⁹ Source: New Cannabis Ventures, August 2021.

on the type and location of the property, we generally seek to structure our leases so that the tenant is responsible for taxes, maintenance, insurance, and structural repairs with respect to the premises throughout the lease term. In addition, most of our leases will generally include annual rental rate adjustments indexed to inflation with a floor percentage. We expect that our lease structure will offer predictability of rental income and limit our exposure to increases in property operating expenses, which we believe will help us to achieve stable and consistent cash distributions to Unitholders.

We expect to enter into lease agreements for a term of 10 to 15 years with multiple consecutive renewal options of five years or more each. We expect that the leases will commence concurrent with the closing of our purchase of the property. We may acquire properties and enter into lease agreements with shorter lease terms if the property benefits from an attractive location. If the property is difficult to replace or if the property has other significant and favorable real estate attributes, we may enter into leases with longer lease terms if we believe the potential investment yield is particularly attractive.

Under most commercial leases, tenants are obligated to pay a predetermined annual base rent on a monthly basis. We expect that our leases will contain annual rent adjustments at the rate based on the higher of (i) 3% or (ii) CPI. The terms of our leases will require that our tenants make rental payments via check or wire transfer in U.S. dollars. A tenant may experience difficulty curing a default of the manner of payment requirement under our lease due to continued reluctance of banks to accept clients who operate in the Regulated Cannabis industry. See “Risk Factors”.

Generally, our leases will require each tenant to procure, at its expense, commercial general liability insurance. The tenant typically will pay for property insurance covering the structures for the full replacement value and naming the owner as the insured on the policy. In addition, we generally expect to obtain loss-of-rent (business interruption) insurance for a commercially reasonable period in case of property damage, fire, or other instances which render the property uninhabitable. Tenants will be required to provide proof of insurance by furnishing a certificate of insurance to us at least annually or more often upon request.

We do not typically expect to permit leases to be assigned or subleased without our prior written consent. If we do consent to an assignment or sublease, we generally expect the terms of such consent to provide that the original tenant will remain fully liable under the lease unless we release that original tenant from its obligations.

Certain properties that we acquire may be subject to ground lease agreements. A ground lease agreement permits a tenant to develop and/or operate a land parcel (property) during the lease period, after which the land parcel and all improvements revert back to the property owner. Under a ground lease, property improvements are owned by the property owner unless an exception is created and all relevant taxes incurred during the lease period are paid for by the tenant. Ground leases typically have a long duration, ranging from 50 to 99 years with additional extension options.

The Initial Licensed Facility

The REIT currently owns one Licensed Facility, the Initial Licensed Facility, a fully-tenanted (which holds a cultivation license) and currently operating in approximately 35,000 of the total 70,000 square foot specialized industrial cannabis cultivation facility in Kalamazoo, Michigan that also includes 3,000 square feet of retail space. The Initial Licensed Facility was acquired by the REIT via a sale leaseback transaction which closed on November 24, 2021 and prior to Closing, represents 100% of the REIT’s portfolio. The consideration paid by the REIT in connection with the Initial Licensed Facility was in the form of causing the Operating Partnership to issue to Cloud Cannabis 8,000,000 Class B Units (based on a valuation of \$10.0 million). The following are the key terms of the transaction relating to the Initial Licensed Facility:

| Property Overview | |
|--------------------|---|
| Location | Kalamazoo, MI |
| Asset Type | Cultivation – Industrial and Retail |
| Going-In Valuation | \$10.0 million |
| Going-In Cap Rate | 13.0% |
| Appraised Value | \$10.4 million |
| Annual Rent | US\$1.3 million 3% annual rent escalation after year-2 |
| Sq. Ft. | 70,000 (67,000 sqft grow + 3,000 sqft retail) |
| Rent Sq. Ft. | US\$18.57 |
| Lease | NNN, 15 years + two ten year renewal options |
| Security | Full corporate guaranty from Cloud Cannabis Co. |
| Tenant | Cloud Cannabis Co. |

Lease Agreement Terms

The Initial Licensed Facility has a triple net lease in place with its current tenant with an initial term of 15 years and two 10 year renewal options, exercisable by Pinebrook Warren, LLC (a member of the group that comprises Cloud Cannabis). There is currently 14.9 years remaining on the initial term of the lease. The annual rent for the Initial Licensed Facility is \$1,300,000, which payments shall commence on the Closing Date, with rent escalation provisions after the second year of the lease for the greater of 3% or CPI in annual rental escalation. The lease is covered by a full corporate guarantee by Cloud Cannabis. Cloud Cannabis has an option, exercisable at their discretion, to require the REIT to convey to Cloud Cannabis the leased premises for 8,000,000 Class B Units in the event that within six months following the date that the REIT acquired the Initial Licensed Facility, the Closing Date has not occurred. The lease also contains a tenant right of first offer if the REIT decides to offer the premises for sale to any third party, at any time after the 34th anniversary of the lease commencement date, thereby requiring the REIT to first offer Cloud Cannabis any proposed lease.

ASSESSMENTS AND VALUATION OF THE INITIAL LICENSED FACILITY

Property Condition Assessments

A property condition assessment reports (“**PCA Report**”) was prepared for the Initial Licensed Facility for the purpose of assessing and documenting the general condition of the buildings, including but not limited to, structural systems, building envelope, roofing, HVAC and plumbing systems, electrical systems, fire life safety and suppression systems, conveying systems, accessibility and interior finishes, as well as site and other improvements at each such property. The PCA Report was also prepared for the purpose of identifying those areas that will require remedial repair. The PCA Report was prepared in general accordance with ASTM E2018-15, “Standard Guide for Property Condition

Assessments: Baseline Property Condition Assessment Process”. The site observations for the PCA Report were conducted on September 24, 2021. The PCA Report assessed repairs required to be completed immediately, deferred routine maintenance repairs and a replacement reserve schedule for the reserve period with up-to-date component and system replacement costs in order to maintain appropriate building conditions. The cost estimates in the PCA Report was for components of systems exhibiting significant deferred maintenance and existing deficiencies requiring major repairs or replacement. Repairs or improvements that could be classified as (a) cosmetic, (b) decorative, (c) part or parcel of a buildings renovation program or to reposition the asset in the marketplace, (d) routine or normal preventative maintenance, or (e) that are the responsibility of the tenants were not included. The PCA Report also included a review of the property for compliance with the Americans with Disabilities Act and, for industrial properties only, for the properties mechanical electrical plumbing and energy efficiency systems.

Based on the PCA Report concluded, and management believes that the Initial Licensed Facility is generally well-maintained, in accordance with its use. The PCA Report identified a total of \$64,600 in immediate repairs and deferred routine maintenance costs and a total of \$230,200 in capital replacement reserves expenditures (uninflated) over the next 12 years for the Initial Licensed Facility. As all leases with respect to the acquired properties are triple-net, the REIT expects that any deferred maintenance paid by it will be minimal.

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

Environmental Site Assessments

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

Consistent with this policy, the Initial Licensed Facility has been the subject of a Phase I ESA Report prepared by an independent and qualified environmental consultant. However, in light of the fact that the Initial Licensed Facility had an Phase I ESA Report completed on July 9, 2021 by an independent and qualified environmental consultant, the REIT had obtained a reliance letter from the consultant so that it is able to rely on the aforementioned report in lieu of commissioning a new report (the “**Initial Licensed Facility Phase I Report**”). The Initial Licensed Facility Phase I Report found one historical CREC on public record. Per the recommendations of the Initial Licensed Facility Phase I Report, no additional investigation was recommended and none was conducted.

Independent Appraisal

The REIT retained the Appraiser in September, 2021 to provide independent opinions as to the market value of the Initial Licensed Facility (the “**Appraisal**”).

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

terms of cash in U.S. dollars or on terms of financial arrangements comparable thereto; and (e) the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

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

According to the Appraisal, the estimated market value of the Initial Licensed Facility, as at September 28, 2021, was approximately \$10.4 million. The value conclusions made by the Appraiser reflect all known information about the Initial Licensed Facility, market conditions and available data.

The estimated market value of the Initial Licensed Facility was determined by the Appraiser using the (a) income capitalization approach, which utilized the direct capitalization method using comparable cannabis asset lease rates as well as local market traditional use lease rates, as investors in similar types of property typically rely solely on this method, (b) sales comparison approach, which utilized the sale price for comparable cannabis real estate asset types, and which was used primarily as support for the income capitalization approach, as significant adjustments are required because of the differences in the various elements of comparison, and (c) cost approach, which is based on the proposition that the informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. The income capitalization approach was given the greatest weight in the conclusion of value in the Appraisal, as the value indication from the income capitalization approach is supported by market data regarding income, expenses and required rates of return and a typical investor would place greatest reliance on the income capitalization approach.

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

In determining the appropriate market value of the Initial Licensed Facility, under the sales comparison approach, the Appraiser gave appropriate consideration to adjustment factors, an analysis and adjustment of comparable sales and the effective net income for comparable sales. Under the income capitalization approach, the Appraiser gave appropriate consideration to occupancy and rental rates, a market rent analysis, a gross income estimate, operating expenses, net operating income and the appropriate capitalization rate.

In appraising the Initial Licensed Facility, the Appraiser assumed that title to the property is good and marketable and free and clear of all liens and encumbrances and the improvements on each such property were structurally sound. The Appraiser assumed that there are no adverse soil, engineering, structural or environmental matters.

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

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to values implied by the Appraisal. The Appraisal will be filed with the securities regulatory authorities in each of the provinces and territories of Canada and will be available on SEDAR at www.sedar.com. Investors are advised to read the Appraisal for a full description of applicable assumptions and conditions prior to making an investment in the Units offered by this prospectus.

DEBT STRATEGY AND INDEBTEDNESS

Debt Strategy

The REIT will initially and for the foreseeable future be capitalized without the use of debt. However, in the future, it may choose to utilize debt to take advantage of lower-cost capital. When that time comes, the REIT will seek to maintain a conservative balance sheet through the judicious use of capital from various sources including a conservative mix of fixed and variable rate debt from regional and national banks, public securities, and other secured and unsecured lenders. Management believes that the REIT's focus on intrinsic real estate value and strong tenant cash flows and credit will allow us to borrow on accretive terms. Debt will be taken on once management believes it is accretive and the REIT is at appropriate scale.

As the REIT scales management intends to target and maintain a Debt to Gross Book Value Ratio of less than 55% in order to maximize returns while minimizing leverage risk.

On Closing, the REIT's Debt to Gross Book Value Ratio will be 0% as there is currently no debt on the REIT's balance sheet.

Indebtedness

On Closing, there will be no material indebtedness of the REIT.

POTENTIAL ACQUISITION PIPELINE

As at the date of this prospectus, the REIT is not a party to any definitive agreement with respect to a future property acquisition.

The table below sets forth such properties which are currently under evaluation for potential acquisitions by the REIT, all of which are located in the United States. The REIT has not signed a definitive agreement relating to any of these properties and there are no assurances that it ever will. See "Risk Factors".

Immediate Pipeline:

| Asset Type | Properties | Asset Value (million US\$) |
|--------------|------------|----------------------------|
| Cultivation | 5 | \$87 |
| Dispensary | 6 | \$11 |
| Processing | 1 | \$20 |
| Total | 12 | \$118 |

Total Pipeline:

| Asset Type | Properties | Asset Value (million US\$) |
|--------------|------------|----------------------------|
| Cultivation | 48 | \$1,042 |
| Dispensary | 19 | \$74 |
| Processing | 4 | \$57 |
| Total | 71 | \$1,130 |

The REIT intends to conduct licensing, financial, tax, legal and property due diligence on one or more of the properties with a view to determining whether one or more of the properties are available for acquisition by the REIT and would be an appropriate acquisition for the REIT.

Following substantial completion of such due diligence, if the REIT determines that one or more of such properties are available for acquisition by the REIT and that it would be in the best interests of the REIT to acquire the property or properties, the REIT intends to enter into good faith negotiations with the relevant parties, with a view to entering into a mutually acceptable definitive purchase agreement relating to the purchase of one of the properties.

There can be no assurance that the REIT will enter into a definitive agreement on mutually acceptable terms and conditions (including purchase price) with vendor(s) to acquire one or more of the properties identified as the REIT's potential acquisition pipeline, or an entity which owns such properties. Further, in the event that the REIT does enter into a definitive agreement to acquire one or more of the properties comprising the potential acquisition pipeline, there can be no assurance that an acquisition will close. The closing of an acquisition will be subject to a number of conditions of closing, including obtaining lender or other third party consents and the approval of the CSE. See "Risk Factors".

The proceeds from the Offering are not expected to be used for the payment of cash consideration for a future acquisition of a Licensed Facility by the REIT. Should the REIT decide to pursue an acquisition of any Licensed Facility for cash consideration, the REIT is expecting to undertake a private or public offering of Units to raise the required amounts. See "Use of Proceeds".

CLOUD CANNABIS

Future Issuances

In connection with the acquisition of the Initial Licensed Facility, in the event that the REIT is unable to complete subsequent offerings of its securities for gross proceeds exceeding \$20 million (including the gross proceeds of the Offering) within 180 days of the Closing, the REIT has agreed to cause the Operating Partnership to issue to Cloud Cannabis an additional 800,000 Class B Units.

Registration Rights Agreement

In connection with the acquisition of the Initial Licensed Facility, the REIT has granted Cloud Cannabis certain registration rights pursuant to a Registration Rights Agreement between the REIT and a member of Cloud Cannabis (the "**Registration Rights Agreement**").

The Registration Rights Agreement provides Cloud Cannabis with the right (the "**Piggy-Back Registration Right**") to require the REIT to include Units (including Units issuable upon the redemption of Class B Units) held by Cloud Cannabis in any future offering undertaken by the REIT by way of prospectus that it may file with applicable Canadian securities regulatory authorities (a "**Piggy-Back Distribution**"). The REIT will be required to use reasonable commercial efforts to cause to be included in the Piggy-Back Distribution all of the Units Cloud Cannabis request to be sold, provided that if the Piggy-Back Distribution involves an underwriting and the lead underwriter determines that the total number of Units to be included in such Piggy-Back Distribution should be limited for certain prescribed reasons, the Units to be included in the Piggy-Back Distribution will be first allocated to the REIT.

In addition, the Registration Rights Agreement provides Cloud Cannabis with the right (the "**Demand Registration Right**") to require the REIT to use reasonable commercial efforts to file one or more prospectuses with applicable Canadian securities regulatory authorities, qualifying Units held (or issuable upon the redemption of Class B Units) by Cloud Cannabis for distribution (a "**Demand Distribution**"). Cloud Cannabis is entitled to request not more than one Demand Distribution per calendar year, provided that such Demand Distribution does not occur within 6 months from a public offering of REIT securities and each request for a Demand Distribution must relate to such number of Units that would reasonably be expected to result in gross proceeds of at least \$5 million. The REIT may also distribute Units in connection with a Demand Distribution provided that if the Demand Distribution involves an underwriting and the lead underwriter determines that the total number of Units to be included in such Demand Distribution should

be limited for certain prescribed reasons, the Units to be included in the Demand Distribution will be first allocated to Cloud Cannabis.

Each of the Piggy-Back Registration Right and the Demand Registration Right is exercisable at any time from 12 months following Closing, provided that Cloud Cannabis, together with its affiliates and joint actors, collectively own, in the aggregate, at least 20% of the Units (determined as if all Class B Units are redeemed for Units) at the time of exercise. The Piggy-Back Registration Right and the Demand Registration Right are subject to customary conditions and limitations, and the REIT is entitled to defer any Demand Distribution in certain circumstances for a period not exceeding 90 days. The expenses in respect of a Piggy-Back Distribution, subject to certain exceptions, will be borne by the REIT, except that any underwriting fee on the sale of Units by Cloud Cannabis and the fees of Cloud Cannabis' external legal counsel will be borne by Cloud Cannabis. The expenses in respect of a Demand Distribution, subject to certain exceptions, will be borne by the REIT and Cloud Cannabis on a proportionate basis according to the number of Units distributed by each. Pursuant to the Registration Rights Agreement, the REIT will indemnify Cloud Cannabis for any misrepresentation in a prospectus under which Cloud Cannabis' Units are distributed (other than in respect of any prospectus disclosure provided by Cloud Cannabis). Cloud Cannabis will indemnify the REIT for any prospectus disclosure provided by Cloud Cannabis in respect of itself.

The REIT has not and will not, pursuant to the Registration Rights Agreement or otherwise, have any obligation to register, nor will it register, Units under the U.S. Securities Act.

TRUSTEES AND MANAGEMENT OF THE REIT

Management, Governance and Board of Trustees

The Declaration of Trust will provide that, subject to certain conditions, the Trustees will have absolute and exclusive power, control and authority over the REIT's assets and operations, as if the Trustees were the sole and absolute legal and beneficial owners of the REIT's assets. The governance practices, investment guidelines and operating policies of the REIT will be overseen by the Board consisting of a minimum of one and a maximum of ten Trustees, a majority of whom will be Canadian residents, provided that NI 52-110 will require the Board to have at least three members. The REIT must, at all times after the Offering, have a majority of Trustees who are "independent" within the meaning of NI 58-101; provided, however, that if at any time a majority of the Trustees are not independent because of the death, resignation, bankruptcy, adjudicated incompetence, removal or change in circumstance of any Trustee who was an independent Trustee, this requirement shall not be applicable for a period of 60 days thereafter, during which time the remaining Trustees shall appoint a sufficient number of Trustees who qualify as independent to comply with this requirement.

The Board is initially composed of seven Trustees, a majority of whom are Canadian residents and a majority of whom are independent. Steve Dawson is designated as Chair of the Board. Pursuant to NI 58-101, an independent Trustee is one who is free from any direct or indirect relationship which could, in the view of the Board, be reasonably expected to interfere with a Trustee's independent judgment and who is not deemed to be non-independent under applicable Canadian securities laws. The REIT has determined that Patrick Burke, Edward Lowenthal, Andrew Oppenheim and Andrew Shapack are independent under these standards. Richard Michaeloff, President and Chief Executive Officer of the REIT is not independent under this standard due to his role as an executive of the REIT, Steve Dawson, Chairperson of the REIT, is not independent under this standard due to his relationship with the financial advisory firm of the REIT, and Katie Barthmaier, Vice-Chairperson of the REIT, is not independent under this standard given her previous role as an executive of US Holdco.

The mandate of the REIT's Board will be one of stewardship and oversight of the REIT and its business. In fulfilling its mandate, the Board will adopt a written charter setting out its responsibility for, among other things, (i) participating in the development of and approving a strategic plan for the REIT; (ii) supervising the activities and managing the investments and affairs of the REIT; (iii) approving major decisions regarding the REIT; (iv) defining the roles and responsibilities of management; (v) reviewing and approving the business and investment objectives to be met by management; (vi) assessing the performance of and overseeing management; (vii) reviewing the REIT's debt strategy; (viii) identifying and managing risk exposure; (ix) ensuring the integrity and adequacy of the REIT's internal controls and management information systems; (x) succession planning; (xi) establishing committees of the Board, where required or prudent, and defining their mandate; (xii) maintaining records and providing reports to Unitholders; (xiii) ensuring effective and adequate communication with Unitholders, other stakeholders and the public; and (xiv) determining the amount and timing of distributions to Unitholders.

The Board will adopt a written position description for the Chair of the Board, which will set out the Chair's key responsibilities, including, as applicable, duties relating to setting Board meeting agendas, chairing Board and Unitholder meetings, Trustee development and communicating with Unitholders and regulators. The Board will also adopt a written position description for each of the committee chairs which will set out each of the committee chair's key responsibilities, including duties relating to setting committee meeting agendas, chairing committee meetings and working with the respective committee and management to ensure, to the greatest extent possible, the effective functioning of the committee.

The REIT will adopt a written code of conduct (the "**Code of Conduct**") that applies to all Trustees, officers, and management of the REIT and its subsidiaries. The objective of the Code of Conduct is to provide guidelines for maintaining the integrity, reputation, honesty, objectivity and impartiality of the REIT and its subsidiaries. The Code of Conduct addresses conflicts of interest, protecting the REIT's assets, confidentiality, fair dealing with security holders, competitors and employees, compliance with laws and reporting any illegal or unethical behaviour. As part of the Code of Conduct, any person subject to the Code of Conduct is required to avoid or fully disclose interests or relationships that are harmful or detrimental to the REIT's best interests or that may give rise to real, potential or the appearance of conflicts of interest. The Board will have the ultimate responsibility for the stewardship of the Code of Conduct. The Code of Conduct will also be filed with the Canadian securities regulatory authorities on the SEDAR website at www.Sedar.com.

The REIT will also adopt an insider trading policy (the "**Insider Trading Policy**") which will apply to, among others, all Trustees, officer and employees. The objective of the Insider Trading Policy is to assist such individuals in complying with the applicable securities, criminal and other applicable laws and stock exchange rules relating to "insider trading", "tipping," and "recommending". The Insider Trading Policy is also intended to help the REIT's reporting insiders comply with additional securities law obligations.

The REIT will also adopt a corporate disclosure policy (the "**Corporate Disclosure Policy**") that responds to the requirements of Canadian laws. The Corporate Disclosure Policy applies to all trustees, directors, officers, employees, consultants and contractors of the REIT and its subsidiaries. The objective of the Corporate Disclosure Policy is to ensure that the REIT and all persons to whom the Corporate Disclosure Policy applies meet their obligations under applicable laws. The Board will be responsible for administering the policy and is responsible for identifying material information within the meaning of applicable securities laws, and ensuring its timely disclosure in accordance with applicable laws. The policy also limits the persons authorized to comment to the public on matters relating to the REIT. In accordance with the policy, unauthorized disclosure of confidential information by REIT personnel is prohibited. If the REIT becomes aware of unintentional selective disclosure, the Corporate Disclosure Policy requires that a news release be promptly issued to ensure broad dissemination of the information. The Corporate Disclosure Policy also identifies blackout periods and quiet periods, during which REIT spokespersons are prohibited from commenting on certain information and from meeting with analysts and investors. The Corporate Disclosure Policy also outlines rules for dealing with the investment community, as well as procedures and guidelines for dealing with leaks, rumours and speculation, and for disclosing forward-looking information. The Corporate Disclosure Policy applies to electronic communications and outlines specific guidelines for disclosure on the REIT's website and other social media platforms.

The standard of care and duties of the Trustees provided in the Declaration of Trust will be similar to that imposed on directors of a corporation governed by the CBCA. Accordingly, each Trustee will be required to exercise the powers and discharge the duties of his or her office honestly and in good faith with a view to the best interests of the REIT and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust will provide that each Trustee is entitled to indemnification from the REIT in respect of the exercise of the Trustee's powers and the discharge of the Trustee's duties, provided that the Trustee acted honestly and in good faith with a view to the best interests of the REIT and, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the Trustee had reasonable grounds for believing that his or her conduct was lawful.

Trustees will be elected at each annual meeting of Unitholders to hold office for a term expiring at the close of the next annual meeting, or until a successor is appointed, and will be eligible for re-election. Nominees will be nominated by the Governance and Nominating Committee, in each case for the election by Unitholders as Trustees in accordance with the provisions of the Declaration of Trust.

A quorum of the Trustees, being the majority of the Trustees then holding office (provided a majority of the Trustees comprising such quorum are residents of Canada), will be permitted to fill a vacancy in the Board, except a vacancy resulting from an increase in the number of Trustees other than in accordance with the provision regarding the appointment of Trustees in the Declaration of Trust, or a vacancy resulting from a failure of the Unitholders to elect the required number of Trustees. In the absence of a quorum of Trustees, or if the vacancy has arisen from an increase in the number of Trustees other than in accordance with the provision regarding the appointment of Trustees in the Declaration of Trust or from a failure of the Unitholders to elect the required number of Trustees, the Trustees will promptly call a special meeting of the Unitholders to fill the vacancy. If the Trustees fail to call that meeting or if there is no Trustee then in office, any Unitholder will be entitled to call such meeting. Except as otherwise provided in the Declaration of Trust, the Trustees may, between annual meetings of Unitholders, appoint one or more additional Trustees to serve until the next annual meeting of Unitholders, provided that the number of additional Trustees so appointed will not at any time exceed one-third of the number of Trustees who held such office at the conclusion of the immediately preceding annual meeting of Unitholders. Any Trustee may be removed by an ordinary resolution passed by a majority of the votes cast at a meeting of Unitholders.

The following table sets forth the name, municipality of residence, positions held with the REIT and principal occupation of the Trustees of the REIT:

| Name, Municipality Residence | Position/Title | Independent | Committees | Principal Occupation |
|---|-------------------------------|--------------------|---|---|
| Richard Michaeloff, Toronto, Ontario, Canada (1) | President and CEO, Trustee | No | None | President and CEO |
| Steve Dawson, Telluride, Colorado, USA ⁽¹⁾ | Chair of the Board | No | None | Private Investor |
| Katie Barthmaier, Brooklyn, New York, USA ⁽²⁾ | Vice-Chair | No | None | Private Investor |
| Patrick Burke, Toronto, Ontario, Canada ⁽²⁾ | Trustee | Yes | Audit Compensation Governance & Nominating | President, Canaccord Genuity |
| Edward Lowenthal, New York, New York, USA ⁽²⁾ | Trustee | Yes | Compensation Governance & Nominating | President, Ackerman Management LLC |
| Andrew Oppenheim, Calgary, Alberta, Canada ⁽²⁾ | Trustee | Yes | Audit Compensation Governance & Nominating | Corporate Director |
| Andrew Shapack, Toronto, Ontario, Canada ⁽³⁾ | Trustee | Yes | Audit | President, Mohawk Medical Properties REIT |

Notes:

- (1) Trustee since inception.
- (2) Trustee since [●].

(3) Trustee since October 19, 2021.

Biographical Information Regarding the Trustees

Additional biographical information regarding the individuals who will be Trustees of the REIT as of Closing, for the past five years is set out below:

Richard Michaeloff (60) serves as the President and Chief Executive Officer and Trustee of the Board. Richard was former President & CEO of OneREIT, a \$1.1 billion retail REIT previously traded on the TSX (taken private in 2017), where he increased the asset base of OneREIT ~4x through the acquisitions of seven property portfolios (~\$700 million). During his tenure at OneREIT, Richard completed nine capital markets transactions, including three convertible debenture issues of ~\$100 million and six equity raises of ~\$265 million. Richard was also a former Senior Vice President at SmartCentres Inc, COO at The El-Ad Group, Associate Director at Scotia Capital, and Vice President Corporate Finance at The Cadillac Fairview Corporation.

Steve Dawson (64) serves as the Chair of our Board. He has served on the boards of numerous REITs and other companies in the U.S. with over 40 years of experience including capital markets, finance and as a real estate industry executive. Steve currently serves as a board member of American Campus Communities, Inc. (NYSE: ACC), a US\$10 billion and the largest U.S. student housing REIT; Medical Properties Trust (NYSE: MPW), a US\$23 billion hospital/healthcare REIT in the U.S., Europe, Australia and South America; and, Cohen & Company (NYSE American: COHN), an investment banking company and broker-dealer specializing in credit-based securities for institutional clients in the U.S., France and the United Kingdom. From 1990 to 2003, Steve served as CFO of Camden Properties Trust (NYSE: CPT), a large multi-family REIT based in Houston which grew from \$240 million to over \$3.5 billion during Steve's leadership tenure.

Katie Barthmaier (40) serves as our Vice-Chairman of the Board. Katie is a proven leader with over fifteen years of real estate investment, credit assessment and underwriting experience, primarily focused on sale leaseback and build to suit financings. She expertly blends an entrepreneurial mindset with deliberate investment fundamentals. Katie was a Founder and the former CEO of GreenAcreage Real Estate Corp. (now NewLake Capital Partners Inc.), a private REIT serving the cannabis industry. Katie directly raised \$141 million of capital for GreenAcreage, fully invested it in under a year to create a diversified, best-in-class portfolio and architected the growth strategy for the company. Prior to GreenAcreage, Katie was a Managing Director of Investments at W. P. Carey Inc., one of the leading and largest net lease REITs in the country, where she acquired over \$2 billion in properties. Katie was also a Fulbright Scholar in Mexico City.

Patrick Burke (57) serves as a Trustee on the Board and is currently the President of Canaccord Genuity Capital Markets where he brings more than 25 years of experience and deep institutional relationships Former Co-Head of Global Investment Banking at Scotiabank. Patrick was the previous Managing Director and Head of Canadian equities at Merrill Lynch, and spent 10 years at Bank of Montreal as Director of Institutional Equity and Director of Fixed Income Patrick holds an MBA from Queen's University and Bachelors in Economics from the University of British Columbia.

Edward Lowenthal (76) serves as a Trustee on the Board, and is the former independent chairman of the board from 2015 to 2021 of American Campus Communities Inc. (NYSE: ACC) a US\$10 billion REIT. Edward is the President of Ackerman Management LLC since 2002 and founder of Wellsford Real Properties which merged with REIS, Inc. an internet-based provider of real estate information and analytics, where he served as non-executive chairman from 2010 to 2012. Edward is currently serves as director for Omega Healthcare Investors (NYSE: OHI), a US\$14 billion REIT. Edward is a former director of Desarrolladora Homex, a vertically integrated home development company focused on affordable housing in Mexico. Edward also holds a B.A. from Case Western Reserve University and J.D. from Georgetown University Law Center.

Andrew Oppenheim (69) serves as Trustee of the Board, and was a partner until December 31, 2020 at Gowling WLG (Canada) LLP, a full-service multinational law firm. Mr. Oppenheim practiced commercial law for 38 years. Mr. Oppenheim currently serves as an independent trustee of the board of Flagship Communities REIT (TSX: MHC.U), was the lead director of Amica Mature Lifestyles Inc. and served on its board of directors' Compensation Committee prior to its sale and has served as a director of a number of other public and private companies. Mr. Oppenheim holds a Bachelor of Commerce degree from University of Witwatersrand in Johannesburg, South Africa, a Bachelor of Laws degree from the University of Calgary and the ICD.D designation with the Institute of Corporate Directors.

Andrew Shapack (50) serves as a Trustee of the Board is currently the President of Mohawk Asset Management. He was the Founder and CEO of the first medical office REIT in Canada, GT Canada Medical Properties REIT, a TSX-listed REIT that was taken private in 2012. Andrew was also the Co-Founder of Mohawk Medical Properties REIT, which owned medical office buildings in Ontario, Alberta, New York and Florida. Andrew is a former board of trustee member of OneREIT, a \$1.1 billion retail REIT previously traded on the TSX (taken private in 2017) where he served as Chairman of the Audit Committee. Andrew is admitted to the New York and Connecticut bar and practiced law with Paul Hastings LLP in New York City working on real estate transactions involving complex REIT and UPREIT structures, joint venture/preferred equity, property acquisitions and high-yield debt instruments. Further, Andrew is also a former associate with PricewaterhouseCoopers in the real estate securitization and capital markets group. Andrew holds a B.A. in Economics from the University of Wisconsin and J.D. from the Catholic University of America.

Penalties or Sanctions

None of the Trustees or executive officers, and to the best of the REIT's knowledge, no Unitholder holding a sufficient number of securities to affect materially the control of the REIT, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Individual Bankruptcies

None of the Trustees or executive officers, and to the best of the REIT's knowledge, no Unitholder holding a sufficient number of securities to affect materially the control of the REIT, has, within the 10 years prior to the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became 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 that individual.

Corporate Cease Trade Orders and Bankruptcies

Except as described below, none of the REIT's Trustees or executive officers, and to the best of the REIT's knowledge, no Unitholder holding a sufficient number of securities to affect materially the control of the REIT is, as at the date of this prospectus, or has been within the 10 years before the date of this prospectus, (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the existing or proposed director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the existing or proposed director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer, or (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceeding, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. For the purposes of this paragraph, "**order**" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Mr. Oppenheim is a director of Psinaptic Inc. ("**Psinaptic**"), a company that was listed on the NEX board of the TSX Venture Exchange (the "**NEX**"). On February 3, 2010, while Mr. Oppenheim was a director of Psinaptic, the Alberta Securities Commission issued a cease trade order against Psinaptic for failure to file financial statements. Effective at the close of business on October 28, 2010, Psinaptic's securities were delisted from the NEX for failure to pay outstanding fees. The cease trade order was revoked on July 28, 2021. Psinaptic remains delisted.

Desert Capital REIT, Inc. in Henderson, Nevada, USA, a public, non-traded company, was forced into bankruptcy in 2011 by its creditors. Stacy Riffe was the CFO of Desert Capital REIT from June 2008 until after the bankruptcy filing in 2011.

Committees of the Board

The Board will establish two committees: the Audit Committee and the Compensation, Governance and Nominating Committee. The REIT may establish an Investment Committee at a later point based on its growth.

Audit Committee

The Audit Committee consists of at least three Trustees, all of whom will be persons determined by the REIT to be both independent Trustees, except for temporary periods in limited circumstances in accordance with NI 52-110, and financially literate within the meaning of NI 52-110, and a majority of whom will be residents of Canada. The Audit Committee will be composed of Andrew Shapack, who will act as chair of this committee, Patrick Burke and Andrew Oppenheim, all of whom, except for Patrick Burke, have been determined to be independent. Patrick Burke was determined to not be independent for audit committee purposes due to his relationship with CG. Each of the Audit Committee members will have an understanding of the accounting principles used to prepare financial statements and varied experience as to the general application of such accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

For biographical information about each member of the Audit Committee, including his or her education or experience that is relevant to the performance of his or her responsibilities as a member of the Audit Committee, including any education or experience that has provided the member with an understanding of the accounting principles used by the REIT to prepare its financial statements, see “Trustees and Management of the REIT — Management, Governance and Board of Trustees — Biographical Information Regarding the Trustees”.

The Board will adopt a written charter for the Audit Committee, substantially in the form set out under Appendix A to this prospectus, which sets out the Audit Committee’s responsibilities. It is expected that the Audit Committee’s responsibilities will include: (i) reviewing annual and quarterly financial statements, financial disclosure in a prospectus or other securities offering document, press releases disclosing, or based upon, financial results of the REIT and any other publicly disseminated material financial disclosure; (ii) reviewing the REIT’s accounting policies and critical accounting and other significant estimates and judgements underlying the financial statements as presented by management, including any material changes therein and their impact; discussing with management, the auditors and internal legal counsel, as requested, any litigation claim or other contingency that could have a material effect on the financial statements; (iii) reviewing any material effects of regulatory accounting initiatives or off-balance sheet structures on the financial statements as presented by management, including requirements relating to complex or unusual transactions, significant changes to accounting principles and alternative treatments under applicable generally accepted accounting principles; (iv) reviewing and approving the engagement of the auditors; (v) providing oversight of the effectiveness of the auditors’ work and reviewing the independence of the auditors and the compensation thereof; (vi) reviewing the REIT’s system of internal controls, including the effectiveness thereof and any significant changes therein, with management and the auditors; (vii) overseeing the REIT’s risk management systems; and (viii) reviewing management’s evaluation of and reports on compliance with legal and regulatory requirements.

The Audit Committee will have direct communication channels with the Chief Financial Officer and the external auditors of the REIT to discuss and review such issues as the Audit Committee may deem appropriate.

The following table presents, by category, the fees billed by MNP LLP as external auditor of, and for other services provided to, the REIT in connection with the REIT’s formation and organization, for the period indicated:

| Category of Fees | 2021 |
|---|-------------|
| Audit fees ⁽¹⁾ | \$[●] |
| Audit-related fees ⁽²⁾ | \$[●] |
| Tax fees ⁽³⁾ | \$[●] |
| All other fees ⁽⁴⁾ | \$[●] |

Notes:

- (1) “Audit fees” relate to the audit and review of financial statements included in this prospectus.
- (2) “Tax fees” relate to certain tax advisory fees.
- (3) “All other fees” relate to certain IPO advisory services provided to management.

No fees were payable to MNP LLP, as external auditor of, and for other services provided to, the REIT prior to 2021.

Compensation, Governance and Nominating Committee

The Compensation, Governance and Nominating Committee will at all times be composed of at least three Trustees, a majority of whom will be persons determined by the REIT to be independent Trustees and a majority of whom will be residents of Canada. The Compensation, Governance and Nominating Committee will be charged with reviewing, overseeing and evaluating the compensation policies of the REIT. The Compensation, Committee will be composed of Edward Lowenthal, who will act as chair of this committee, Patrick Burke and Andrew Oppenheim, all of whom have been determined by the REIT to be independent.

The Board will adopt a written charter for the Compensation, Governance and Nominating Committee setting out its responsibilities for: (i) administering any equity incentive plan (including the Equity Incentive Plan) adopted by the REIT and any other compensation incentive programs; (ii) reviewing and approving the compensation paid by the REIT to the executive officers of the REIT; (iii) reviewing and making recommendations to the Board concerning the compensation payable to Trustees of the REIT; (iv) assessing the effectiveness of the Board, each of its committees and individual Trustees; (v) overseeing the recruitment and selection of candidates as Trustees of the REIT; (vi) organizing an orientation and education program for new Trustees; (vii) considering and approving proposals by the Trustees to engage outside advisors on behalf of the Board as a whole or on behalf of the independent Trustees; (viii) reviewing and making recommendations to the Board concerning any change in the number of Trustees comprising the Board; (ix) considering questions of management succession; and (x) assessing the performance of management of the REIT.

The Board believes that the members of the Compensation, Governance and Nominating Committee individually and collectively possess the requisite knowledge, skill and experience in governance and compensation matters, including human resource management, executive compensation matters and general business leadership, to fulfill the committee’s mandate. All members of the Compensation, Governance and Nominating Committee have substantial knowledge and experience as current and former senior executives of large and complex organizations and/or on the boards of other publicly traded entities. For additional details regarding the relevant education and experience of each member of the Compensation Committee, see “Trustees and Management of the REIT — Management, Governance and Board of Trustees — Biographical Information Regarding the Trustees”.

In determining total compensation for the REIT’s Trustees and executive officers, the Compensation, Governance and Nominating Committee and the Board will consider a number of key factors, including (i) relative total unitholder return, (ii) acquisitions, financings and refinancings and (iii) financial performance.

Remuneration of Trustees

Each non-management Trustee will receive a cash retainer of \$20,000 per year paid quarterly at the time of the regular quarterly meeting of the Board, plus Units with a value of \$25,000 upon their initial appointment to Board, and thereafter will receive a similar award upon each re-election at the annual meeting of Unitholders. The Chairman of the Board, Vice Chairperson and each committee chairman will receive an additional \$10,000 cash retainer annually. Members of the Audit Committee and members of the Compensation, Governance and Nominating Committee will receive an additional \$5,000 for each committee. The Chairman of the Board will receive an additional \$25,000 annual retainer paid in the form of Units. There will be no additional meeting fees, and each Trustee will be reimbursed for all reasonable travel and ancillary expenses incurred. The Trustees will receive no additional remuneration for acting as directors on the boards of any of the REIT’s subsidiaries. Trustees who are also members of management will not receive any remuneration for their role as a Trustee.

Pursuant to the Equity Incentive Plan, the REIT expects that Trustees will have the option to elect to receive up to 100% of all fees that are otherwise payable in cash (i.e., annual board retainer fee, committee fees, chair position fees and additional retainers) in the form of deferred units created under such plan; provided, however, that pursuant to equity ownership guidelines for the Trustees expected to be established by the REIT, it is expected that each Trustee will be required to elect to receive not less than 50% of their annual retainer in the form of deferred units until such time as the Trustee satisfies the equity ownership requirements. See “Executive Compensation — Equity Ownership Policy”.

Nomination of Trustees

All board nominees are nominated by the Governance and Nominating Committee, which makes such nominations after considering the mix of skills and experience it believes are necessary to further the REIT’s goals. Additionally, nominations may be made by Unitholders in certain circumstances, in compliance with the Advance Notice Provision. See “Declaration of Trust and Description of REIT Units — Advance Notice Provision”. Trustees elected at an annual meeting will be elected for a term expiring at the close of the subsequent annual meeting and will be eligible for re-election. Trustees appointed by the Trustees between meetings of Unitholders in accordance with the Declaration of Trust shall be appointed for a term expiring at the close of the next annual meeting and will be eligible for election or re-election, as the case may be.

Orientation and Continuing Education

New Trustees

When new Trustees are elected to the Board, they will participate in a comprehensive orientation program. The orientation program will familiarize new Trustees with the REIT’s business and operations, including structure, operations, and risks. All new Trustees may complete tours of a select sampling of the REIT’s properties. They will be briefed on the role of the Board, its committees and the contributions individual Trustees are expected to make. New Trustees will also receive an orientation package containing all Trustees’ committee mandates and charters, copies of the REIT’s policies and other background information on the REIT’s business, operations and risks.

Continuing Education

The REIT’s continuing education program for its Trustees will involve the ongoing evaluation by the Compensation, Governance and Nominating Committee of the skills and competencies of existing Trustees. The Board is currently composed of highly qualified and experienced Trustees with impressive levels of skill and knowledge. Many of the Trustees are seasoned business executives, directors or professionals with considerable experience, including as directors or trustees of other significant public companies or public trusts. The Compensation, Governance and Nominating Committee will regularly monitor the composition of the Board and will recommend the adoption of a formal continuing education program should it be determined to be necessary.

As part of the REIT’s continuing education program, Trustees will:

- receive a comprehensive electronic package of information prior to each Board and board committee meeting;
- obtain a quarterly report on the REIT’s operations and markets from senior management;
- receive updates from management and third parties (including advisors) on regulatory developments and trends and issues related to the REIT’s business;
- receive reports on the work of board committees following committee meetings; and
- be encouraged to attend industry conferences and events, with the reasonable cost of such events being reimbursed by the REIT.

Board Assessments

The Compensation, Governance and Nominating Committee may, where it deems appropriate, conduct an annual assessment of the Board, its committees and each individual Trustee, which will include an assessment of each Trustee's experience, financial literacy, independence and other factors. The assessment process will require each Trustee to complete a questionnaire addressing (i) a review of the effectiveness of the Board and each committee, (ii) a peer review of each other Trustee and (iii) a self-evaluation of such Trustee's own performance. The Chair of the Compensation, Governance and Nominating Committee will report the results of the assessments to the Board. This process is used (i) as an assessment tool, (ii) as a component of the regular review process of Board members' participation and (iii) to assist with the Board's succession planning.

Diversity

The REIT is committed to fostering an open and inclusive workplace culture. The REIT's Code of Conduct will underscore a commitment to diversity and recognize it as an important asset. The Code of Conduct will explicitly state that the REIT and its subsidiaries are firmly committed to providing equal opportunity in all aspects of employment. The REIT endorses the principle that the Board should have a balance of skills, experience and diversity of perspectives appropriate to the business.

In furtherance of the REIT's commitment to diversity at the Board level, following Closing, the Board will adopt a diversity policy (the "**Diversity Policy**"). In accordance with the Diversity Policy, the Compensation, Governance and Nominating Committee will consider a number of factors, including gender, ethnic, racial and geographic diversity, as well as age, business experience, professional expertise, personal skills and perspectives, when seeking and considering new Trustees for nomination or evaluating Trustee nominees for re-election. The Board will ensure compliance with the Diversity Policy by requiring that the Compensation, Governance and Nominating Committee conduct annual assessments to consider the level of representation on the Board of the various attributes enumerated in the Diversity Policy, including the number of women on the Board among other factors. Notwithstanding the foregoing, recommendations concerning Trustee nominees are, foremost, based on merit and performance, with due regard to the overall effectiveness of the Board, with diversity being taken into consideration, as it is beneficial that a diversity of backgrounds, views and experiences be present at the Board and management levels.

The Diversity Policy will not specify a numerical target for Trustees who are women and/or people of colour, nor will the REIT maintain a specific numerical target in making executive officer appointments, as the Board believes its evaluation and nomination process is robust and, in practice, does consider and will result in gender, ethnic and racial diversity on the Board. The Compensation, Governance and Nominating Committee will be responsible for reviewing the structure and diversity of the Board annually and may set diversity, including gender, ethnic and racial diversity, aspirations regarding the Board's optimum composition as part of the identification and nomination of Trustees.

Similarly, the level of representation of women and people of colour will continue to be considered by the REIT, the Board and the Compensation, Governance and Nominating Committee, among other factors, in the making of executive officer appointments. In searches for new executive officers, the Compensation, Governance and Nominating Committee will consider the level of diversity in management as one of several factors used in its search process. Notwithstanding the foregoing, all executive officer appointments will always be based on merit, having regard to the requirements of the REIT.

There is currently one female Trustee on the Board (14.3% of the Board) and one female executive officers of the REIT or any of its subsidiaries, representing 33.3% of the executive officers of the REIT or any of its subsidiaries.

Conflicts of Interest

The Declaration of Trust will contain "conflict of interest" provisions to protect Unitholders without creating undue limitations on the REIT. As the Trustees will be engaged in a wide range of real estate and other activities, the Declaration of Trust will contain provisions, similar to those contained in the CBCA, that will require each Trustee to disclose to the REIT, at the first meeting of Trustees at which a proposed contract or transaction is considered, any interest in a material contract or transaction or proposed material contract or transaction with the REIT (including a contract or transaction involving the making or disposition of any investment in real property or a joint venture agreement) or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT. If a material

contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the Trustees, a Trustee will be required to disclose in writing to the REIT, or request to have entered into the minutes of meetings of Trustees, the nature and extent of his or her interest forthwith after the Trustee becomes aware of the contract or transaction or proposed contract or transaction. In any case, a Trustee who has made disclosure to the foregoing effect will not be entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction primarily relates to his or her remuneration or is for an indemnity under the provisions of the Declaration of Trust or the purchase or maintenance of liability insurance.

All decisions of the Board will require the approval of a majority of the Trustees present in person or by phone at a meeting of the Board, except for each of the following matters which will also require the approval of a majority of the independent Trustees:

- (a) an acquisition of a property or an investment in a property, whether by co-investment or otherwise, in which any related party of the REIT has any direct or indirect interest, whether as owner, operator or manager;
- (b) a material change to any agreement with a related party of the REIT or any renewal, extension or termination thereof or any increase in any fees payable thereunder;
- (c) the entering into of, or the waiver, exercise or enforcement of any rights or remedies under, any agreement entered into by the REIT, or the making, directly or indirectly, of any co-investment, in each case with (a) any Trustee, (b) any entity directly or indirectly controlled by any Trustee or in which any Trustee holds a significant interest, or (c) any entity for which any Trustee acts as a director or other similar capacity;
- (d) the refinancing, increase or renewal of any indebtedness owed by or to (a) any Trustee, (b) any entity directly or indirectly controlled by any Trustee or in which any Trustee holds a significant interest, or (c) any entity for which any Trustee acts as a director or other similar capacity;
- (e) decisions relating to any claims by or against one or more parties to any agreement with any related party to the REIT; or
- (f) the appointment of members of the board of directors of US Holdco.

In connection with any transaction involving the REIT, including any transaction which requires the approval of a majority of the independent Trustees, the Board shall have the authority to retain external legal counsel, consultants or other advisors to assist it in negotiating and completing such transaction without consulting or obtaining the approval of any officer of the REIT.

It is anticipated that the independent Trustees will hold in-camera meetings, with non-independent Trustees and members of management not in attendance, as part of regulatory scheduled Board meetings. The Chair will conduct the in-camera meetings without the presence of the other non-independent Trustees or management, and in circumstances where the independent Trustees have determined that the Chair is subject to a potential conflict of interest in connection with his non-independence designation pursuant to NI 58-101 or otherwise, a lead independent Trustee selected by and among the independent Trustees shall conduct such in-camera sessions both without the presence of management and without the presence of management or the non-independent Trustees (including the Chair).

Executive Officers

The Board will adopt, effective as of Closing, a written position description and mandate for the Chief Executive Officer which will set out his key responsibilities. The primary functions of the Chief Executive Officer will be to lead management of the business and affairs of the REIT, to lead the implementation of the resolutions and the policies of the Board, to supervise day to day management and to communicate with Unitholders and regulators. The Chief Executive Officer mandate will be considered by the Board for approval annually. The following table sets forth the name, municipality of residence and positions held with the REIT of each executive officer of the REIT on Closing:

| Name and Municipality of Residence | Office with the REIT |
|--|---|
| Richard Michaeloff, Toronto, Ontario, Canada | President and Chief Executive Officer and Trustee |
| Stacy Riffe, Brownwood, Texas, USA | Chief Financial Officer and Executive Vice President |
| Potter Polk, New York, New York, USA | Chief Investment Officer and Executive Vice President |

It is expected that all three individuals will spend all of their work time on the business of the REIT. Additional biographical information regarding the senior management of the REIT, including a description of each individual's principal occupation within the past five years, is provided below.

Richard Michaeloff – See “Trustees and Management of the REIT”

Stacy Riffe (56) serves as our Executive Vice President and Chief Financial Officer. Stacy is a finance and accounting executive with 12+ years of experience in multi-family, manufactured housing, restaurant and mortgage REIT industries and was CFO of two publicly traded REITs; a public, non-traded REIT; an early-stage equity REIT with CAN IPO intentions. She is a proven leader and accomplished team builder with a focus on complementary skillsets, corporate governance & internal controls, efficiency & accuracy in financial reporting. Stacy successfully executed on a number of sale and merger transactions and excels at strategic execution in partnership with the executive team, she is also a Certified Public Accountant with Big Four audit background.

Potter Polk (57) serves as our Executive Vice President and Chief Investment Officer. Potter is the Founder and President of Kalyx Development Inc., one of the industry's first cannabis REITs, and has over \$100 million in cannabis specific real estate transaction experience across the U.S. Since 2009, Potter has been actively engaged in the legal marijuana industry -evaluating a broad range of cannabis opportunities in the space of cultivation, infused product manufacturing, enterprise management, and real estate. In addition to his cannabis real estate experience, he also served as former CEO of Mingleridge, Founding Director and CFO of the Happy Travels Group, Founder and CEO of The Internet Outpost Group. Potter holds Master of Science degree in Business Administration from Skidmore College.

Trustees' and Officers' Liability Insurance

The REIT intends to obtain trustees' and officers' liability insurance policies, which cover indemnification of Trustees and officers of the REIT in certain circumstances, including coverage for the REIT and its Trustees and officers in relation to this prospectus. The REIT will also obtain a six-year prospectus liability insurance policy providing coverage to the Trustees and officers of the REIT, subject to certain limits, deductibles and other terms and conditions. In addition, the REIT will enter into indemnification agreements with each of its Trustees and officers for liabilities and costs in respect of any action or suit against them in connection with the execution of their duties, subject to customary limitations prescribed by applicable law.

EXECUTIVE COMPENSATION

Introduction

The following discussion describes the significant elements of the REIT's expected executive compensation program, with particular emphasis on the process for determining compensation payable to the President and Chief Executive Officer and the Chief Financial Officer, as well as the Chief Investment Officer, being the next most highly compensated executive officer, each of whom will be employed by the REIT. The President and Chief Executive Officer, Chief Financial Officer and Chief Investment Officer are referred to herein as the “named executive officers” in accordance with applicable Canadian securities laws. The REIT's proposed compensation arrangements for the named executive officers are described below.

Principal Elements of Compensation

The compensation of the named executive officers will initially consist of base salary and initially a discretionary annual cash bonus. The REIT's process for determining executive compensation is expected to be relatively straightforward, involving evaluation of executive officers, assessment of the quality and quantity of property acquisitions and overall company operating performance. The Compensation, Governance and Nominating Committee will establish corporate and individual performance criteria for determining the amount of the base salary and cash bonuses. This committee may establish formal criteria to be applied in determining how one element of compensation fits into the overall compensation objectives in respect of the REIT's activities. Objectives and performance measures may vary from year to year as determined to be appropriate by the REIT. The REIT has engaged compensation consultants for the purposes of performing benchmarking or applies specific criteria for the selection of comparable businesses.

Base Salaries

Base salaries are intended to provide an appropriate level of fixed compensation that will assist in employee retention and recruitment. Base salaries are determined on an individual basis, taking into consideration the past, current and potential contribution to the REIT's success, the position and responsibilities of the named executive officers, and competitive industry pay practices for other real estate investment trusts, cannabis companies and companies of comparable size and complexity. Increases in base salary are at the sole discretion of the Trustees and are expected to increase as the REIT grows larger.

Annual Cash Bonuses

Annual cash bonuses may be paid to the named executive officers. Annual cash bonuses are not intended to be awarded pursuant to any formal or formulaic incentive plan initially, but may be awarded on a discretionary basis based on qualitative and quantitative performance standards to reward the performance of the named executive officer individually. The Compensation, Governance and Nominating Committee believes it to be appropriate, in the context of a newly created public issuer, to determine executive incentive compensation, within the contractually established range, using a review and global assessment of the performance of the REIT, in terms of financial results, achievements and strategic positioning, and specific individual contributions, among others, rather than adhering to a formulaic approach. The President and Chief Executive Officer in consultation with the Board, will make an annual recommendation to the Compensation, Governance and Nominating Committee for approval of the amount of cash bonus to be awarded to the other named executive officers. The President and Chief Executive Officer may establish pre-determined goals and objectives for purposes of assisting in the determination of such bonus amounts to be awarded, which goals and objectives may include a range of targets for the REIT and personal metrics for the individual named executive officer. As the REIT grows and matures, the Compensation, Governance and Nominating Committee will look to develop a more formalized approach to annual cash bonuses, which may include the use of "score cards".

Long Term Incentives

The REIT believes that equity-based awards provide management with a strong link to long-term performance and the creation of Unitholder value and will allow the REIT to reward named executive officers for their sustained contributions to the REIT. With the competitive nature of the market for talented executives, the retention of successful named executive officers is considered to be critical to the REIT's continued success. Grants of equity-based incentive awards under the Equity Incentive Plan (which may include Restricted Units, Performance Units, Deferred Units, Options and other awards denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Units) may be used to align the interests of the named executive officers more closely with the interests of the Unitholders, since they are tied to the REIT's financial and Unit trading performance, as well as other metrics designed to enhance Unitholder value and vest or accrue over a number of years. The Board, acting on the recommendation of the Compensation, Governance and Nominating Committee, may designate individuals eligible to receive grants of equity-based incentive awards. In determining grants of such awards, the Board of Trustees and the Compensation, Governance and Nominating Committee will take into account the individual's position, scope of responsibility, contributions to the REIT's success, ability to affect profits, the individual's historic and recent performance, tenure and any previous grants, and the value of the awards in relation to other elements of the named executive officer's total compensation in respect of any grants.

Equity Incentive Plan

In connection with this Offering, prior to Closing, the Unitholders are expected to approve, and the Board intends to adopt an equity incentive plan (the “**Equity Incentive Plan**”). All equity and equity-based awards to be made or granted, including future grants to be made to named executive officers of the REIT, will be made under the Equity Incentive Plan. The Equity Incentive Plan will provide eligible participants with compensation opportunities that will encourage ownership of Units, enhance the REIT’s ability to attract, retain and motivate executive officers and other key management and incentivize them to increase the long-term growth and equity value of the REIT in alignment with the interests of Unitholders. The material features of the Equity Incentive Plan are summarized below.

Administration and Eligibility

The Equity Incentive Plan will be administered by the Board, provided that the Board may, in its discretion, delegate its administrative powers under the Equity Incentive Plan to the Compensation, Governance and Nominating Committee. The Board will have the authority to, among other things, determine eligibility for awards to be granted, determine, modify or waive the type or types of, and terms and conditions of, awards, to accelerate the vesting or exercisability of awards, to interpret the terms and provisions of the Equity Incentive Plan and any award agreement, and to otherwise do all things necessary or appropriate to carry out the purposes of the Equity Incentive Plan. The Board’s decisions with respect to the Equity Incentive Plan and any award under the Equity Incentive Plan are binding upon all persons. All Trustees, officers, employees and consultants the REIT and its designated affiliates who, in the opinion of the Board, have dedicated significant time and attention to the affairs and business of the REIT will be eligible to participate in the Equity Incentive Plan.

Types of Awards

The Equity Incentive Plan provides for awards of Restricted Units, Performance Units, Deferred Units, Options, and other awards denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Units.

- **Restricted Units:** A Restricted Unit award is an award denominated in notional units that entitles the participant to receive Units or, if so elected by the participant and subject to the approval of the Board, cash measured by the value of the Units in the future. Restricted Units vest three years after the date they are granted to a participant and will be settled by Units issued from treasury or, if so elected by the participant and subject to the approval of the Board, cash payable upon vesting.
- **Performance Units:** A Performance Unit award is an award denominated in notional units that entitles the participant to receive Units or, if so elected by the participant and subject to the approval of the Board, cash measured by the value of the Units in the future. Performance Units vest after a designated performance period as designated by the Board subject to performance based vesting conditions and will be settled by Units issued from treasury or, if so elected by the participant and subject to the approval of the Board, cash payable upon vesting.
- **Deferred Units:** A Deferred Unit award is an award denominated in notional units that entitles the participant to receive Units or, if so elected by the participant and subject to the approval of the Board, cash measured by the value of the Units in the future. Deferred Units granted to a participant further to the amount elected to be received by the participant vest immediately upon grant and will be settled by Units issued from treasury or, if so elected by the participant and subject to the approval of the Board, cash payable upon the participant’s separation from service with the REIT. Deferred Units granted to a Trustee further to the REIT’s obligation to match 100% of the total value of the annual board retainer elected to be received in the form of Deferred Units by the Trustee will generally vest immediately. The Board shall have the discretion to vary the manner in which the REIT contributed Deferred Units vest for any participant.
- **Options:** An Option award entitles the holder to acquire one Unit upon the exercise of the Option at the exercise price as determined by the Board at the time of the Option grant. Options vest in accordance with a vesting schedule as determined by the Board and as detailed in the individual Option agreement for each Option award. Unless otherwise determined by the Board, all Options will have a maximum term of ten years from the date of grant, provided that if the expiry falls during or within ten business

days immediately following a blackout period, the expiry date will automatically extend until ten business days after the end of the blackout period. Options will be settled by Units issued from treasury payable upon the exercise by the participant. The Equity Incentive Plan will also allow for a cashless exercise of Options under certain circumstances.

- Other Awards: The Board may, from time to time, subject to the provisions of the Equity Incentive Plan, and subject to the approval of the CSE (if needed), grant other awards to participants which are denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Units (including, without limitation, securities convertible into Units). The Board will determine the terms and conditions of such other awards.

The number of Restricted Units, Performance Units, Deferred Units as applicable, granted at any particular time pursuant to the Equity Incentive Plan will be calculated by dividing (i) the dollar value amount of the participant's award, by (ii) the market value of a Unit on the award date. "Market value" of a Unit at any date for purposes of the Equity Incentive Plan shall mean the closing price of the Units on the CSE on the day immediately prior to the grant. In the event that the Units are not listed and posted for trading on any stock exchange, the market value shall be the fair market value of the Units as determined by the Board in its sole discretion.

Wherever cash distributions are paid on the Units, additional Restricted Units, Performance Units or Deferred Units, as the case may be, are credited to the participant's account. The number of such additional Restricted Units, Performance Units or Deferred Units, as the case may be, is calculated by multiplying the aggregate number of Restricted Units, Performance Units or Deferred Units (in each case, vested and unvested), as the case may be, held on the relevant distribution record date by the amount of the distribution paid by the REIT on each Unit, and dividing the result by the market value of the Units on the Distribution Date. These additional Restricted Units, Performance Units or Deferred Units, as the case may be, vest on the same basis as the initial Restricted Units, Performance Units or Deferred Units, as the case may be, to which they relate.

With respect to Options, in order to facilitate the payment of the exercise price of the Options, the Equity Incentive Plan will have a cashless exercise feature (with a deduction from the number of Units available for issuance under the Equity Incentive Plan equal to the amount of Units actually granted to the participant pursuant to such cashless exercise). The participant may elect to surrender their Options to the REIT in consideration for an amount from the REIT equal to (i) the market value of the Units issuable on the exercise of such Option as of the date such Option is exercised, less (ii) the aggregate exercise price of the Option surrendered relating to such Units. The REIT shall satisfy payment of such amount by delivering to the participant the number of Units (rounded down to the nearest whole number) having a fair market value equal to such amount. Under no circumstances are Restricted Units, Performance Units, Deferred Units and Options considered Units nor do they entitle a participant to any rights as a Unitholder, including, without limitation, voting rights, distribution entitlements (other than as set out above) or rights on liquidation.

Units Subject to the Equity Incentive Plan and Participation Limits

The maximum number of Units that will be available for issuance under the Equity Incentive Plan is and will be 15% of the issued and outstanding Units (including, for clarity, any Class B Units outstanding) on a fully diluted basis at the time of an award grant, or such greater number as may be determined by the Board and approved by the Unitholders and, if required, by any relevant stock exchange or other regulatory authority. Units underlying Options that have expired or have been cancelled will become available for subsequent issuance under the Equity Incentive Plan. Units underlying Restricted Units, Performance Units and Deferred Units that have expired or have been cancelled or settled in cash or without issuing Units from treasury will become available for subsequent issuance under the Equity Incentive Plan. Any Units issued by the REIT through the assumption or substitution of outstanding Options or other equity-based awards from an acquired company shall not reduce the number of Units available for issuance pursuant to the exercise of awards granted under the Equity Incentive Plan.

Termination of Employment

Unless otherwise determined by the Board, and subject to the specific terms of the participant's employment agreement, upon a participant's resignation or the termination of a participant's employment with the REIT for any reason, (a) all unvested awards granted pursuant to the Equity Incentive Plan shall immediately terminate, (b) all vested Deferred Units, Restricted Units and Performance Units shall be redeemable; provided that if such awards are

not redeemed within 30 days of termination or resignation such awards shall be settled for Units on such date without any action required on the part of the participant, and (c) all vested options will be exercisable until the date that is 12 months after the date of termination or resignation, following which they will expire.

Change of Control

Unless otherwise determined by the Board, if a participant's employment is terminated without cause or the participant resigns with good reason, in each case, within six months following a change of control of the REIT, all Restricted Units and Deferred Units granted under the Equity Incentive Plan that have not otherwise vested will immediately vest and be settled (based on the performance achieved up to the termination date in respect of Performance Units) and all Options will immediately vest and be exercisable until the earlier of 12 months after the termination date and the expiry date of the Options, after which time all Options will expire.

In the event of a change of control of the REIT, the Board has the authority to take all necessary steps to ensure the preservation of the economic interests of the participants in, and to prevent the dilution or enlargement of, any awards granted under the Equity Incentive Plan, including ensuring that the REIT or any entity which is or would be the successor to the REIT or which may issue securities in exchange for the Units upon the change of control will assume each outstanding award, or provide each participant with new, replacement or amended awards which will continue to vest following the change of control on similar terms and conditions as provided in the Equity Incentive Plan, failing which all outstanding awards will vest and be settled (having regard to the performance achieved prior to the change of control in respect of Performance Units) or be exercisable, as applicable, prior to the date on which the change of control is consummated.

Assignability

Except as required by law, the rights of participants under the Equity Incentive Plan are not transferable or assignable.

Adjustments

In the event of an extraordinary distribution, securities based distribution, stock split or combination (including a reverse stock split) or any recapitalization, business combination, merger, amalgamation, consolidation, spin-off, exchange of Units, liquidation or dissolution of the REIT or other similar transaction affecting the Units, the Board will make such proportionate adjustments, if any, as it determines in its sole discretion to the number and kind of Units available for issuance under the Equity Incentive Plan, the annual per-participant Unit limits, the number, class, exercise price (or base value), performance objectives applicable to outstanding awards and any other terms of outstanding awards affected by such transaction to preserve the proportionate rights and obligations of the participants under the Equity Incentive Plan. The Board may also make adjustments of the type described in the preceding sentence to take into account distributions and events other than those listed above if it determines that adjustments are appropriate to avoid distortion in the operation of the Equity Incentive Plan and to preserve the proportionate rights and obligations of the participants under the Equity Incentive Plan.

Discontinuance and Amendments

The Board may amend the Equity Incentive Plan or outstanding awards, or terminate the Equity Incentive Plan as to future grants of awards, except that the Board will not be able to alter the terms of an award if it would affect materially and adversely a participant's rights under the award without the participant's consent. Notwithstanding the above, Unitholder approval will be required for the following amendments to the Equity Incentive Plan:

- increasing the number of Units available for issuance under the Equity Incentive Plan, except pursuant to the provisions in the Equity Incentive Plan which permit the plan administrator to make equitable adjustments in the event of transactions affecting the REIT or its capital;
- increasing or removing the insider participation limit;
- reducing the exercise price of an Option, except pursuant to the provisions in the Equity Incentive Plan which provide for the plan administrator to make equitable adjustments in the event of transactions affecting the REIT or its capital;

- extending the term of any award granted beyond its original expiry date;
- permitting an Option to be exercisable beyond ten years from its date of grant (except where an expiry date would have fallen within a blackout period of the REIT);
- modifying the class of persons eligible for participation in the Equity Incentive Plan;
- increasing the length of the period after a blackout period during which Options may be exercised;
- permitting awards to be transferred other than for normal estate settlement purposes; and
- deleting or reducing the range of amendments which require approval of the Unitholders.

Without limiting the generality of the Board’s discretion to amend the Equity Incentive Plan, and subject to the above, Unitholder approval will not be required for, among others, the following amendments to the Equity Incentive Plan:

- amending the general vesting provisions of each award;
- amending the provisions with respect to termination of employment or services;
- adding covenants of the REIT for the protection of participants, as the case may be, provided that the plan administrator shall be of the good faith opinion that such additions will not be prejudicial to the rights or interests of the participants, as the case may be;
- making amendments not inconsistent with the Equity Incentive Plan as may be necessary or desirable with respect to matters or questions which, in the good faith opinion of the plan administrator, having in mind the best interests of the participants, it may be expedient to make, including amendments that are desirable as a result of changes in law in any jurisdiction where a participant resides, provided that the plan administrator shall be of the opinion that such amendments and modifications will not be prejudicial to the interests of the participants and Trustees; or
- making such changes or corrections which, on the advice of counsel to the REIT, are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error, provided that the plan administrator shall be of the opinion that such changes or corrections will not be prejudicial to the rights and interests of the participants.

Equity Ownership Policy

The REIT will establish equity ownership guidelines for the Trustees and executive officers of the REIT to further align the interests of Trustees and executive officers with those of the Unitholders. The ownership guidelines will establish minimum equity ownership levels for each Trustee and executive officer over a specified time period. These levels will be determined by the Compensation, Governance and Nominating Committee following Closing. Each Trustee and executive officers will be required to continue to hold such minimum ownership levels for as long as they serve as a Trustee or executive officer of the REIT. Awards granted under the Equity Incentive Plan will be included in determining an individual’s equity ownership value.

Clawback Policy

To further align management’s interests with Unitholders, the REIT will adopt a “clawback” policy. The clawback policy will provide that the Board, at the recommendation of the Compensation, Nominating and Governance Committee, may seek reimbursement of annual or long-term incentive compensation awarded to executives if the Board believes the amount of compensation was based on financial results that were subject to a material restatement (other than a restatement due to, or to comply with, changes in applicable accounting principles). Reimbursement could be sought for any excess amount that relates to the material restatement if the executive engaged in fraud or intentional misconduct that caused the material restatement.

Compensation Consultant

In October 2021, Ferguson Partners, an independent consulting firm, was retained to provide services in connection with executive officer and Trustee compensation matters in advance of the Offering, including, among other things, to:

- develop a compensation peer group for the purposes of benchmarking executive and Trustee pay;
- benchmark executive and Trustee pay levels to determine market pay levels; and
- provide initial commentary on the competitiveness of the executive and Trustee compensation proposal.

The Compensation, Governance and Nominating Committee considered the information provided by the compensation consultant and the recommendations it made in connection with the above; however the decisions made regarding final compensation and incentive plan design were made by, and are the responsibility of, the Board on recommendation of the Compensation, Governance and Nominating Committee.

Compensation Risk and Hedging Policy

The Compensation, Governance and Nominating Committee will consider the implications of the risks associated with the REIT's compensation policies and practices as part of its responsibility to ensure that the compensation for the Trustees and the named executive officers of the REIT align the interests of the Trustees and the named executive officers with Unitholders and the REIT as a whole. The REIT's insider trading policy will prohibit all officers and Trustees of the REIT from selling "short", selling "call options" or buying "put options" on any of the REIT's securities and from purchasing financial instruments, such as prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in the market value of equity securities granted to such executive officers and Trustees as compensation or of any other securities of the REIT held directly or indirectly by such person.

Summary Compensation Table Expected for Fiscal 2021

The following table sets out information concerning the expected compensation to be paid or awarded to the named executive officers of the REIT in fiscal 2021.

| <u>Name & Principal Position</u> | <u>Salary</u> | <u>Unit Based Awards⁽²⁾</u> | <u>Option Based Incentive Awards⁽³⁾</u> | <u>Annual Incentive Plans⁽⁵⁾</u> | <u>Long-Term Incentive Plans</u> | <u>Pension value</u> | <u>All Other Compensation</u> | <u>Total Compensation</u> |
|--|---------------|--|--|---|----------------------------------|----------------------|-------------------------------|---------------------------|
| Richard Michaeloff, President, CEO & Trustee | \$200,000 | \$60,000 | \$60,000 | \$200,000 | - | - | - | \$520,000 |
| Stacy Riffe, CFO & EVP | \$160,000 | \$60,000 | \$60,000 | \$160,000 | - | - | - | \$440,000 |
| Potter Polk, CIO & EVP | \$180,000 | \$60,000 | - | \$180,000 | - | - | 1,125,000 ⁽⁴⁾ | \$1,545,000 |

Notes:

- (1) Represents annualized base salary expected to be paid for the year ending December 31, 2021.
- (2) Based on the Black-Scholes value of 100,000 options priced at the Offering Price. This is a time-based award vesting rateably over three years beginning on the effective date of the Offering.

- (3) Based on the Black-Scholes value of 100,000 options priced at the Offering Price. This is a performance-based award vesting upon successful completion of the acquisition of the first \$75 million of assets, and subject to three-year vesting thereafter. All acquisitions are subject to approval of the disinterested Trustees.
- (4) Under a pre-existing agreement, Potter Polk is eligible to receive 1.5% of the purchase price of all acquisitions. In connection with this arrangement, the REIT will pay Potter Polk 1.5% on the first \$75 million of successful acquisitions (the “**Acquisition Incentive**”). These amounts, if any, will be paid 2/3rd in cash and 1/3rd in Performance Units that will be subject to three-year vesting beginning upon the earlier of completion of the first \$75 million in acquisitions or year end 2022.
- (5) Represents target level annual cash bonuses that could be paid for the year ended December 31, 2022. The maximum cash bonus potential for 2022 is 100% of the base salary.

Outstanding Unit-Based Awards

On and prior to Closing, the REIT will grant a total of approximately 545,000 Options to its employees, each with an exercise price equal to the Offering Price, pursuant to the Equity Incentive Plan, representing approximately 3.30% of the total issued and outstanding number of Units immediately after Closing and approximately 22.01% of the maximum authorized number of Units issuable pursuant to the Equity Incentive Plan (2,476,021 total Units issuable pursuant to the Equity Incentive Plan immediately after Closing). Following Closing, there will be approximately 1,931,021 Units remaining available for issuance under the Equity Incentive Plan, representing approximately 11.70% of the total issued and outstanding number of Units as of such date.

The following table summarizes the securities outstanding on Closing held by the named executive officers:

| Name and principal position | Option-based Awards | | | | Unit-based Awards | | |
|--|--|----------------------------|------------------------|--|---|---|---|
| | Number of Units underlying unexercised Options (#) | Option exercise price (\$) | Option expiration date | Value of unexercised in-the-money Options (\$) | Number of underlying Units that have not vested (#) | Market value or payout value of Unit-based awards that have not vested (\$) | Market or payout value of vested Unit-based awards not paid out or distributed (\$) |
| Richard Michaeloff, President, CEO & Trustee | 200,000 ⁽¹⁾ | 1.25 | 5 years from Closing | Nil | Nil | Nil | Nil |
| Stacy Riffe, CFO & EVP | 200,000 ⁽¹⁾ | 1.25 | 5 years from Closing | Nil | Nil | Nil | Nil |
| Potter Polk, CIO & EVP | 100,000 ⁽²⁾ | 1.25 | 5 years from Closing | Nil | Nil | Nil | Nil |

Notes:

- (1) 100,000 of the Options vest of three years solely by virtue of the passage of time and continued employment, expiring 5 years from the Closing. The other 100,000 options are contingent on successful completion of the acquisition of the first \$75 million of assets, and subject to three-year vesting thereafter. All acquisitions are subject to approval of the disinterested Trustees.
- (2) Does not reflect the Acquisition Incentive.

Indebtedness of Trustees, Executive Officers and Employees

A subsidiary of the REIT loaned \$50,000 to Potter Polk, Chief Investment Officer, for the purchase of 100,000 Units issued to him prior to the IPO. This 0.18% interest loan is secured by those Units and will be repaid out of the cash portion of payments made to Potter Polk by the REIT pursuant to the Acquisition Incentive. Except as noted in the prior sentence, as of the date hereof, there was no indebtedness (other than “routine indebtedness” under applicable

Canadian securities laws) owing to the REIT by any trustees, executive officers, employees or former trustees, executive officers or employees of the REIT.

Employment Agreements

Richard Michaeloff, President and Chief Executive Officer

Mr. Michaeloff's employment agreement provides for base salary, an annual cash performance bonus and benefits. It is expected that Mr. Michaeloff will participate in the Equity Incentive Plan.

If Mr. Michaeloff resigns without good reason or is terminated for cause, it is expected that he will receive only his accrued but unpaid base salary and vacation pay up to the termination date. If Mr. Michaeloff is terminated without cause or resigns for good reason, then in addition to his accrued but unpaid base salary and vacation pay up to the termination date, and benefits continuation, the REIT will provide Mr. Michaeloff as severance an additional amount equal to his annual salary plus the average of his bonus for the preceding three years plus his target bonus for the current year pro rated for the portion of the year expired as of termination.

Mr. Michaeloff's employment agreement also contains customary confidentiality and non-disparagement covenants and certain restrictive covenants that will continue to apply following the termination of his employment, including a noncompete agreement in the United States up to one year.

Stacy Riffe, Chief Financial Officer & Executive Vice President

Ms. Riffe's employment agreement provides for base salary, an annual performance bonus and benefits. It is expected that Ms. Riffe will participate in the Equity Incentive Plan.

If Ms. Riffe resigns without good reason or is terminated for cause, it is expected that she will receive only her accrued but unpaid base salary and vacation pay up to the termination date. If Ms. Riffe is terminated without cause or resigns for good reason, then in addition to her accrued but unpaid base salary and vacation pay up to the termination date, and benefits continuation, the REIT will provide Ms. Riffe as severance an additional amount equal to his annual salary plus the average of his bonus for the preceding three years plus his target bonus for the current year pro rated for the portion of the year expired as of termination.

Ms. Riffe's employment agreement also contains customary confidentiality and non-disparagement covenants and certain restrictive covenants that will continue to apply following the termination of her employment, including a noncompete agreement in the United States for up to one year.

Potter Polk, Chief Investment Officer & Executive Vice President

Mr. Polk's employment agreement provides for base salary, an annual performance bonus and benefits. It is expected that Mr. Polk will participate in the Equity Incentive Plan.

If Mr. Polk resigns without good reason or is terminated for cause, it is expected that he will receive only his accrued but unpaid base salary and vacation pay up to the termination date. If Mr. Polk is terminated without cause or resigns for good reason, then in addition to his accrued but unpaid base salary and vacation pay up to the termination date, and benefits continuation, the REIT will provide Mr. Polk as severance an additional amount equal to his annual salary plus the average of his bonus for the preceding three years plus his target bonus for the current year pro rated for the portion of the year expired as of termination. Payments under his Acquisition Incentive compensation are not included in the determination of any severance amounts.

Mr. Polk's employment agreement also contains customary confidentiality and non-disparagement covenants and certain restrictive covenants that will continue to apply following the termination of his employment, including noncompete agreement in the United States for up to one year.

Termination Benefits

The following table indicates the amount payable to each named executive officer under the terms of their employment agreements upon termination other than for cause, if such events were to occur immediately following the completion of the Offering.

| <u>Name and Principal Position</u> | <u>Event</u> | <u>Severance (\$)⁽¹⁾</u> | <u>Accelerated Vesting of Equity Incentive Plan Awards⁽²⁾</u> | <u>Total (\$)</u> |
|--|--|-------------------------------------|--|-------------------|
| Richard Michaeloff, President & CEO | Termination without cause or resignation for good reason | \$200,000 | Nil | \$200,000 |
| Stacy Riffe, CFO & EVP | Termination without cause or resignation for good reason | \$160,000 | Nil | \$160,000 |
| Potter Polk, CIO & EVP | Termination without cause or resignation for good reason | \$180,000 | Nil | \$180,000 |

Notes:

- (1) Assuming no accrued amounts for earned but unpaid base salary, vacation and benefits, or earned but unpaid short-term incentive cash bonus, as this assumes such events were to occur immediately following the completion of the Offering.
- (2) While the vesting of the Options would accelerate, the in-the-money amount of the options is nil. The Acquisition Incentive will expire unpaid as a result of any termination or resignation.

CAPITALIZATION OF THE REIT

The following table sets forth the REIT's *pro forma* consolidated capitalization as at August 31, 2021 (based on US Holdco's June 30, 2021 financial statements), both before and after giving effect to, among other things, the Maximum Offering, but without giving effect to the exercise of the Over-Allotment Option.

| | <u>As at August 31, 2021</u> | <u>As at August 31, 2021 after giving effect to the Maximum Offering</u> |
|--|------------------------------|--|
| Indebtedness | | |
| Redeemable units (Class B Units) | \$10,000,000 | \$10,000,000 |
| Unitholders Equity | | |
| Units..... | \$[●] | \$[●] |
| Total Capitalization | \$[●] | \$[●] |

INVESTMENT GUIDELINES AND OPERATING POLICIES

Investment Guidelines

The Declaration of Trust provides certain guidelines on investments that may be made directly or indirectly by the REIT. The assets of the REIT after Closing may be invested only with the approval of the Trustees and only in accordance with the following restrictions:

- (a) the REIT may only invest, directly or indirectly, in interests (including fee ownership and leasehold interests) in income-producing, specialized industrial and retail properties leased to experienced, state-licensed operators for their Regulated Cannabis (as defined herein) facilities real estate located in the United States, assets ancillary thereto necessary for the operation of such real estate and such other activities as are consistent with the foregoing;
- (b) notwithstanding anything else contained in the Declaration of Trust, the REIT shall not make any investment, take any action or omit to take any action that would result in Units not being units of a “mutual fund trust” within the meaning of the Tax Act or that would result in the Units not being qualified investments for Exempt Plans (as defined in the Declaration of Trust);
- (c) the business of the REIT shall be limited to and conducted in such a manner as to permit the REIT at all times to be classified as a real estate investment trust (as defined in the Code) for U.S. federal income tax purposes, unless at least 66% of the Trustees have determined, at their full discretion, that the REIT cease qualifying as a real estate investment trust under the Code;
- (d) the REIT may, directly or indirectly, invest in a joint venture arrangement for the purposes of owning interests or investments otherwise permitted to be held by the REIT; provided that such joint venture arrangement contains terms and conditions which, in the opinion of the independent Trustees, are commercially reasonable, including without limitation such terms and conditions relating to restrictions on the transfer, acquisition and sale of the REIT’s and any joint venturer’s interest in the joint venture arrangement, provisions to provide liquidity to the REIT, provisions to limit the liability of the REIT and its Unitholders to third parties, and provisions to provide for the participation of the REIT in the management of the joint venture arrangement. For purposes hereof, a “**joint venture arrangement**” is an arrangement between the REIT and one or more other persons pursuant to which the REIT, directly or indirectly, conducts an undertaking for one or more of the purposes set out in the investment guidelines of the REIT and in respect of which the REIT may hold its interest jointly or in common or in another manner with others either directly or through the ownership of securities of a corporation or other entity;
- (e) except for temporary investments held in cash, deposits with a Canadian or U.S. chartered bank or trust company registered under the laws of a province of Canada or a state 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 the investment guidelines and operating policies of the REIT, the REIT may not hold securities of a person other than to the extent such securities would constitute an investment in real property (as determined by the Trustees) and provided further that, notwithstanding anything contained in the Declaration of Trust to the contrary, but in all events subject to paragraph (b) above, the REIT may hold securities of a person: (i) acquired in connection with the carrying on, directly or indirectly, of the REIT’s activities or the holding of its assets; or (ii) which focuses its activities primarily on the activities described in paragraph (a) above, provided in the case of any proposed investment or acquisition which would result in the beneficial ownership of more than 10% of the outstanding securities of an issuer (the “**Acquired Issuer**”), the investment is made for the purpose of subsequently effecting the merger or combination of the business and assets of the REIT and the Acquired Issuer or for otherwise ensuring that the REIT will control the business and operations of the Acquired Issuer;
- (f) the REIT 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;
- (g) the REIT shall not invest, directly or indirectly, in operating businesses unless:

- (i) revenue will be principally associated with the ownership, directly or indirectly, of real property; or
 - (ii) it principally involves the ownership, maintenance, development, improvement, leasing or management, directly or indirectly, of a real property (in each case as determined by the Trustees); or
 - (iii) it is an indirect investment and is incidental to a transaction which satisfies (i) or (ii) above;
- (h) the REIT shall not invest in raw land for development, except (i) for existing properties with additional development or properties adjacent to existing properties of the REIT for the purpose of the renovation or expansion of existing properties, or (ii) the development of new properties which will be capital property of the REIT, provided that the aggregate value of the investments of the REIT in raw land, excluding raw land under development, after giving effect to the proposed investment, will not exceed 10% of Gross Book Value;
- (i) the REIT may invest in and originate mortgages and mortgage bonds (including participating or convertible mortgages) and similar instruments where:
- (i) it intends to use the acquisition of the mortgages as a method of acquiring, directly or indirectly, income-producing real estate that would otherwise meet the investment guidelines of the REIT;
 - (ii) the real property which is security for such mortgages and similar instruments is income producing real property which otherwise meets the other investment guidelines of the REIT; and
 - (iii) the (A) mortgage is a vendor take-back mortgage granted to the REIT in connection with the sale by the REIT of an existing real property and as a means of financing the purchaser's acquisition of such real property from the REIT, (B) mortgage is interest bearing, (C) mortgage is registered on title to the real property which is security therefor, (D) mortgage has a maturity not exceeding five years, and (E) amount of the mortgage loan is not in excess of 85% of the selling price of the real property securing the mortgage,

provided the aggregate book value of the investments of the REIT in mortgages described in (i), (ii) and (iii), above, after giving effect to the proposed investment, will not exceed 15% of Gross Book Value;

- (j) the REIT may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any debt incurred or assumed in connection with such investment) up to 10% of the Gross Book Value of the REIT in investments which do not comply with one or more of paragraphs (a), (d), (e), (g) and (h).
- (k) For the purpose of the foregoing investment guidelines, the assets, liabilities and transactions of a corporation or other entity wholly or partially-owned by the REIT will be deemed to be those of the REIT on a proportionate consolidation basis. In addition, any references in the foregoing to investment in real property will be deemed to include an investment in a joint venture arrangement that invests in real property.

Operating Policies

The operations and affairs of the REIT are to be conducted in accordance with the following policies:

- (a) the REIT shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof, the term "hedging" has the meaning ascribed thereto by National Instrument 81-102 – *Mutual Funds* adopted by the Canadian Securities Administrators, as replaced or amended from time to time;

- (b) any written instrument creating an obligation which is or includes the granting by the REIT of a mortgage; and
 - (i) to the extent the Trustees determine to be practicable and consistent with their fiduciary duties to act in the best interest of the REIT, any written instrument which is, in the judgment of the Trustees, a material obligation,
 - (ii) 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 the REIT, but that only property of the REIT or a specific portion thereof is bound; the REIT, however, is not required, but must use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the REIT upon the acquisition of real property;
- (c) the REIT may engage in construction or development of real property: (i) to maintain its real properties in good repair or to improve the income producing potential of properties in which the REIT has an interest; and (ii) to develop new properties that will be capital properties of the REIT on completion, provided that the aggregate value of the investments of the REIT in properties under development after giving effect to the proposed investment in the construction or development, will not exceed 10% of Gross Book Value;
- (d) title to each real property shall be held by and registered in the name of the REIT, a subsidiary of the REIT, the Trustees or a corporation or other entity wholly-owned, directly or indirectly, by the REIT or jointly-owned, directly or indirectly, by the REIT, with joint venturers; provided, that where land tenure will not provide fee simple title, the REIT, the Trustees or a corporation or other entity wholly-owned, directly or indirectly, by the REIT or jointly owned, directly or indirectly, by the REIT shall hold a land lease as appropriate under the land tenure system in the relevant jurisdiction;
- (e) the REIT shall not incur or assume any indebtedness if, after giving effect to the incurrence or assumption of such indebtedness, the total indebtedness of the REIT (including convertible debentures) would be more than 65% of Gross Book Value;
- (f) the REIT shall not directly or indirectly guarantee any indebtedness or liabilities of any kind of a third party, except indebtedness or liabilities assumed or incurred by an entity in which the REIT holds an interest, directly or indirectly, or by an entity jointly owned by the REIT with joint venturers and operated solely for the purpose of holding a particular property or properties, where such indebtedness, if granted by the REIT directly, would cause the REIT to contravene its investment guidelines or operating policies. The REIT is not required, but shall use its reasonable best efforts to comply with this requirement (i) in respect of obligations assumed by the REIT pursuant to the acquisition of real property; or (ii) if doing so is necessary or desirable in order to further the initiatives of the REIT permitted under the Declaration of Trust;
- (g) the REIT shall directly or indirectly obtain and maintain at all times property insurance coverage in respect of potential liabilities of the REIT and the accidental loss of value of the assets of the REIT from risks, in amounts, with such insurers, and on such terms as are practicable and the Trustees consider appropriate, taking into account all relevant factors including the practice of owners of comparable properties;
- (h) the REIT shall have obtained an appraisal of each real property that it intends to acquire and an engineering survey with respect to the physical condition thereof, in each case, by an independent and experienced consultant, unless the requirement for such an appraisal or engineering survey is waived by the independent Trustees;
- (i) the REIT shall obtain a Phase I environmental site assessment of each real property to be acquired by it and, if the Phase I environmental site assessment report recommends that a further

environmental site assessment be conducted, the REIT shall have conducted such further environmental site assessments, in each case by an independent and experienced environmental consultant; as a condition to any acquisition such assessments shall be satisfactory to the Trustees;

- (j) the REIT shall not engage in any sales of properties, directly or indirectly, if it would subject the REIT to tax under Section 857 of the Code; and

for the purpose of the foregoing operating policies, the assets, liabilities and transactions of a corporation or other entity wholly or partially-owned by the REIT will be deemed to be those of the REIT on a proportionate consolidated basis. In addition, any references in the foregoing to investment in real property will be deemed to include an investment in a joint venture arrangement that invests in real property.

Amendments to Investment Guidelines and Operating Policies

Pursuant to the Declaration of Trust, all of the investment guidelines set out under the heading “Investment Guidelines” and sections (a), (e), (f), (g), (h) and (i) of the operating policies contained set out under the heading “Operating Policies” may be amended only with the approval of at least two-thirds of the votes cast by Unitholders at a meeting called for such purpose.

If at any time a regulatory authority having jurisdiction over the REIT or any property of the REIT shall enact any law, regulation or requirement which is in conflict with any investment guideline or operating policy of the REIT then in force (other than paragraph (b) under the heading “Investment Guidelines”), the investment guideline or operating policy in conflict shall, if the Trustees on the advice of legal counsel to the REIT so resolve, be deemed to have been amended to the extent necessary to resolve the conflict, and, notwithstanding anything to the contrary, the resolution of the Trustees shall not require the prior approval of Unitholders.

DECLARATION OF TRUST AND DESCRIPTION OF REIT UNITS

General

The REIT is an unincorporated open-ended real estate investment trust established pursuant to the Declaration of Trust under, and governed by, the laws of the Province of Ontario. Although the REIT is expected to qualify on Closing as a “mutual fund trust” as defined in the Tax Act, the REIT will not be a “mutual fund” as defined by applicable securities legislation.

The 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 the REIT and, although the protections, rights and remedies set out in the Declaration of Trust are similar to those provided under the CBCA, 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 the REIT, or the right to bring “oppression” or “derivative” actions. Furthermore, the REIT 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.

Operations and Assets of the REIT

All operations and assets of the REIT will be held through the Operating Partnership unless the Board determines that an alternative ownership structure would be in the best interests of the REIT.

Units

The REIT is authorized to issue an unlimited number of Units. Issued and outstanding Units may be subdivided or consolidated from time to time by the Trustees without notice to or the approval of the Unitholders.

No Unit will have any preference or priority over another. Each Unit will represent a Unitholder’s proportionate undivided beneficial ownership interest in the REIT and will confer the right to one vote at any meeting of Unitholders and to participate *pro rata* in any distributions by the REIT, whether of net income, net capital gain or other amounts and, in the event of termination or winding-up of the REIT, in the net assets of the REIT remaining after satisfaction

of all liabilities. Units will be fully paid and non-assessable when issued and are transferable. The Units are redeemable by the holder thereof, as described below under “Redemption Right”, “Issuance of Units” and “Operating Partnership — Operation”, 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 Trustees, but fractional Units do 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.

The Declaration of Trust will provide that, in exercising its discretion to declare a cash distribution on the Units, the Board will be required to confirm that the Operating Partnership has or will have sufficient funds to make a corresponding cash distribution on the Units in accordance with their terms.

Restrictions on Ownership and Transfer

REIT Qualification

In order for the REIT to qualify as a real estate investment trust for U.S. federal income tax purposes, the Units must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of the outstanding Units (treating certain options and, under certain circumstances, securities convertible into Units as Units) may be owned, directly or through certain constructive ownership rules, by five or fewer individuals (as defined for this purpose) in the Code to include certain tax-exempt entities, such as charitable trusts and private foundations (but to exclude certain qualified trusts described in Section 401(a) of the Code) at any time during the last half of a taxable year. The REIT does not intend to treat the Class B Units as options or securities convertible into Units for purposes of this ownership limit.

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

The applicable constructive ownership rules under the Code are complex and may cause Units owned actually or constructively by a group of related individuals or entities to be owned constructively by one individual or entity. As a result, the acquisition of less than 9.8% of the Units (or the acquisition of an interest in an entity that owns, actually or constructively, the Units) by an individual or entity could, nevertheless, cause that individual or entity, or another individual or entity, to own constructively in excess of 9.8% of the Units and thereby violate the applicable ownership limit.

The Declaration of Trust provides that the Board, subject to certain limits including any applicable fiduciary duties, may prospectively exempt a person from the ownership limits and, if necessary, establish a different limit on ownership for such person if the Board determines that such exemption could not cause or permit:

- five or fewer individuals (as defined for this purpose in the Code to include certain tax-exempt entities, such as charitable trusts and private foundations but to exclude certain qualified trusts described in Section 401(a) of the Code) to beneficially own more than 49% in value of the outstanding Units (taking into account the then current unit ownership limit, any then existing Excepted Holder Limits, and the Excepted Holder Limit of such Person) (treating certain options and, under certain circumstances, securities convertible into Units as Units); or
- the REIT to constructively own an interest in any tenant of the REIT or any tenant of any entity directly or indirectly owned, in whole or in part, by the REIT.

As a condition of the exception, the Board may require an opinion of counsel or an IRS ruling, in either case in form and substance satisfactory to the Board, in its sole and absolute discretion, in order to determine or ensure the REIT’s status as a real estate investment trust for U.S. federal income tax purposes, and such representations, covenants and

undertakings as are necessary or prudent to make the determinations above. Notwithstanding the receipt of any ruling or opinion, the Board may impose such conditions or restrictions as the Board deems appropriate in connection with such an exception. The REIT does not intend to treat the Class B Units as options or securities convertible into Units for purposes of this ownership limit.

In connection with a waiver of an ownership limit or at any other time, the Trustees may, in their sole and absolute discretion, from time to time, increase or decrease the Unit ownership limit for one or more persons; provided, however, that a Unit ownership limit will not be effective for any person who beneficially owns or constructively owns, as applicable, Units in excess of such decreased unit ownership limit at the time such limit is decreased, until such time as such person's beneficial ownership or constructive ownership of units, as applicable, equals or falls below the decreased unit ownership limit, but any further acquisition of units or increased beneficial ownership or constructive ownership of Units, during the period that such decreased Unit ownership limit is not effective with respect to such person, will be in violation of the Unit ownership limit and, provided further, that the new Unit ownership limit (taking into account any then existing excepted holder limits to the extent appropriate as determined by the REIT) would not allow five or fewer persons to beneficially own more than 49% in value of the outstanding Units.

The Declaration of Trust contemplates the following additional prohibitions:

- No Person shall Beneficially Own or Constructively Own Units to the extent that such Beneficial Ownership or Constructive Ownership of Units could result in (1) the REIT being "closely held" within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year), or (2) otherwise failing to qualify as a "real estate investment trust" for U.S. federal income tax purposes (including but not limited to Beneficial Ownership or Constructive Ownership that could result in the REIT Constructively Owning an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income derived by the REIT from such tenant, taking into account any other income of the REIT that would not qualify under the gross income requirements of Section 856(c) of the Code, would cause the REIT to fail to satisfy any of such gross income requirements).
- Any Transfer that, if effective, would result in the Units being beneficially owned by fewer than 100 Persons (determined under the principles of Section 856(a)(5) of the Code) shall be void ab initio, and the intended transferee shall acquire no rights in such Units.

Any Person who acquires or attempts or intends to acquire Beneficial Ownership or Constructive Ownership of Units that will or may violate the ownership limits or any Person who held or would have owned Units that resulted in a transfer to a Charitable Trust pursuant to the provisions of ownership and transfer of Units shall immediately give written notice to the REIT of such event or, in the case of such a proposed or attempted transaction, give at least 15 days' prior written notice, and shall provide to the REIT such other information as the REIT may request in order to determine the effect, if any, of such Transfer on the REIT's status as a "real estate investment trust" for U.S. federal income tax purposes. The ownership limits and other restrictions on ownership and transfer of the Units described above will not apply if the Board determines that the best interests of the REIT are no longer served by continuing to qualify as a real estate investment trust for U.S. federal income tax purposes or that the REIT is no longer required to comply with any such limits or restrictions in order for the REIT to qualify as a real estate investment trust for U.S. federal income tax purposes.

The REIT is required to demand, within 30 days after the end of each taxable year, a written statement from every Unitholder of record owning 5% or more (or such lower percentage as required by the Code or the Treasury Regulations promulgated thereunder) of the outstanding Units, stating the name and address of the actual owner of the Units, the number of Units that each such owner actually or beneficially owns and a description of the manner in which the Units are held. Each Unitholder of record also must provide the REIT with any additional information that the REIT requests in order to determine the effect, if any, of the actual or beneficial ownership of the Units owned by the Unitholder of record on the REIT's status as a real estate investment trust for U.S. federal income tax purposes and to ensure compliance with the ownership limits and the other restrictions on ownership and transfer of the Units set forth in the Declaration of Trust. In addition, any person who is an actual, beneficial or constructive owner of Units and any person (including the Unitholder of record) who is holding Units for an actual, beneficial or constructive owner must, on request, disclose to the REIT in writing such information as the REIT may request in good faith in

order to determine its status as a real estate investment trust for U.S. federal income tax purposes and to comply with requirements of any taxing authority or governmental authority or to determine such compliance.

FIRPTA

Under the Foreign Investment in Real Property Tax Act of 1980, as amended (“**FIRPTA**”), if any non-U.S. person holds, actually or constructively, more than 10% of the outstanding Units, the REIT is required to withhold 15% on distributions in excess of the REIT’s current and accumulated earnings and profits (as determined for U.S. federal income tax purposes), and to withhold 21% (or less to the extent provided in applicable Treasury Regulations) of any distribution to such non-U.S. person that is, or if greater, could be designated by the REIT as a capital gain dividend. Any such withheld amount is creditable against such non-U.S. person’s FIRPTA tax liability.

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

The applicable constructive ownership rules under the Code are complex and may cause Units owned actually or constructively by a group of related individuals or entities to be owned constructively by one individual or entity. As a result, the acquisition of 5% or less of the Units (or the acquisition of an interest in an entity that owns, actually or constructively, Units) by an individual or entity might, nevertheless, cause that individual or entity, or another individual or entity, to own constructively in excess of 5% of the Units and thereby become subject to the notice requirements. Under these rules of constructive ownership, Units can be attributed (i) among family members, (ii) to non-U.S. persons from entities that own Units, to the extent that such non-U.S. persons own interests in such entities and (iii) to entities from non-U.S. persons that own interests in such entities. Under these attribution rules, Units of related entities (including related investment funds) may be aggregated to the extent of overlapping ownership.

If any non-U.S. person that is treated as having acquired sufficient Units to be treated as owning more than 5% of the Units fails to comply with the FIRPTA notice provisions described above, the excess Units (i.e., the excess of the number of Units that the non-U.S. person is treated as owning over an amount equal to 5% of the outstanding Units) are required to be sold, through the mechanism described below under “Declaration of Trust — Excess Units,” with such non-U.S. person receiving the lesser of (i) the original purchase price for the excess Units and (ii) the sale price of the excess Units (net of commissions and other expenses of sale). Non-U.S. persons holding Units are strongly advised to monitor their actual and constructive ownership of Units.

Excess Units

Pursuant to the Declaration of Trust, if any purported transfer of the Units or any other event results in any person violating the ownership limits described above under “Declaration of Trust — REIT Qualification” or such other limit established by the Board or otherwise failing to qualify as a real estate investment trust, or if a non-U.S. person is treated as owning more than 5% of the Units and has not complied with the notice provisions described under “Declaration of Trust — FIRPTA,” then the number of Units that exceeds the applicable ownership limit (rounded up to the nearest whole Unit) is automatically transferred to, and held by, a charitable trust for the exclusive benefit of one or more charitable beneficiaries selected by the REIT. The prohibited owner has no rights in Units held by the charitable trustee. The automatic transfer is effective as of the close of business on the business day prior to the date of the violating transfer or other event that results in the transfer to the charitable trust. Any dividend or other distribution paid to the prohibited owner, prior to the REIT’s discovery that the Units had been automatically transferred to a charitable trust, must be repaid to the charitable trustee upon demand. If the transfer to the charitable trust as described above is not automatically effective, for any reason, to prevent violation of the applicable restriction on ownership and transfer of the Units, then the transfer of the number of Units that causes any person to violate the above restrictions are void and of no force or effect and the intended transferee acquires no rights in the Units. If any transfer of Units results in Units being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution), then any such purported transfer is void and of no force or effect and the intended transferee acquires no rights in the Units.

Units transferred to the charitable trustee are deemed offered for sale to the REIT, or the REIT's designee (subject to the approval of such designee by the CSE), at a price per Unit equal to the lesser of (i) the price per Unit in the transaction that results in the transfer of the Units to the charitable trust (or, in the event of a gift, devise or other such transaction, the last sale price reported on the CSE on the day of the transfer or other event that results in the transfer of such Units to the charitable trust) and (ii) the last sale price reported on the CSE on the date the REIT accepts, or the REIT's designee accepts, such offer. The REIT must reduce the amount payable to the prohibited owner by the amount of dividends and distributions paid to the prohibited owner and owed by the prohibited owner to the charitable trustee and pay the amount of such reduction to the charitable trustee for the benefit of the charitable beneficiary. The REIT has the right to accept such offer until the charitable trustee has sold the Units held in the charitable trust. Upon a sale to the REIT, the interest of the charitable beneficiary in the Units sold terminates and the charitable trustee must distribute the net proceeds of the sale to the prohibited owner and any dividends or other distributions held by the charitable trustee with respect to such Units are required to be paid to the charitable beneficiary.

If the REIT does not buy the Units subject to the deemed offer, the charitable trustee must, within 20 days of receiving notice from the REIT of the transfer of Units to the charitable trust, sell the Units to a person or persons designated by the charitable trustee whose ownership of the Units does not violate the ownership limits or other restrictions on ownership and transfer of Units. Upon such sale, the charitable trustee must distribute to the prohibited owner an amount equal to the lesser of (i) the price paid by the prohibited owner for the Units (or, if the prohibited owner has not given value in connection with the transfer or other event that resulted in the transfer to the charitable trust (e.g., a gift, devise or other such transaction), the last sale price reported on the CSE on the day of the transfer or other event that results in the transfer of such Units to the charitable trust) and (ii) the sales proceeds (net of commissions and other expenses of sale) that the charitable trustee receives for the Units. The charitable trustee must reduce the amount payable to the prohibited owner by the amount of dividends and other distributions paid to the prohibited owner and owed by the prohibited owner to the charitable trustee. Any net sales proceeds in excess of the amount payable to the prohibited owner is required to be paid immediately to the charitable beneficiary, together with any dividends or other distributions thereon. In addition, if prior to discovery by the REIT that Units have been transferred to the charitable trustee, the applicable prohibited owner sells such Units, then such Units shall be deemed to have been sold on behalf of the charitable trust and, to the extent that the prohibited owner receives an amount for or in respect of such Units that exceeds the amount that such prohibited owner is entitled to receive, such excess amount is required to be paid to the charitable trustee upon demand.

The REIT intends to designate a charitable trustee who is unaffiliated with the REIT and with any prohibited owner. Prior to the sale of any Units by the charitable trust, the charitable trustee is entitled to receive, in trust for the beneficiary, all dividends and other distributions paid by the REIT with respect to such Units, and may exercise all voting rights with respect to such Units for the exclusive benefit of the charitable beneficiary. Subject to Ontario law, effective as of the date that the Units have been transferred to the charitable trust, the charitable trustee may, at the charitable trustee's sole discretion:

- rescind as void any vote cast by a prohibited owner prior to the REIT's discovery that the Units have been transferred to the charitable trust; and
- recast the vote in accordance with the desires of the charitable trustee acting for the benefit of the beneficiary of the charitable trust.

If the REIT has already taken irreversible corporate action, however, then the charitable trustee may not rescind and recast the vote.

If the Board determines in good faith that a proposed transfer or other event has taken place that violates the restrictions on ownership and transfer of the Units set forth in the Declaration of Trust, the Board may take such action as the Board deems advisable in its sole discretion to refuse to give effect to or to prevent such transfer, including, but not limited to, causing the REIT to redeem Units, refusing to give effect to the transfer on the REIT's books or instituting proceedings to enjoin the transfer.

The Units are subject to the restrictions on ownership and transfer of the Units described herein under "Declaration of Trust — Restrictions on Ownership and Transfer." These restrictions on ownership and transfer might delay, defer or prevent a transaction or a change of control of the REIT that might involve a premium price for the Units that the Unitholders believe to be in their best interest.

Meetings of Unitholders

The 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 the REIT, (iii) the approval of amendments to the Declaration of Trust (except as described below under “Amendments to the Declaration of Trust”), (iv) the sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees), (v) the termination of the REIT 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, commencing in 2022, for the election of the Trustees and the appointment of the auditors of the REIT. 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 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 CBCA. 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 25% of the total number of outstanding 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.

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.

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 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: (i) by or at the direction of the Board, including pursuant to a notice of meeting; (ii) 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 (iii) 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 the REIT’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: (i) in the case of an annual meeting of Unitholders, not less than 30 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 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 tenth day following the date on which the first public announcement of the date of the annual meeting of Unitholders was made; and (ii) 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 date on which the first public announcement of the date of the special meeting of Unitholders was made.

To be in proper written form, a Nominating Unitholder's notice to the Trustees must set forth: (i) 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 number of 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; and (ii) 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.

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.

Redemption Right

Units are redeemable at any time on demand by the holders thereof upon delivery to the REIT of a duly completed and properly executed notice requesting redemption in a form reasonably acceptable to the Trustees, 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 the REIT and to CDS. Upon receipt of the redemption notice by the REIT, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof will be entitled to receive a price per Unit (the "**Redemption Price**") equal to the lesser of:

- (a) 90% of the "Market Price" of a Unit calculated as of the date on which the Units were tendered for redemption (the "**Redemption Date**"); and
- (b) 100% of the "Closing Market Price" on the Redemption Date.

For purposes of this calculation, the "**Market Price**" of a Unit as at a specified date will be:

- (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 ten 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 ten 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 ten trading days, an amount equal to the simple average of the following prices established for each of the ten 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.

The “**Closing Market Price**” of a Unit for the purpose of the foregoing calculations, as at any date will be:

- (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 if 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.

If Units are not listed or quoted for trading in a public market, the Redemption Price will be the fair market value of the Units, which will be determined by the Trustees in their sole discretion.

The aggregate Redemption Price payable by the REIT in respect of any Units surrendered for redemption during any calendar month will be paid in U.S. 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 the REIT 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 Trustees); (ii) on the date such Units are tendered for redemption, the outstanding Units must be listed for trading on the CSE or traded or quoted on any other stock exchange or market which the Trustees consider, in their 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 ten-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 from 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 a distribution in specie to such Unitholder of Redemption Notes. In the event of distributions of Redemption Notes, each Redemption Note so distributed to the redeeming holder of Units shall be in the principal amount of \$100 or such other amount as may be determined by the Trustees. No fractional Redemption Notes shall be distributed 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 Trustees may deduct or withhold from all payments or other distributions payable to any Unitholder pursuant to the Declaration of Trust all amounts required by law to be so withheld. Where the REIT redeems Units of a Unitholder, pursuant to the Declaration of Trust, the REIT may allocate to that Unitholder any income or capital gain realized by the REIT for purposes of the Tax Act on or in connection with such redemption. However, the REIT will generally be prohibited from deducting, in the computation of the REIT’s income, the portion of an amount paid to a redeeming Unitholder of the REIT that is considered to be paid out of the income of the REIT, and limit the ability of the REIT to deduct capital gains so allocated to redeeming Unitholders. Any such income (including any taxable capital gains) may be made payable to non-redeeming Unitholders so that the REIT will not be liable for non-refundable income tax thereon, in which case the amounts and taxable component of distributions to non-redeeming Unitholders may be greater than would have been the case in the absence of such limitations. Where the REIT redeems Units of a Unitholder, the REIT currently intends to allocate to that Unitholder capital gains and income only to the extent such allocation would be deductible to the REIT for purposes of the Tax Act. See “Certain Canadian Federal Income Tax Considerations”.

It is anticipated that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Units. Redemption Notes which may be distributed to holders of Units in connection with a redemption will not be listed on any exchange, no market is expected to develop in Redemption Notes and such securities may be subject to an indefinite “hold period” or other resale restrictions under applicable securities laws. Redemption Notes so distributed may not be qualified investments for Exempt Plans, depending upon the circumstances at the time.

Purchases of Units by the REIT

The REIT may from time to time purchase Units in accordance with applicable securities laws and the rules prescribed under applicable stock exchange and regulatory policies. Any such purchase will constitute an “issuer bid” under Canadian 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 or those acting jointly or in concert with them, 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.

The Declaration of Trust and the Operating Agreement will provide that in the event that a non-exempt take-over bid from a person acting at arm’s length to holders of Units (or any affiliate or associate thereof) is made for Units, unless the take-over bid is structured (i) to permit holders of Units to both redeem for Units and tender conditional on take-up, or (ii) such that the offer is made for all Units on identical terms, then from and after the first take-up of Units under the said take-over bid (provided that not less than 25% of the Units other than Units held at the date of the take-over bid by the offeror or associates or affiliates of the offeror or those acting jointly or in concert with them are so taken up) the terms and conditions of the Class B Units held by persons other than the offeror (or any affiliate or associate thereof) will automatically (without further action) be amended such that the redemption rate shall be varied to equal 110% of the redemption rate then in effect (such that on conversion, exercise, redemption or exchange the holder shall receive 1.1 Units for each Unit that the holder would otherwise have received). Notwithstanding any adjustment on completion of an exclusionary offer as described above, the distribution rights attaching to the Class B Units will also not be adjusted until the redemption right is actually exercised.

Non-Certificated Inventory 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 non-certificated inventory (NCI) system of CDS. On Closing, the REIT, via its transfer agent, will electronically deliver the Units registered to CDS or its nominee. 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 holder of a Unit participating in the NCI system will not be entitled to a certificate or other instrument from the REIT or the REIT’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 owner of Units 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.

Issuance of Units

The REIT 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 the REIT does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include

the issuance of additional Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trustees to be available for the payment of such distribution, which Units may be immediately consolidated as described below.

The REIT may also issue new Units (or securities exchangeable into 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, (ii) pursuant to any incentive or option plan established by the REIT from time to time, or (iii) pursuant to a Unitholder rights plan of the REIT.

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 may be consolidated so that each Unitholder holds, 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. If amounts distributed represent income, Non-Resident Unitholders may be subject to withholding tax and the consolidation may not result in such Non-Resident Unitholders holding the same number of Units. Such Non-Resident Unitholders may be required to surrender the certificates (if any) representing their original Units in exchange for a certificate representing post-consolidation Units.

Information and Reports

The REIT will furnish to Unitholders such financial statements (including quarterly and annual financial statements) and other reports as are from time to time required by this Declaration of Trust and by applicable law. Prior to a meeting of Unitholders, the Trustees will provide the Unitholders (along with notice of such meeting) information required by applicable tax laws and securities laws.

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.

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 the REIT; (ii) the continuing status of the REIT as a “mutual fund trust” under the Tax Act; (iii) the continuing status of the REIT as a “real estate investment trust” for U.S. federal income tax purposes; or (iv) 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) which, in the opinion of the Trustees, are necessary or desirable to remove conflicts or inconsistencies between the disclosure in the prospectus and the Declaration of Trust;
- (e) 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;
- (f) which, in the opinion of the Trustees, are necessary or desirable: (i) to ensure continuing compliance with IFRS; or (ii) to ensure the Units are classified as equity for purposes of IFRS;

- (g) which, in the opinion of the Trustees, are necessary or desirable to enable the REIT to implement a Unit option plan, Unit purchase plan or other compensation plan or issue Units for which the purchase price is payable in instalments;
- (h) which, in the opinion of the Trustees, are necessary or desirable for the REIT 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 “real estate investment trust” in the Tax Act or to qualify for the definition of “real estate investment trust” in the Code or to otherwise prevent the REIT or any of its subsidiaries from becoming subject to SIFT Tax;
- (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, redeemable, exercisable or convertible 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, redeemable, exercisable or convertible but that do not otherwise entitle the holder thereof to any rights with respect to the REIT’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.

But notwithstanding the foregoing, no such amendment shall modify the right to vote attached to any Unit or reduce the equal undivided interest in the property of the REIT or the entitlement to distributions from the REIT provided hereunder represented by any Unit without the consent of the Unitholders.

Approval by Special Resolution

None of the following shall occur unless the same has been duly approved by a Special Resolution passed at a meeting of Unitholders:

- (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) any sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT approved by the Trustees and not prejudicial to Unitholders);
- (e) the termination of the REIT or its subsidiaries (other than as part of an internal reorganization of the assets of the REIT or its subsidiaries as approved by the Trustees and not prejudicial to Unitholders);
- (f) the combination, amalgamation or arrangement of any of the REIT or its subsidiaries with any other entity (other than as part of an internal reorganization of the assets of the REIT or its subsidiaries as 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 the REIT. See “Investment Guidelines and Operating Policies”.

Rights of Unitholders

The rights of the Unitholders and the attributes of the Units are established and governed by the Declaration of Trust. Although the Declaration of Trust confers upon a Unitholder many of the same protections, rights and remedies as an investor would have as a shareholder of a corporation governed by the CBCA, significant differences exist, some of which are described below.

Many of the provisions of the CBCA respecting the governance and management of a corporation are incorporated in the Declaration of Trust. For example, Unitholders are entitled to exercise voting rights in respect of their holdings of Units in a manner comparable to shareholders of a CBCA corporation and to elect Trustees and the auditors of the REIT. The Declaration of Trust also includes provisions modeled after comparable provisions of the CBCA dealing with the calling and holding of meetings of Unitholders and Trustees, the procedures at such meetings and the right of the Unitholders to participate in the decision making process where certain fundamental actions are proposed to be undertaken. The matters in respect of which approval by the Unitholders is required under the Declaration of Trust are generally less extensive than the rights conferred on the shareholders of a CBCA corporation, but effectively extend to certain fundamental actions that may be undertaken by the subsidiaries of the REIT. These approval rights are supplemented by provisions of applicable securities laws that are generally applicable to issuers (whether corporations, trusts or other entities) that are “reporting issuers” or the equivalent or are listed on the CSE.

Unitholders do not have recourse to a dissent right under which shareholders of a CBCA corporation are entitled to receive the fair value of their shares where certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, a continuance under the laws of another jurisdiction, the sale of all or substantially all of its property, a going private transaction or the addition, change or removal of provisions restricting: (a) the business or businesses that the corporation can carry on; or (b) the issue, transfer or ownership of shares). Unitholders similarly do not have recourse to the statutory oppression remedy that is available to shareholders of a CBCA corporation where the corporation undertakes actions that are oppressive, unfairly prejudicial or which disregard the interests of securityholders and certain other parties. Shareholders of a CBCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of the corporation and its affiliates is being carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The Declaration of Trust does not include a comparable right. The CBCA also permits shareholders to bring or intervene in derivative actions in the name of a corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include a comparable right. Also, unlike shareholders of a corporation incorporated under the CBCA, Unitholders do not have the right to make proposals in advance of a Unitholder meeting about matters to be voted on at the Unitholder meeting.

US HOLDCO

US Holdco is a corporation incorporated under the laws of the State of Delaware. Upon completion of the Offering and related transactions, US Holdco will own all of the Class A Units of the Operating Partnership. The composition of the board of directors of US Holdco is determined (and directors may be removed without cause) by the REIT; provided that the board of directors of US Holdco shall always be comprised of a majority of U.S. residents.

The operations of US Holdco are subject to the terms of its organizational documents, which provide, among other things, (i) that US Holdco operates in a manner consistent with the governance and other terms of the Declaration of Trust, including the investment guidelines and operating policies set out therein, and (ii) certain fundamental actions to be taken by US Holdco (including items such as acquisitions, dispositions and refinancings of real property) require the approval of all of the US Holdco directors, subject to situations where individuals must abstain from voting due to a conflict of interest or under applicable law.

OPERATING PARTNERSHIP

General

The Operating Partnership is a Delaware limited liability company governed by the Operating Agreement and the laws of the State of Delaware. The registered office of the Operating Partnership is located at 1600 Broadway Suite 1600 Denver, CO 80202. The principal place of business of the Operating Partnership is located at 181 Bay Street, Suite 1030 Toronto, Ont., M5J 2T3. On Closing, the sole holder of the Class A Units will be US Holdco. The board of directors of the Operating Partnership will be determined (and may be removed without cause) by US Holdco; provided that the board of directors of the Operating Partnership shall always be comprised of a majority of U.S. residents. The Operating Partnership will be treated as a partnership for U.S. federal income tax purposes.

The REIT is considered an umbrella partnership real estate investment trust (an “**UPREIT**”) for U.S. federal income tax purposes. An UPREIT is a structure that REITs often use to acquire real property from sellers on a tax deferred basis for U.S. federal income tax purposes because the sellers can generally accept equity interests and defer taxable gain otherwise required to be recognized by them upon the disposition of their properties. Such sellers may also desire

to achieve diversity in their investment and other benefits afforded to unitholders in a real estate investment trust. For purposes of satisfying the asset and income tests for qualification as a real estate investment trust for U.S. federal income tax purposes, the REIT's proportionate share of the assets and income of the Operating Partnership will be deemed to be assets and income of the REIT, so long as the Operating Partnership continues to be treated as a partnership for U.S. federal income tax purposes.

Operating Partnership Units

Upon Closing and the related transactions, the Operating Partnership will have outstanding (i) Class A Units, all of which will be held by US Holdco, and (ii) Class B Units, all of which will be held by the Cloud Cannabis. The Class B Units will, in all material respects, be economically equivalent to the Units on a per unit basis, subject to certain customary anti-dilution adjustments. The holders of Class B Units will be entitled to receive distributions from the Operating Partnership on the same per unit basis as holders of Units. Class B Units do not carry a voting right with respect to matters put before Unitholders of the REIT for a vote. It is anticipated that Class B Units may be subsequently issued to U.S. persons in connection with the acquisition of additional properties by the REIT in the United States.

Transfers of Class A Units and Class B Units are generally not permitted subject to limited exceptions, including (i) pursuant to the redemption of the Class B Units, and (ii) transfers from a legal entity to an affiliate, subsidiary or successor in interest of such entity.

Redemption Rights

After holding Class B Units for at least 12 months (subject to acceleration in certain circumstances), the holders of Class B Units, acting individually, have the right to cause the Operating Partnership to redeem all or a portion of such Class B Units for a cash payment of equivalent value or Units, as determined by the Operating Partnership and as directed by the REIT in their sole discretion. If the Operating Partnership elects to redeem Class B Units for Units, the REIT will generally deliver (indirectly) one Unit for each Class B Unit redeemed (subject to customary anti-dilution adjustments). In connection with the exercise of these redemption rights, a holder of Class B Units will be required to make certain representations, including that the delivery of Units upon redemption will not result in such holder owning Units in excess of the ownership limits in the Declaration of Trust.

Compulsory Acquisition

The Operating Agreement provides that in the event of an acquisition of not less than 90% of the Units (including Units issuable upon the redemption of Class B Units) by a person (including persons acting jointly or in concert with such person), the Operating Partnership will have the right, subject to applicable laws, to acquire outstanding Class B Units in exchange for an equal number of Units, subject to adjustments for splits, consolidations and reorganizations in accordance with the Declaration of Trust.

Operation

The Operating Agreement requires that the Operating Partnership be operated in a manner that will enable the REIT to (i) satisfy the requirements for being classified as a real estate investment trust for U.S. federal income tax purposes, unless the Board elects for the REIT to cease to qualify as a real estate investment trust, (ii) not be subject to any federal income or excise tax liability, unless the Board elects for the REIT to cease to qualify as a real estate investment trust, and (iii) ensure that the Operating Partnership will not be classified as a "publicly traded partnership" for purposes of Section 7704 of the Code, which classification could result in the Operating Partnership being taxed as a corporation for U.S. federal income tax purposes, rather than as a partnership.

The authority of US Holdco with respect to the Operating Partnership will be limited to certain matters delegated to it by the REIT and its Board.

The operations of the Operating Partnership will be subject to the terms of the Operating Agreement, which will provide, among other things, that (i) the Operating Partnership will operate in a manner consistent with the governance and other terms of the Declaration of Trust, including the investment guidelines and operating principles set out therein, and (ii) certain fundamental actions to be taken by the Operating Partnership (including items such as acquisitions, dispositions and refinancings of real property) will require the approval of two-thirds of the Operating

Partnership directors, subject to situations where individuals must abstain from voting due to a conflict of interest or under applicable law.

Distributions and Allocations of Profits and Losses

The Operating Agreement generally provides that the Operating Partnership will distribute cash flow from operations and, except as provided below, net sales proceeds from the disposition of assets, to all of the members of the Operating Partnership will be distributed *pro rata* in accordance with their ownership interests. Upon the liquidation of the Operating Partnership, after payment of (or adequate provision for) debts and obligations, any remaining assets of the Operating Partnership will be distributed in accordance with the distribution provisions contained in the Operating Agreement. The holders of Class B Units will be entitled to receive distributions from the Operating Partnership proportionately to the distributions made by the REIT to holders of Units. Following Closing, it is anticipated that the aggregate distributions paid on Class A Units will be approximately 50.72% and the aggregate distributions paid on Class B Units will be approximately 49.28% of the total distributions paid (changing to 52.82% and 47.18%, respectively, if the Over-Allotment Option is exercised in full).

The Operating Agreement provides that generally, net income, net loss and, to the extent necessary, individual items of income, gain, loss or deduction of the Operating Partnership will be allocated among the members *pro rata* in accordance with their ownership interests. Following Closing, it is anticipated that approximately 50.72% of the profits and losses will be allocated to the Class A Units and approximately 49.28% of the profits and losses will be allocated to the Class B Units (changing to 52.82% and 47.18%, respectively, if the Over-Allotment Option is exercised in full).

If the REIT elects to cause the Operating Partnership to admit additional members to the Operating Partnership, the distributions and allocations of profits and losses to the members generally will be *pro rata* in accordance with their ownership interests.

In addition to the administrative and operating costs and expenses incurred by the Operating Partnership and its subsidiaries in acquiring, operating and servicing their assets, the Operating Partnership will either pay the administrative costs and expenses of US Holdco directly or make cash distributions to reimburse for expenses incurred by US Holdco. For U.S. federal income tax purposes, such expenses will be treated as expenses of the Operating Partnership. Such expenses will include, but not be limited to:

- administrative and operating costs and expenses and other expenses, including any salaries or other payments to directors, officers and/or employees, including any 401(k) plan or other incentive, bonus or compensation plan, and any accounting and legal expenses;
- costs and expenses relating to the formation and continuity of existence of the REIT, including taxes, fees and assessments associated therewith, any and all costs, expenses or fees payable to any director, officer or employee of the REIT;
- costs and expenses associated with the preparation and filing of any periodic reports by the REIT under Canadian federal or provincial laws or regulations and U.S. federal, state or local laws or regulations;
- costs and expenses associated with compliance by the REIT with laws, rules and regulations promulgated by any regulatory body; and
- costs and expenses relating to any issuance, redemption or repurchase of Units or other securities by the REIT.

Indemnification

To the fullest extent permitted by law, the Operating Agreement provides for indemnification of any person for any loss incurred by such a person by reason of such person's status as the REIT or a director, officer, employee, agent or affiliate of the REIT or the Operating Partnership.

Tax Matters

Pursuant to the Operating Agreement, [●] will be the “partnership representative” of the Operating Partnership for U.S. federal income tax purposes pursuant to Section 6223 of the Code, and as such, will have authority to make tax decisions under the Code on behalf of the Operating Partnership. The Operating Partnership will file a U.S. federal income tax return annually on IRS Form 1065 (or such other successor form) or on any other IRS form as may be required.

DISTRIBUTION POLICY

The following outlines the distribution policy of the REIT to be adopted pursuant to the Declaration of Trust. Determinations as to the amounts distributable, however, will be made in the sole discretion of the Trustees from time to time.

Distribution Policy

The REIT intends to adopt a distribution policy, as permitted under the Declaration of Trust, pursuant to which it will make monthly cash distributions to Unitholders and, through the Operating Partnership, holders of Class B Units. Initially, the distributions are expected to be between \$0.025 and \$0.03 per Unit per annum, payable monthly to Unitholders, which will provide Unitholders with an approximate annualized distribution yield of between 2.0% to 2.4%. However, subject to compliance with the Declaration of Trust, the actual payout ratio will be determined by the Trustees in their sole discretion. Pursuant to the Declaration of Trust, the Trustees have full discretion respecting the timing, amounts and compositions of distributions, including the adoption, amendment or revocation of any distribution policy. FFO is not an IFRS measure, see “Non-IFRS Measures”. It is the REIT’s current intention to make distributions to Unitholders at least equal to the amount of net income and net realized capital gains of the REIT as is necessary to ensure that the REIT will not be liable for ordinary income taxes on such income. The REIT does not believe that it will be subject to the expense deduction disallowance provisions of Code Section 280E. If the IRS were to take the position that the REIT was subject to Code Section 280E, this could adversely effect the REIT’s ability to make distributions as currently contemplated. See “Certain U.S. Federal Income Tax Considerations — Annual Distributions Requirements”. See also “Risk Factors — Risk Factors Related to Tax”.

None of the net proceeds from the Offering will be deployed by the REIT to acquire Licensed Facilities. See “Use of Proceeds”.

The Declaration of Trust will provide that, in exercising its discretion to declare a cash distribution on the Units, the Board will be required to confirm that the Operating Partnership has or will have sufficient funds to make a corresponding cash distribution on the Class B Units in accordance with their terms.

Because the REIT will be treated as a real estate investment trust for U.S. federal income tax purposes, distributions paid by the REIT to Canadian investors that are made out of the REIT’s current or accumulated earnings and profits (as determined under U.S. federal income tax principles), generally will be subject to U.S. withholding tax at a rate of 30%, which may be reduced to 15% for investors that qualify for benefits under the Treaty provided that the required form evidencing eligibility for such benefits is filed with the REIT or the appropriate withholding agent. To the extent a Canadian investor is subject to U.S. withholding tax in respect of distributions paid by the REIT on the Units out of the REIT’s current or accumulated earnings and profits, the amount of such tax generally will be eligible for foreign tax credit or deduction treatment, subject to the detailed rules and limitations under the Tax Act. So long as the Units continue to be regularly traded on an established securities market, distributions with respect to Units in excess of the REIT’s current and accumulated earnings and profits as determined for U.S. tax purposes that are distributed to Canadian investors that have not owned (or been deemed to own) more than 10% of the outstanding Units may not be subject to U.S. withholding tax, although there can be no assurances that withholding on such amounts will not be required. The REIT estimates that approximately 70% to 85% of the monthly cash distributions to be paid to Unitholders in 2021 will be made out of the REIT’s current or accumulated earnings and profits as determined for U.S. tax purposes and, accordingly, will be subject to U.S. withholding tax. The composition of distributions for U.S. federal income tax purposes may change over time and may be different from the composition for Canadian federal income tax purposes, which may affect the after-tax return to Unitholders. Qualified residents of Canada that are tax-exempt entities established to provide pension, retirement or other employee benefits (including trusts governed by an RRSP, RRIF or DPSP, but excluding trusts governed by a TFSA, RESP or RDSP) may be eligible for an exemption from U.S. withholding tax. The foregoing is qualified by the more detailed summary in this prospectus. See “Certain

Canadian Federal Income Tax Considerations” and “Certain U.S. Federal Income Tax Considerations”. See also “Risk Factors —Risk Factors Related to Tax”.

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 the Declaration of Trust and pursuant to the distribution policy of the REIT, where the REIT’s cash is insufficient to make payment of the full amount of a distribution, such payment may, to the extent necessary, be distributed partially in the form of additional Units, which Units may be immediately consolidated as described above. See “Declaration of Trust and Description of REIT Units — Issuance of Units” and “Certain Canadian Federal Income Tax Considerations”.

The first distribution is expected to be for the period from Closing to [●], 2021 and is expected to be made on [●], 2021 in the amount of \$[●] per Unit (assuming that Closing occurs on [●], 2021).

The REIT intends to make subsequent monthly distributions in the estimated amount of \$0.[●] per Unit thereafter.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Goodmans LLP, Canadian counsel to the REIT, and Blake, Cassels & Graydon LLP, Canadian counsel to the Agents, the following is a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable as of the date hereof to a purchaser who acquires, as beneficial owner, Units pursuant to this prospectus and who, for the purposes of the Tax Act and at all relevant times, is, or is deemed to be, resident in Canada, deals at arm’s length with the REIT and each of the Agents, is not affiliated with the REIT or any of the Agents, and holds the Units as capital property (in this section of the prospectus, referred to as a “**Holder**”). The Units generally will be capital property to a Holder provided that the Holder does not hold such Units in the course of carrying on a business and has not acquired them in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain purchasers who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have any Units and any other “Canadian security” (as defined in the Tax Act) owned in the taxation year in which the election is made, and in all subsequent taxation years, deemed to be capital property. Purchasers who do not hold their Units as capital property should consult their own tax advisors regarding their particular circumstances.

This summary does not apply to a Holder: (i) that is a “financial institution” subject to the mark-to-market rules in the Tax Act; (ii) an interest in which would be a “tax shelter investment” within the meaning of the Tax Act; (iii) that has elected to determine its “Canadian tax results” in a foreign currency pursuant to the “functional currency” reporting rules in the Tax Act; (iv) that holds or has held, actually or constructively, more than 10% of the outstanding Units, as determined for U.S. federal income tax purposes at any relevant time (See “Certain U.S. Federal Income Tax Considerations”); or (v) that has entered or will enter into a “derivative forward agreement”, as defined in the Tax Act, with respect to the Holder’s Units. Such Holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Units. In addition, this summary does not address the deductibility of interest by a purchaser who has borrowed money to acquire Units under this Offering.

This summary assumes that either the CSE Publicly Traded Exception or the U.S. Publicly Traded Exception (each as defined below) applies to the Units. See “Certain U.S. Federal Income Tax Considerations — Taxation of Non-U.S. Holders”.

This summary is based on the current provisions of the Tax Act, all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) before the date hereof (“**Proposed Amendments**”), counsel’s understanding of the current publicly available administrative policies and assessing practices of the Canada Revenue Agency (the “**CRA**”), and a certificate as to certain factual matters from an executive officer of the REIT. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account other federal or any provincial, territorial or foreign tax legislation or considerations. No assurance can be given that the Proposed Amendments will be enacted in the form proposed or at all.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units. The income and other tax consequences of acquiring, holding or

disposing of Units will vary depending on a purchaser's particular status and circumstances, including the province or territory in which the purchaser resides or carries on business. This summary is not intended to be, nor should it be construed to be, legal or tax advice to any particular purchaser. Purchasers should consult their own tax advisors for advice with respect to the income tax consequences of an investment in Units in their own circumstances.

Generally, for purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Units must be expressed in Canadian dollars. Amounts denominated in another currency must be converted into Canadian dollars using the appropriate exchange rate determined in accordance with the detailed rules in the Tax Act in that regard. An investment in Units will be denominated in U.S. dollars and distributions made on the Units will be made in U.S. dollars. Accordingly, Holders of Units must convert such amounts to Canadian dollars for the purposes of the Tax Act.

For the purposes of this summary and the opinion given under the heading "Eligibility for Investment", a reference to the REIT is a reference to Nova Net Lease REIT only and is not a reference to any of its subsidiaries or predecessors.

Status of the REIT

This summary assumes the REIT will qualify at all times as a "mutual fund trust" within the meaning of the Tax Act and that the REIT will validly elect under the Tax Act to be a mutual fund trust from the date it was established. An executive officer of the REIT has advised counsel that it intends to ensure that the REIT will meet the requirements necessary for it to qualify as a mutual fund trust no later than the Closing of the Offering and at all times thereafter, and to file the necessary election so that the REIT will be deemed to qualify as a mutual fund trust throughout its first taxation year.

If the REIT were not to qualify or be deemed to qualify as a mutual fund trust at all times, the income tax considerations could be materially and adversely different from those described below.

This summary is also based on the assumption that the REIT will at no time be a "SIFT trust", as defined in the rules applicable to SIFT trusts and SIFT partnerships in the Tax Act (the "**SIFT Rules**"). The SIFT Rules effectively tax certain income of a publicly-traded trust or partnership that is distributed to its investors on the same basis as would have applied had the income been earned through a taxable Canadian corporation and distributed by way of dividend to its shareholders. These rules apply only to "SIFT trusts" and "SIFT partnerships" (each as defined in the Tax Act) and their investors.

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

The REIT will not be considered to be a SIFT trust in respect of a particular taxation year and, accordingly, will not be subject to the SIFT Rules in that year, if it does not own any non-portfolio property and does not carry on business in Canada in that year. An executive officer of the REIT has advised counsel that the REIT has not owned and does not currently intend to own any non-portfolio property or carry on a business in Canada.

If the REIT were to become subject to the SIFT Rules, certain of the income tax considerations described below would, in some respects, be materially and adversely different, and the SIFT Rules may, depending on the nature and extent of distributions from the REIT, including what portion of its distributions are income and what portion are returns of capital, have a material adverse effect on the after-tax returns of Unitholders.

The remainder of this summary assumes that the REIT will not own any non-portfolio property or carry on business in Canada and, accordingly, will not be a SIFT trust.

Taxation of the REIT

The taxation year of the REIT is the calendar year. The REIT must compute its income or loss for each taxation year as though it were an individual resident in Canada. The income of the REIT for purposes of the Tax Act will include, among other things, foreign accrual property income (“**FAPI**”) in respect of its “controlled foreign affiliates” (“**CFAs**”), dividends received (or deemed to be received) from US Holdco (subject to effective reduction in connection with prior FAPI recognition, as described further below), and any net realized taxable capital gains.

US Holdco is a “foreign affiliate” and a CFA of the REIT for purposes of the Tax Act. In the event that US Holdco or any other CFA of the REIT earns income in a particular taxation year of the CFA that is characterized as FAPI for purposes of the Tax Act, the amount of such FAPI allocable to the REIT must be included in computing the income of the REIT for the taxation year of the REIT in which the taxation year of US Holdco or such other CFA ends, whether or not the REIT actually receives a distribution of that FAPI. The FAPI relating to the shares of US Holdco will include FAPI earned directly or indirectly by US Holdco (including FAPI earned directly or indirectly through any subsidiary CFAs or partnerships). If an amount of FAPI is included in computing the income of the REIT for Canadian tax purposes, an amount may be deductible in respect of the “foreign accrual tax” (“**FAT**”) applicable to the FAPI as computed in accordance with the Tax Act. As the REIT intends to qualify as a real estate investment trust for U.S. federal income tax purposes, the amount of U.S. federal income tax payable by the REIT and its subsidiaries on operating income is not expected to be material, and it is not expected that there would be a material related FAT deduction available to apply against any FAPI in respect of US Holdco or any other CFA of the REIT.

The adjusted cost base to the REIT of its shares in US Holdco will be increased by the amount of FAPI, if any, included in the income of the REIT in respect of FAPI earned by US Holdco (including FAPI earned directly or through any subsidiary CFAs or partnerships), net of any applicable FAT deduction relating to such FAPI. At such time as the REIT receives a dividend from US Holdco the amount included in income in respect of that dividend will effectively be reduced by any amount(s) so added to the adjusted cost base to the REIT of its shares of US Holdco (for clarity, net of any applicable FAT deduction relating to such FAPI) and there will be a corresponding reduction in the adjusted cost base to the REIT of its shares in US Holdco. An executive officer of the REIT has advised counsel that, initially, it is expected that the income indirectly earned by US Holdco from the Initial Licensed Facility will be FAPI and, accordingly will be required to be included in computing the income of the REIT for Canadian federal income tax purposes on an accrual basis as described above. Similarly, all or a portion of the income earned directly or indirectly by US Holdco from subsequently acquired properties may be FAPI and, accordingly, may be required to be included in computing the income of the REIT for Canadian federal income tax purposes on an accrual basis as described above.

For the purposes of the Tax Act, all income of the REIT (including FAPI) must be calculated in Canadian currency. Where the REIT (or any of its subsidiaries) holds investments or incurs indebtedness denominated in foreign currencies (such as U.S. dollars), gains or losses may be realized by the REIT as a consequence of fluctuations in the relative value of the Canadian currency and such foreign currencies.

In computing its income, the REIT will be entitled to deduct reasonable current administrative and other expenses incurred by it to earn income. Reasonable expenses incurred in respect of the issuance of Units generally may be deducted by the REIT on a five-year, straight-line basis, pro-rated for short taxation years.

The REIT may generally deduct from its income for a taxation year amounts which are paid or become payable by it to Unitholders in such year. An amount will be considered to be payable in a taxation year if a Unitholder is entitled in the year to enforce payment of the amount. Counsel has been advised by an executive officer of the REIT that the Trustees’ current intention is to make payable to Unitholders each year sufficient amounts such that the REIT generally will not be liable to pay tax under Part I of the Tax Act. Where the REIT does not have sufficient cash to distribute such amounts in a particular taxation year, the REIT intends to make one or more in-kind distributions in that year in the form of additional Units. Income of the REIT payable in a taxation year of the REIT to the Unitholders in the form of additional Units will generally be deductible by the REIT in computing its income for that year.

A distribution by the REIT of its property upon a redemption of Units will be treated as a disposition by the REIT of such property for proceeds of disposition equal to the fair market value thereof. Where the property in question was

held by the REIT as capital property, the REIT will realize a capital gain (or a capital loss) to the extent that the proceeds from the disposition of the property exceed (or are less than) the aggregate of the adjusted cost base of the relevant property and any reasonable costs of disposition.

Losses incurred by the REIT cannot be allocated to Unitholders, but can be deducted by the REIT in future years in computing its taxable income, in accordance with the Tax Act. In the event the REIT would otherwise be liable for tax on its net realized taxable capital gains for a taxation year, it will be entitled for such taxation year to reduce (or receive a refund in respect of) its liability for such tax by an amount determined under the Tax Act based on the redemption of Units during the year (the “**capital gains refund**”). The capital gains refund in a particular taxation year may not completely offset the REIT’s tax liability for the taxation year arising in connection with the redemption of Units. The Declaration of Trust provides that all or a portion of any capital gain or income realized by the REIT in connection with such redemptions may, at the discretion of the Trustees, be treated as capital gains or income paid to, and designated as capital gains or income of, the redeeming Holder. Such income or the taxable portion of the capital gain so designated must be included in the income of the redeeming Unitholder (as income or taxable capital gains, as the case may be) and may be deductible by the REIT in computing its income. However, the REIT will generally be prohibited from deducting, in the computation of the REIT’s income, the portion of an amount paid to a redeeming Unitholder of the REIT that is considered to be paid out of the income of the REIT, and limit the ability of the REIT to deduct capital gains so allocated to redeeming Unitholders. Any such income (including any taxable capital gains) may be made payable to non-redeeming Unitholders so that the REIT will not be liable for non-refundable income tax thereon, in which case the amounts and taxable component of distributions to non-redeeming Unitholders may be greater than would have been the case in the absence of such limitations. Where the REIT redeems Units of a Unitholder, the REIT currently intends to allocate to that Unitholder capital gains and income only to the extent such allocation would be deductible to the REIT for purposes of the Tax Act.

Taxation of Holders

REIT Distributions

A Holder generally will be required to include in computing income for a particular taxation year the portion of the net income of the REIT (including FAPI attributed to the REIT, dividends received (or deemed to be received) by the REIT from US Holdco, except to the extent that the amount included in the REIT’s income in respect of such dividends is effectively reduced in connection with prior FAPI recognition as described above under “Taxation of the REIT”, and any net realized taxable capital gains) that is paid or payable to the Holder on the Units in that taxation year, whether those amounts are received in cash, additional Units or otherwise. Any loss of the REIT for purposes of the Tax Act cannot be allocated to, or treated as a loss of, a Holder.

Provided that the appropriate designations are made by the REIT, such portion of its net taxable capital gains and foreign source income that are paid or become payable to a Holder will retain its character as taxable capital gains or foreign source income, as the case may be, to Holders for purposes of the Tax Act. This summary assumes that such designations will be made by the REIT.

The non-taxable portion of any net realized capital gains of the REIT that is paid or payable to a Holder in a taxation year will not be included in computing the Holder’s income for the year. Any other amount in excess of the net income of the REIT (including in respect of returns of capital of the REIT) that is paid or payable to a Holder on the Units in a taxation year generally will not be included in the Holder’s income for the year, but a Holder will be required to reduce the adjusted cost base of its Units by the portion of any amount (other than proceeds of disposition in respect of the redemption of Units and the non-taxable portion of net capital gains the taxable portion of which is designated in respect of the Holder) paid or payable to such Holder that was not included in computing the Holder’s income. To the extent that the adjusted cost base of a Unit otherwise would be less than zero, the Holder will be deemed to have realized a capital gain equal to the negative amount and the Holder’s adjusted cost base of the Units will be increased by the amount of such deemed capital gain.

Foreign Tax Credits and Deductions

To the extent that a Holder is subject to U.S. withholding tax in respect of distributions paid by the REIT on the Units, the amount of such tax generally will be eligible for foreign tax credit or deduction treatment, subject to the detailed rules and limitations under the Tax Act, and as described in the ensuing paragraphs; provided, however, that in the event any U.S. tax is withheld that does not represent the final U.S. income tax liability for the year, the Holder also

files a U.S. federal income tax return to establish the Holder's final U.S. income tax liability for the year and the Holder is not entitled to a refund of such withholding tax.

The U.S. withholding tax deducted in respect of a distribution paid on a Unit in a taxation year will generally be characterized as "non-business income tax", as defined in the Tax Act, and may be deductible as a foreign tax credit from the Holder's Canadian federal income tax otherwise payable for that year to the extent permitted by the Tax Act where the Holder has sufficient non-business income from U.S. sources computed in accordance with the Tax Act, and where such tax has not been deducted in computing the Holder's income. Alternatively, such non-business income tax (including any amount not deductible in computing tax payable as a foreign tax credit) generally may be deducted by the Holder in computing the Holder's net income for the purposes of the Tax Act to the extent that such non-business income taxes are paid in respect of income derived from a Unit for purposes of the Tax Act.

A Holder's ability to apply U.S. withholding taxes in the foregoing manner may be affected (i) where the Holder does not have sufficient taxes otherwise payable under Part I of the Tax Act or sufficient U.S. source income in the taxation year the U.S. withholding taxes are paid (which may depend, in part, on the composition of distributions made by the REIT for Canadian federal income tax purposes), or (ii) where the Holder has other U.S. sources of income or losses or has paid other U.S. taxes. Although the foreign tax credit provisions are generally designed to avoid double taxation, the maximum credit is limited. Because of this, and because of differences between the Canadian and U.S. tax rules concerning the timing of the recognition of expenses and income, the composition of distributions and other factors, there is a risk of double taxation. Holders should consult their own tax advisors with respect to the availability of a foreign tax credit or deduction, including having regard to the expected composition of distributions made by the REIT for U.S. and Canadian tax purposes and to their own circumstances.

Disposition of Units

Upon the disposition or deemed disposition of Units by a Holder, whether on a redemption or otherwise, the Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition (determined, in the case of a redemption, as discussed below) are greater (or less) than the aggregate of the Holder's adjusted cost base of the Units immediately before such disposition and any reasonable costs of disposition.

The adjusted cost base to a Holder of a Unit generally will include all amounts paid by the Holder for the Unit subject to certain adjustments, including reductions as a consequence of distributions paid by the REIT in excess of its net income as described above. The cost of additional Units received in lieu of a cash distribution will generally be the amount of income of the REIT distributed by the issuance of such Units. For the purpose of determining the adjusted cost base of a Unit to a Holder, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Holder as capital property immediately before that acquisition.

A redemption of Units in consideration for cash, Redemption Notes, or other assets of the REIT, as the case may be, will be a disposition of such Units for proceeds of disposition equal to the amount of such cash or the fair market value of such notes or other assets, as the case may be, less any income or capital gain realized by the REIT in connection with the redemption of those Units, in general to the extent such income or capital gain is designated by the REIT to the redeeming Holder. Holders exercising the right of redemption will consequently realize a capital gain, or sustain a capital loss, depending upon whether such proceeds of disposition exceed, or are exceeded by, the adjusted cost base of the Units redeemed. Where income or capital gains realized by the REIT in connection with the redemption of Units (whether such redemption is satisfied by cash, notes or other assets of the REIT) have been designated by the REIT to a redeeming Holder, the Holder will be required to include in income the income or taxable portion of the capital gain so designated. The cost of any property distributed in specie by the REIT to a Holder upon a redemption of Units will be equal to the fair market value of that property at the time of the distribution. The Holder will thereafter be required to include in income the amount of any interest or other income derived from the property, in accordance with the provisions of the Tax Act.

Capital Gains and Losses

One-half of any capital gain realized by a Holder from a disposition of Units and the amount of any net taxable capital gains designated by the REIT in respect of the Holder will be included in the Holder's income under the Tax Act as a taxable capital gain. One-half of any capital loss (an "**allowable capital loss**") realized on the disposition of a Unit will be deducted against any taxable capital gains realized by the Holder in the year of disposition, and any excess of allowable capital losses over taxable capital gains may be carried back to the three preceding taxation years or forward

to any subsequent taxation year and applied against net taxable capital gains in those years, subject to the detailed rules contained in the Tax Act.

Refundable Tax

A Holder that is a Canadian-controlled private corporation (as defined in the Tax Act) will be subject to an additional refundable tax in respect of its aggregate investment income for the year, which is generally defined to include interest, all or substantially all income and capital gains distributed to the Holder by the REIT, and capital gains realized on a disposition of Units.

Alternative Minimum Tax

A Holder who is an individual or trust (other than certain specified trusts) may have an increased liability for alternative minimum tax as a result of capital gains realized on a disposition of Units and net income of the REIT paid or payable, or deemed to be paid or payable, to the Holder and that is designated as taxable dividends and net taxable capital gains.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

THIS SUMMARY OF CERTAIN FEDERAL INCOME TAX CONSIDERATIONS IS FOR GENERAL INFORMATION PURPOSES ONLY AND IS NOT TAX ADVICE. PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR OWN TAX ADVISERS REGARDING THE FEDERAL, STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE UNITS, AND REGARDING POTENTIAL CHANGES IN APPLICABLE TAX LAW.

In the opinion of Hodgson Russ LLP, U.S. counsel to the REIT, the following is a description of (i) certain U.S. federal income tax consequences of the treatment of the REIT as a real estate investment trust and (ii) certain U.S. federal income tax consequences of the ownership and disposition of Units to Non-U.S. Holders (as defined below). Saul Ewing Arnstein & Lehr LLP, U.S. counsel to the Agents, has reviewed and concurred with this disclosure.

This summary is based on the Code, Treasury regulations promulgated under the Code (“**Treasury Regulations**”) the IRS’s rulings and official pronouncements, judicial decisions, and the Treaty, all as of the date hereof. Future legislative, judicial, or administrative modifications, revocations, or interpretations, which may or may not be retroactive, may result in U.S. federal income tax consequences significantly different from those discussed herein. This discussion is not binding on the IRS. No ruling has been or will be sought or obtained from the IRS with respect to any of the U.S. federal income tax consequences discussed herein. No assurance can be given whether the IRS will challenge any of the conclusions described herein or whether a U.S. court will sustain such a challenge.

Taxation of the REIT

U.S. Status

Although the REIT is organized as an unincorporated trust under Canadian law, the REIT is classified as an association taxable as a corporation for U.S. federal income tax purposes under current Treasury Regulations. The discussion herein reflects this classification and uses terminology consistent with this classification, including references to “dividends” and “earnings and profits.” Furthermore, pursuant to Section 7874 of the Code (“**Section 7874**”), the REIT will be treated as a U.S. domestic corporation for all purposes under the Code and, as a result, the REIT is permitted to elect to be treated as a real estate investment trust under the Code (subject to the requirements described below), notwithstanding the fact that the REIT is organized as a Canadian entity. Hodgson Russ LLP, U.S. counsel to the REIT will render an opinion in connection with the Closing in respect of the treatment of the REIT as a U.S. domestic corporation for U.S. federal income tax purposes as discussed above, subject to customary assumptions and factual matters.

An entity treated as a corporation generally is considered for U.S. federal income tax purposes to be a tax resident in the jurisdiction of its organization or incorporation. Accordingly, under the generally applicable U.S. federal income tax rules, the REIT, which is organized under the laws of the Canada, would be classified as a foreign corporation (and, therefore, not a U.S. domestic corporation) for U.S. federal income tax purposes. Section 7874 provides an exception to this general rule (discussed below), under which a non-U.S. incorporated entity may, in certain

circumstances, be treated as a U.S. domestic corporation for U.S. federal income tax purposes. These rules are complex and there is limited guidance regarding their application.

Under Section 7874, a corporation created or organized outside the United States (i.e., a non-U.S. entity classified as a corporation for U.S. federal income tax purposes) nevertheless is treated as a U.S. domestic corporation for U.S. federal income tax purposes if each of the following three conditions are met: (i) the foreign corporation, directly or indirectly, acquires substantially all of the properties held directly or indirectly by a U.S. domestic corporation (including through the acquisition of all of the outstanding shares of the U.S. domestic corporation) or substantially all of the properties constituting a trade or business of a U.S. domestic partnership (the “substantially all” test); (ii) the foreign corporation’s “expanded affiliated group” (as defined under Section 7874) does not have “substantial business activities” in the foreign corporation’s country of organization or incorporation and tax residence relative to the expanded affiliated group’s worldwide activities; and (iii) after the acquisition, the former shareholders or partners of the acquired U.S. domestic corporation or partnership hold at least 80% (by either vote or value) of the shares or interests of the foreign acquiring corporation or partnership by reason of holding shares in the U.S. acquired corporation or partnership (taking into account the receipt of the foreign corporation’s shares in exchange for the U.S. domestic corporation’s shares or partnership’s interests) as determined for purposes of Section 7874 (this test is referred to as the “80% ownership test”).

On September 1, 2021, the REIT acquired all of the outstanding shares of stock of US Holdco and, immediately thereafter, the former shareholders of US Holdco owned all of the outstanding Units. In addition, the REIT, including its “expanded affiliated group,” does not and will not have “substantial business activities” in Canada within the meaning of Section 7874 upon consummation of the Offering. As a result, under Section 7874, the REIT is and will continue to be treated as a U.S. domestic corporation for U.S. federal income tax purposes.

Any changes to the rules of Section 7874 or the Treasury Regulations promulgated thereunder, or other changes of law, which could be made retroactively effective, could adversely affect the REIT’s status as a U.S. domestic corporation eligible to elect to be a real estate investment trust for U.S. federal income tax purposes.

If the REIT is treated as a foreign corporation for U.S. federal income tax purposes, the REIT might be subject to substantial liability for additional U.S. income taxes, including both U.S. federal corporate income tax and a branch profits tax. See “Risk Factors — Risk Factors Related to Tax”.

Real Estate Investment Trust Status

The REIT intends to operate in a manner that permits the REIT to satisfy the requirements for qualification and taxation as a real estate investment trust under the applicable provisions of the Code, and the following discussion describes certain U.S. federal income tax consequences of its status as a real estate investment trust.

Hodgson Russ LLP, U.S. counsel to the REIT, will render an opinion to the REIT to the effect that, commencing with its first taxable year ending December 31, 2021, the REIT is organized and operates in conformity with the requirements for qualification and taxation as a real estate investment trust under the Code, and that the REIT’s organization and current and proposed method of operation will enable the REIT to continue to meet the requirements for qualification and taxation as a real estate investment trust under the Code. This opinion will be based on various assumptions and representations as to factual matters. Moreover, the REIT’s qualification and taxation as a real estate investment trust depends upon its ability to meet the various qualification tests imposed under the Code, which are discussed below, including through actual annual operating results, asset composition, distribution levels and diversity of stock ownership, the results of which have not been and will not be reviewed by Hodgson Russ LLP. Accordingly, no assurance can be given that the REIT’s actual results of operations for any particular taxable year will satisfy those requirements. Further, the anticipated U.S. federal income tax treatment that apply as a result of the REIT’s status as a real estate investment trust may be changed, perhaps retroactively, by legislative, administrative or judicial action at any time, and Hodgson Russ LLP has no obligation to update its opinion subsequent to the date of such opinion. Hodgson Russ LLP’s opinion does not foreclose the possibility that the REIT may have to use one or more real estate investment trust savings provisions, described below, which require the REIT to pay an excise tax or penalty (which may be material) in order to maintain qualification and taxation as a real estate investment trust.

The REIT intends to elect to be a real estate investment trust for U.S. federal income tax purposes beginning with its taxable year ending December 31, 2021, and the discussion below assumes that the REIT will qualify as a real estate investment trust for U.S. federal income tax purposes for such taxable year and in each taxable year thereafter. No

assurance can be given, however, that the REIT will qualify, or will continue to qualify in any taxable year, as a real estate investment trust for U.S. federal income tax purposes because qualification as a real estate investment trust depends on continuing to satisfy numerous asset, income and distribution tests described below, which in turn are dependent in part on the REIT's ongoing operating activities and results.

Qualified REIT Subsidiaries

The REIT owns its interest in the Operating Partnership through US Holdco. The REIT owns 100% of the issued and outstanding shares of stock in US Holdco. A corporation owned entirely by a real estate investment trust generally qualifies to be a qualified REIT subsidiary (“QRS”), which is disregarded for U.S. federal income tax purposes. Initially, the only QRS owned by the REIT is US Holdco. For purposes of the real estate investment trust status tests discussed below, all of the assets and income and loss of US Holdco are treated as assets and income and loss of the REIT. References herein to the income, assets or loss of the REIT shall include income, assets or loss of US Holdco.

Partnerships and Disregarded Entities

All of the REIT's real estate assets are owned through the Operating Partnership and its subsidiaries. For purposes of the real estate investment trust status tests discussed below, the REIT is considered to own a proportionate share of the assets and receive a proportionate share of the income and loss of any entity treated as a partnership for U.S. federal income tax purposes of which the REIT is treated as a partner. The Operating Partnership is treated as a partnership for U.S. federal income tax purposes. Each direct or indirect wholly owned subsidiary of the Operating Partnership that is not treated as a corporation for U.S. federal income tax purposes is disregarded as an entity separate from the Operating Partnership for U.S. federal income tax purposes. An entity that otherwise is treated as a partnership for U.S. federal income tax purposes may nonetheless be treated as a corporation for U.S. federal income tax purposes if the entity is a “publicly traded partnership” and does not qualify for an exemption based on the character of its income. A partnership is treated as a publicly traded partnership if its interests are traded on an established securities market or were readily tradable on a secondary market or a substantial equivalent thereof, within the meaning of applicable Treasury Regulations. The Operating Agreement contains provisions intended to ensure that the Operating Partnership is not considered a “publicly traded partnership.” Accordingly, the Operating Partnership is not anticipated to be treated as a publicly traded partnership that is treated as a corporation for U.S. federal income tax purposes. However, if the Operating Partnership was considered a “publicly traded partnership” (and did not qualify for the exemption based on the character of its income), the REIT would not be treated as owning its proportionate share of the assets and income of the Operating Partnership for the purposes of the REIT asset and income test requirements (and, instead, would be treated as owning the stock of a corporation). This treatment could cause the REIT to fail to qualify as a real estate investment trust for U.S. federal income tax purposes. In addition, the income of the Operating Partnership would become subject to U.S. federal corporate income tax. References herein to the income, assets or loss of the REIT shall include a proportionate share of the income, assets or loss of the Operating Partnership, which in turn shall include the income, assets or loss of each direct or indirect wholly-owned subsidiary of the Operating Partnership that is treated as disregarded as an entity separate from the Operating Partnership (as well as a proportionate share of any income, assets or loss of any entity treated as a partnership for U.S. federal income tax purposes in which the Operating Partnership is treated as a direct or indirect partner).

Taxable REIT Subsidiaries

A real estate investment trust, in general, may jointly elect with a direct or indirect subsidiary corporation, regardless of whether wholly-owned, to treat the subsidiary corporation as a taxable real estate investment trust subsidiary (“TRS”). The separate existence of a TRS, unlike a disregarded QRS as discussed above, is not ignored for U.S. federal income tax purposes. A TRS is subject to U.S. federal corporate income tax on its taxable income, which may reduce the cash flow generated by the real estate investment trust and its ability to make distributions to its stockholders. In addition, if a TRS owns, directly or indirectly, securities representing 35% or more of the vote or value of a subsidiary entity treated as a corporation for U.S. federal income tax purposes, that subsidiary also is treated as a TRS. An entity does not qualify as a TRS, however, if the entity directly or indirectly operates or manages a lodging or health care facility, or generally provides to another person, under a franchise, license or otherwise, rights to any brand name under which any lodging facility or health care facility is operated.

If the REIT jointly elects with a subsidiary to treat the subsidiary as a TRS, the REIT is not treated as holding the assets of the TRS or as receiving directly any income that the TRS earns. Rather, the shares issued by the TRS are treated as an asset of the REIT, and the REIT generally recognizes as income the dividends, if any, that the REIT

receives from a TRS. This treatment can affect the gross income and asset test calculations described below. Because the REIT does not include the assets and income of any subsidiary corporation that is treated as a TRS in determining the REIT's compliance with the real estate investment trust requirements, such an entity may be used by the REIT to undertake indirectly activities that the real estate investment trust rules might otherwise preclude the REIT from doing directly or through pass-through subsidiaries. At this time, the REIT does not own a subsidiary for which it intends to elect for such subsidiary to be a TRS. The REIT, however, may form or acquire a subsidiary for which it will elect to treat such subsidiary as a TRS.

General U.S. Federal Income Tax Considerations of Real Estate Investment Trust Status

The REIT generally is not subject to U.S. federal income tax on the portion of its real estate investment trust taxable income or net capital gain that is distributed to Unitholders because the REIT generally is entitled to a dividends-paid deduction (i.e., a deduction against its income and gain) for the amount of any distribution (or deemed distribution) treated as a taxable dividend for U.S. federal income tax purposes. Consequently, the REIT is subject to U.S. federal income tax at normal corporate rates on any taxable income or net capital gain not distributed.

Furthermore, notwithstanding the REIT's qualification as a real estate investment trust, the REIT may also be subject to taxation in other circumstances. If the REIT fails to satisfy either the 75% or 95% gross income test, as discussed below, and nonetheless maintains its qualification as a real estate investment trust because other requirements are met, and such failure is due to reasonable cause and not wilful neglect, the REIT is subject to a 100% tax on the greater of the amount by which the REIT fails to satisfy either the 75% or 95% gross income test, multiplied by a fraction intended to reflect the REIT's profitability. Furthermore, if the REIT fails to satisfy the 5% asset test or the 10% vote or value test (and does not qualify for a *de minimis* safe harbour) or fails to satisfy the other asset tests, each of which is discussed below, and nonetheless maintains its qualification as a real estate investment trust because certain other requirements are met, and such failure is due to reasonable cause and not wilful neglect, the REIT is subject to a tax equal to the greater of \$50,000 or an amount determined by multiplying the highest U.S. federal corporate tax rate by the net income generated by the assets that caused the failure for the period beginning on the first date of the failure to meet the tests and ending on the earlier of the date that the REIT disposes of the assets (which must be within six months after the last day of the quarter in which the failure is identified) or the REIT otherwise satisfies the tests. If the REIT fails to satisfy one or more real estate investment trust requirements other than the 75% or 95% gross income tests and other than the asset tests, but nonetheless maintains its qualification as a real estate investment trust because such failure is due to reasonable cause and not wilful neglect, the REIT is subject to a penalty of \$50,000 for each such failure. The REIT also is subject to a tax of 100% on net income from any "prohibited transaction" (as described below). If the REIT has net income from the sale or other disposition of "foreclosure property" (as described below) that is held primarily for sale to customers in the ordinary course of business or other net income from foreclosure property, the REIT is subject to tax on such income from foreclosure property at the highest U.S. federal corporate income tax rate. The REIT also pays federal income tax on taxable income, including net capital gain, that the REIT does not distribute during, or within a specified time after, the calendar year in which the income is earned. In addition, if the REIT fails to distribute during each calendar year at least the sum of:

- (a) 85% of its real estate investment trust ordinary income for such year;
- (b) 95% of its real estate investment trust capital gain net income for such year, other than the amount of any capital gain net income that the REIT elects to retain and pay tax on as described below; and
- (c) any undistributed taxable income from prior years,

then the REIT is subject to a 4% non-deductible excise tax on the excess of such required distribution over the amounts actually distributed. The amount that a real estate investment trust is treated as having "actually distributed" during the current taxable year is both the amount distributed during the current year and the amount by which the distributions during the prior year exceed its taxable income and net capital gain for that prior year. If the REIT retains and pays income tax on any of its ordinary income or capital gain net income, such retained amounts are treated as having been distributed for purposes of the 4% excise tax.

A 100% tax may be imposed on some items of income and expense that are directly or indirectly paid between a real estate investment trust and a TRS if, and to the extent that, the IRS successfully determines that the transaction is not at arm's-length and adjusts the reported amount of these items. Such items include rents paid by a tenant to the REIT properly attributable to services performed by the TRS for the tenant, interest payments from the TRS to the REIT,

income attributable to services provided by the TRS to, or on behalf of, the REIT and any other deductible item of the TRS attributable to payments to, or on behalf of, the REIT, in each case, to the extent such arrangement is other than on arm's-length terms.

If the REIT acquires any asset from a C corporation, including any entity that generally is subject to full corporate level tax, in a merger or other transaction in which the REIT acquires a basis in the asset that is determined by reference either to the C corporation's basis in the asset or to another asset, the REIT is required to pay tax at the highest regular corporate rate applicable if the REIT recognizes gain on the sale or disposition of the asset during the five-year period after the REIT acquires the asset. The amount of gain on which the REIT pays tax is the lesser of:

- (a) the amount of gain recognized at the time of the sale or disposition; and
- (b) the amount of gain that the REIT would have recognized if the REIT had sold the asset at the time the REIT acquired the asset.

In addition, the REIT, including its subsidiaries and affiliated entities, may be subject to a variety of taxes, including payroll taxes and state and local income, property and other taxes on its assets and operations. A TRS also is subject to U.S. federal corporate income tax on its taxable income. The REIT may also be subject to tax in various situations and on some types of transactions not presently contemplated. The REIT intends to use the calendar year both for U.S. federal income tax purposes and for financial reporting purposes.

Qualification as a Real Estate Investment Trust —Generally

A real estate investment trust for U.S. federal income tax purposes is a corporation, trust or association that meets each of the following requirements:

- (a) is managed by one or more trustees or directors;
- (b) has beneficial ownership evidenced by transferable shares, or by transferable certificates of beneficial interest;
- (c) would be taxable as a domestic corporation, but for the provisions of the Code applicable to a real estate investment trust;
- (d) is neither a financial institution nor an insurance company subject to special provisions of the Code;
- (e) has at least 100 persons who are beneficial owners of its shares or certificates of beneficial interest.
- (f) satisfies the requirement, during the last half of any taxable year, that not more than 50% in value of its outstanding shares, or certificates of beneficial interest (treating certain options and, under certain circumstances, securities convertible into shares or certificates of beneficial interest as such shares or certificates), is owned, directly or indirectly, by five or fewer individuals (as defined for this purpose in the Code to include certain tax-exempt entities, such as charitable trusts and private foundations but to exclude certain qualified trusts described in Section 401(a) of the Code).
- (g) elects to be a real estate investment trust, or has made such election for a previous taxable year, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain real estate investment trust status.
- (h) meets certain other qualification tests, described below, regarding the nature of its income and assets and the distribution of its income.
- (i) uses a calendar year for U.S. federal income tax purposes and complies with the recordkeeping requirements of the Code.

Conditions (c), (e), (f), and (h) above are discussed in detail below. With respect to condition (a) above, under the Declaration of Trust, the REIT is managed by its Board. With respect to condition (b) above, the Units constitute transferable shares or certificates of beneficial interest for U.S. federal income tax purposes. With respect to

condition (d) above, the REIT is neither a financial institution nor an insurance company subject to special provisions of the Code. With respect to condition (g) above, the REIT intends to elect to be a real estate investment trust for U.S. federal income tax purposes beginning with its taxable year ending December 31, 2021 (as described above). With respect to condition (i) above, the REIT intends to use a calendar year for U.S. federal income tax purposes (as described above) and intends to comply with the recordkeeping requirements of the Code.

Taxable as a U.S. Domestic Corporation

The REIT must be taxable as a U.S. domestic corporation for U.S. federal income tax purposes, but for its election to be taxable as a real estate investment trust. As noted above, pursuant to Section 7874, the REIT should be treated as a U.S. domestic corporation for all purposes under the Code (but for the provisions of the Code applicable to a real estate investment trust) and, as a result, should be permitted to elect to be treated as a real estate investment trust under the Code, notwithstanding that the REIT is organized as unincorporated trust under Canadian law (as discussed above).

Share Ownership Tests

The Units must be held by a minimum of 100 persons for at least 335 days in each taxable year or a proportional number of days in any short taxable year (other than its first taxable year as a real estate investment trust). Following the Closing, the Units are expected to be held by more than 100 persons. In addition, at all times during the second half of each taxable year as a real estate investment trust (other than its first taxable year as a real estate investment trust), no more than 50% in value of the Units (treating certain options and, under certain circumstances, securities convertible into Units as Units) may be owned, directly or indirectly (applying constructive ownership rules) by five or fewer individuals (as defined for this purpose in the Code to include certain tax-exempt entities, such as charitable trusts and private foundations but to exclude certain qualified trusts described in Section 401(a) of the Code). Because the Class B Units may be redeemed for Units or cash, at the election of the Operating Partnership, the Class B Units should not be treated as options for, or securities convertible into, Units for purposes of this constructive ownership standard. If the REIT complies with the Treasury Regulations for ascertaining its actual ownership (i.e., the persons required to include dividends from the REIT in gross income) and does not know, or exercising reasonable diligence would not have reason to know, that more than 50% in value of the outstanding Units (treating certain options and, under certain circumstances, securities convertible into Units as Units) are held, actually or constructively, by five or fewer individuals (as defined for this purpose in the Code), then the REIT is treated as meeting such requirement.

In order to ensure compliance with the 50% ownership test, the REIT has placed restrictions on the transfer of the Units to prevent concentration of ownership. In order to demonstrate compliance with these requirements under the applicable Treasury Regulations, the REIT must maintain records that disclose the actual ownership of the outstanding Units disclosed to the REIT in response to written statements demanded from Unitholders for this information. Failure to comply with these record-keeping requirements could subject the REIT to monetary penalties. In fulfilling its obligation to maintain records, the REIT intends to request written statements each year from the record holders of designated percentages of Units disclosing the actual owners of such Units in the manner required under the applicable Treasury Regulations. A list of persons failing or refusing to comply in whole or in part with the REIT's request for written statements must be maintained by the REIT. In addition, the Declaration of Trust provides restrictions regarding the transfer of Units that are intended to assist the REIT in continuing to satisfy the share ownership requirements. The provisions of the Declaration of Trust that restrict the ownership and transfer of Units are described above in "Declaration of Trust and Description of REIT Units — Restrictions on Ownership and Transfer." The REIT intends to enforce the percentage limitations on ownership of Units in a manner necessary to maintain its qualification as a real estate investment trust for U.S. federal income tax purposes.

Asset Tests

At the close of each quarter of the REIT's taxable year, the REIT must satisfy tests relating to the nature of its "total assets," which are defined to be its gross assets determined in accordance with generally accepted accounting principles. As described above, for purposes of these tests, if the REIT (directly or through a QRS) invests in a partnership or other entity treated as a partnership or disregarded entity for U.S. federal income tax purposes (such as the Operating Partnership and its subsidiaries), the REIT is treated as owning a proportionate share of the partnership's or other entity's assets, and if the REIT owns 100% of a corporation that is a QRS, such as US Holdco (which the REIT will not elect to be treated as a TRS), the REIT is treated as owning 100% of the QRS's assets. First, at least 75% of the value of the REIT's total assets must be represented by:

- (a) interests in real property; interests in mortgages on real property (including debt held by the REIT and secured by interests in an entity treated as a partnership or disregarded entity for U.S. federal income tax purposes if certain requirements are met and subject to a safe harbor set forth in guidance published by the IRS, including a requirement that at least 85% of the value of the entity's assets must consist of real property);
- (b) shares or certificates of beneficial interest in other real estate investment trusts;
- (c) cash;
- (d) cash items;
- (e) U.S. government securities;
- (f) qualified temporary investments (generally assets acquired by the REIT with capital received in exchange for Units or debt of the REIT during the one-year period following the receipt of such capital);
- (g) personal property leased in connection with real property to the extent that rents attributable to such personal property are treated as "rents from real property" (i.e., the amount attributable to the personal property does not exceed 15% of the total rent attributable to the personal property and the associated real property);
- (h) personal property secured by a mortgage on real property, as long as the fair market value of the personal property does not exceed 15% of the total fair market value of such real property and personal property; and
- (i) debt instruments issued by "publicly offered" real estate investment trusts (i.e., real estate investment trusts that are required to file annual and periodic reports with the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934).

Second, although the remaining 25% of the REIT's assets generally may be invested without restriction, the REIT is prohibited from owning securities representing more than 10% of either the vote or value of the outstanding securities of any non-government issuer other than a QRS, another real estate investment trust or a TRS. For purposes of the 10% value test, certain instruments (such as "straight debt") are not considered securities held by the REIT. Further, no more than 20% of the value of the REIT's total assets may be represented by securities of its TRSs. No more than 5% of the value of the REIT's total assets may be represented by securities of any single non-government issuer other than a QRS, or a TRS, or shares of another real estate investment trust. Finally, not more than 25% of the value of a real estate investment trust's assets may be represented by debt instruments issued by publicly offered real estate investment trusts to the extent not otherwise qualifying as mortgages on real property or on interests in real property.

If the REIT fails to meet any of the asset tests at the end of any quarter and such failure is not cured within 30 days thereafter (or the REIT has failed to comply with the asset tests as of end of the prior quarter), the REIT would fail to qualify as a real estate investment trust, subject to the additional cure provisions described below. After the 30-day cure period (or if not available), with respect to violations of the 5% and 10% asset tests described above, the REIT may maintain its qualification as a real estate investment trust by disposing of sufficient assets to cure such a violation provided that the violation does not exceed the lesser of 1% of the REIT's assets at the end of the relevant quarter or \$10 million if the disposition occurred within six months after the last day of the calendar quarter in which the REIT identified the violation. For violations of these tests that are larger than such amount and for violations of the other asset tests described above, where such violations are due to reasonable cause and not wilful neglect, the REIT may avoid disqualification as a real estate investment trust, after the 30-day cure period (or if not available), by taking steps including the disposition of sufficient assets to meet the asset tests and paying a tax equal to the greater of \$50,000 or an amount determined by multiplying the highest U.S. federal corporate tax rate by the net income generated by the non-qualifying assets for the period beginning on the first date of the failure to meet the tests and ending on the earlier of the date that the REIT disposes of the assets (which must be within six months after the last day of the quarter in which the failure is identified) or the REIT otherwise satisfies the asset tests.

Gross Income Tests

The REIT is subject to two separate percentage tests relating to the sources of its gross income that must be satisfied for each taxable year. As described above, for purposes of these tests, if the REIT (directly or through a QRS) invests in a partnership or other entity treated as a partnership or disregarded entity for U.S. federal income tax purposes (such as the Operating Partnership and its subsidiaries), the REIT is treated as receiving its proportionate share of the income and loss of the partnership or other entity, and the gross income and other tax items of the partnership or other entity retain the same character in the hands of the REIT as such items have in the hands of the partnership or other entity, and if the REIT owns 100% of a corporation that is a QRS, such as US Holdco (which the REIT will not elect to be treated as a TRS), the REIT is treated as receiving 100% of the QRS's gross income and other tax items. The two gross income tests, which are described below, are referred to as the "75% gross income test" and the "95% gross income test."

75% Gross Income Test

At least 75% of the REIT's gross income (excluding gross income from "prohibited transactions," discussed below, and certain other specified items, such as income from certain hedging transactions, discussed below) for the taxable year must be derived from the following sources:

- (a) rents from real property, except as modified below;
- (b) interest on obligations adequately secured by mortgages on, or interests in, real property (including income from debt held by the REIT and secured by interests in an entity treated as a partnership or disregarded entity for U.S. federal income tax purposes if the debt is treated as an interest in a mortgage on real property under the 75% asset test described above);
- (c) gain from the sale or other disposition of interests in real property and interests in mortgages on real estate, other than gain from property held primarily for sale to customers in the ordinary course of a trade or business (or otherwise treated as inventory);
- (d) dividends or other distributions on shares (or transferable certificates of beneficial interest) in other real estate investment trusts, as well as gain from the sale or other disposition of such shares (or certificates);
- (e) abatements and refunds of real property taxes;
- (f) income from the operation, and gain from the sale, of "foreclosure property," discussed below;
- (g) commitment fees or other amounts (other than amounts the determination of which depend in whole or in part on the income or profits of any person) received for agreeing to make loans secured by mortgages on real property, or to purchase or lease real property;
- (h) certain qualified temporary investment income attributable to the investment of new capital received by the REIT in exchange for Units or certain publicly offered debt, which income is received or accrued during the one-year period following the receipt of such capital; and
- (i) gain from the sale or other disposition of a real estate asset (excluding any asset qualifying as a real estate asset (as described above) solely as a result of being a debt instrument issued by a publicly offered real estate investment trust) which is not a "prohibited transaction" solely by reason of the exceptions in Section 857(b)(6) of the Code.

95% Gross Income Test

In addition to deriving 75% of the REIT's gross income for the taxable year from the sources listed above (i.e., qualifying income for purposes of the 75% gross income test), at least 95% of the REIT's gross income for the taxable year must be derived from income that is treated as qualifying income for purposes of the 75% gross income test, dividends, interest or gain from the sale or disposition of stock or other securities that are not held primarily for sale to customers in the ordinary course of a trade or business (or otherwise treated as inventory).

Rents from Real Property

Rents received from a tenant do not, however, qualify as rents from real property for purposes of the 75% or 95% gross income test if the REIT, or an owner of 10% or more of the Units (owned directly or constructively), directly or indirectly (applying constructive ownership rules) owns 10% or more (if a corporation for U.S. federal income tax purposes, by vote or value, or otherwise, by value or net profits) of such tenant, unless the tenant is a TRS of the REIT and certain other requirements are met. Because the Class B Units may be redeemed for Units or cash, at the election of the Operating Partnership, the Class B Units should not be treated as Units for purposes of applying the constructive ownership rules. In addition, if rent attributable to personal property leased in connection with a lease of real property is greater than 15% of the total rent received under the lease, then the portion of rent attributable to such personal property (based on relative fair market values of the personal property and real property) does not qualify as rents from real property. No portion of rent attributable to personal property qualifies as rent from real property if the rent is attributable to a separate lease of only the personal property. Moreover, an amount received or accrued does not qualify as rent from real property if the amount is based in whole or in part on the income or profits of any person, although an amount received or accrued generally is not excluded from “rents from real property” solely by reason of being based on a fixed percentage or percentages of receipts or sales.

For rents received to qualify as rents from real property, the REIT generally must not furnish or render services to tenants, other than through a TRS, or an independent contractor from whom the REIT derives no income, except that the REIT may provide services directly that are “usually or customarily rendered” in connection with the rental of properties for occupancy only, or are not otherwise considered rendered to the occupant “primarily” for the occupant’s “convenience.” The REIT is permitted to render a *de minimis* amount (not to exceed 1% of amounts received or accrued with respect to such property, valued at not less than 150% of any direct costs of performing such services) of impermissible services to tenants, or in connection with the management of property, and still treat amounts received with respect to that property (other than the amounts attributable to the provision of the *de minimis* impermissible services) as rent from real property. Furthermore, the REIT may furnish such services to tenants through a TRS and still treat amounts otherwise received with respect to the property as rent from real property.

Dividends

The REIT’s share of any dividends received from any corporation or other entity treated as a corporation for U.S. federal income tax purposes (including any TRS, but excluding any other real estate investment trust) in which the REIT owns an equity interest constitute qualifying income for purposes of the 95% gross income test but not for purposes of the 75% gross income test. The REIT’s share of any dividends received from any other real estate investment trust in which the REIT owns an equity interest, if any, constitute qualifying income for purposes of the 75% and 95% gross income tests.

Interest

For purposes of the 75% and 95% gross income tests, the term “interest” generally does not include any amount the REIT receives or accrues, directly or indirectly, if the determination of such amount depends in whole or in part on the income or profits of any person. Interest, however, generally includes both: (i) an amount that is based on a fixed percentage or percentages of receipts or sales and (ii) an amount that is based on the income or profits of a debtor, as long as the debtor derives substantially all of its income from leasing substantially all of its interest in the real property securing the debt, and only to the extent that the amounts that the REIT receives or accrues that are based on the amounts that the debtor receives or accrues would be treated as qualifying “rents from real property” if received directly by the REIT. If a loan held by the REIT contains a provision that entitles the REIT to a percentage of the borrower’s gain upon the sale of the real property securing the loan (or gain that would be realized from a sale as of a specified date) or a percentage of the appreciation in the property’s value as of a specific date, income attributable to that loan provision is treated as gain from the sale of the property securing the loan, which generally is treated as qualifying income for purposes of the 75% and 95% gross income tests.

Interest on debt secured by a mortgage on real property or on interests in real property generally is treated as qualifying income for purposes of the 75% and 95% gross income tests. If a loan that is secured by real property and other property and the highest principal amount of the loan outstanding during a taxable year exceeds the fair market value of the real property securing the loan as of the date the REIT agrees (and becomes legally bound) to originate or acquire the loan, a portion of the interest income from such loan is not treated as qualifying income for purposes of the 75% gross income test, but is treated as qualifying income for purposes of the 95% gross income test. The portion

of the interest income that is treated as qualifying income for purposes of the 75% gross income test is equal to the interest income multiplied by a fraction, the numerator of which is the value of the real property as of the date described above, and the denominator of which is the amount of the loan (with the remainder of the interest not being treated as qualifying income for purposes of the 75% gross income test). The portion of the loan related to the interest that is not treated as qualifying income for purposes of the 75% gross income test is not treated as a real estate asset for purposes of the asset tests described above, and accordingly such portion of the loan is subject to, among other requirements, the 10% asset value test described above. In the case of a mortgage loan secured by both real property and personal property, if the fair market value of the personal property does not exceed 15% of the total fair market value of all of the property securing the loan, then the personal property securing the loan is treated as real property for purposes of determining whether the mortgage loan is a qualifying asset for purposes of the 75% asset test and whether the related interest is treated as qualifying income for purposes of the 75% gross income test.

Fee Income

The REIT may receive various fees in connection with its operations. The fees will be qualifying income for purposes of the 75% and 95% gross income tests if the fees are received in consideration for entering into an agreement to make a loan secured by real property or to purchase or lease real property and the fees are not determined by the borrower's income and profits. Other fees are treated as non-qualifying income for purposes of the 75% or 95% gross income test. If such fees are received by a TRS, however, the REIT is not treated as receiving the fees for purposes of the 75% or 95% gross income test, any net taxable income to the TRS in respect of the fees may be subject to U.S. federal corporate income tax, and any distribution from the TRS to the REIT generally is treated as dividend income (which generally is treated as non-qualifying income for purposes of the 75% gross income test and treated as qualifying income for purposes of the 95% gross income test).

Hedging Transactions and Foreign Currency Gain

Any income from (i) a hedging transaction (entered into to manage risk of price changes, currency fluctuations with respect to property or interest rate, price changes or currency fluctuations with respect to a borrowing) that is clearly and timely identified and that hedges indebtedness incurred or to be incurred to acquire or carry real estate assets or (ii) a clearly and timely identified transaction entered into primarily to manage the risk of currency fluctuations with respect to any item of income that qualifies under the 75% or 95% gross income tests, in either case does not constitute gross income (rather than being treated either as qualifying income or non-qualifying income) for purposes of the 75% and 95% gross income tests. Income from these types of transactions that does not meet these requirements is treated as non-qualifying income for purposes of the 75% and 95% gross income tests. Certain income from hedging transactions entered into to hedge existing qualified hedging positions after any portion of the hedged indebtedness or property is disposed of is not included in income for purposes of the 75% and 95% gross income tests if clearly and timely identified. Any income from foreign currency gain that is "real estate foreign exchange gain" as defined in the Code (generally certain gain realized by reason of a change in an exchange rate) does not constitute gross income (rather than being treated either as qualifying income or non-qualifying income) for purposes of the 75% and 95% gross income tests. Other foreign currency gain, if such foreign currency gain is "passive foreign exchange gain" as defined in the Code (generally, in addition to real estate foreign exchange gain, foreign currency gain attributable to items of income qualifying under the 95% gross income test, or attributable to the acquisition or ownership of, or being or becoming the obligor under, obligations), does not constitute gross income only for purposes of the 95% gross income test (but is treated as non-qualifying income for purposes of the 75% gross income test).

Prohibited Transaction

For purposes of determining whether the REIT complies with the 75% and 95% gross income tests, gross income does not include income from prohibited transactions. A "prohibited transaction" is a sale of property held primarily for sale to customers in the ordinary course of a trade or business (or otherwise treated as inventory), excluding foreclosure property (described below). Whether the REIT holds a property primarily for sale to customers in the ordinary course of a trade or business (or otherwise is required to treat the property as inventory) depends on the facts and circumstances in effect from time to time, including the facts related to a particular property. The REIT may rely on a safe harbor to avoid the characterization of the sale of property as a prohibited transaction subject to the 100% prohibited transaction tax (discussed above) if the following requirements for the safe harbor are met:

- (a) the REIT has held the property for not less than two years;

- (b) the aggregate expenditures the REIT, or any partner of the REIT, makes during the two-year period preceding the date of the sale that are includable in the basis of the property do not exceed 30% of the selling price of the property; either (1) during the year in question, the REIT does not make more than seven sales of property (other than sales of foreclosure property or sales to which Section 1033 of the Code applies); (2) the aggregate adjusted bases of all such properties that the REIT sells during the year do not exceed 10% of the aggregate bases of all of the assets of the REIT at the beginning of the year; (3) the aggregate fair market value of all such properties that the REIT sells during the year does not exceed 10% of the aggregate fair market value of all of the assets of the REIT at the beginning of the year; (4) both (A) the aggregate adjusted tax bases of all such property that the REIT sells during the year do not exceed 20% of the aggregate adjusted tax bases of all of the assets of the REIT at the beginning of the year and (B) the aggregate adjusted tax bases of all such properties that the REIT sells during the year in question and the two prior years do not exceed 10% of the sum of the aggregate adjusted tax bases of all of the assets of the REIT as of the beginning of each of these three taxable years; or (5) both (A) the aggregate fair market value of all such property that the REIT sells during the year does not exceed 20% of the aggregate fair market value of all of the assets of the REIT at the beginning of the year and (B) the aggregate fair market value of all such properties that the REIT sells during the year in question and the two prior years does not exceed 10% of the sum of the aggregate fair market value of all of the assets of the REIT as of the beginning of each of these three taxable years;
- (c) in the case of property consisting of land and improvements not acquired through foreclosure (or deed in lieu thereof) or lease termination, the REIT has held the property for at least two years for the production of rental income; and
- (d) if the REIT has made more than seven sales of property (other than sales of foreclosure property or sales to which Section 1033 of the Code applies) during the taxable year, substantially all of the marketing and development expenditures with respect to the property have been made through an independent contractor from whom the REIT derives no income or through a TRS.

Foreclosure Property

Foreclosure property held by the REIT is real property (including interests in real property) and any personal property incident to such real property (i) that is acquired by the REIT as a result of the REIT having bid on the property at foreclosure, or having otherwise reduced the property to ownership or possession by agreement or process of law, after a default occurs (or default is imminent) on a lease of the property or a mortgage loan held by the REIT and secured by the property, (ii) for which the related loan or lease has been made, entered into or acquired by the REIT at a time when default is not imminent or anticipated and (iii) for which the REIT makes an election to treat the property as foreclosure property. As described above, the REIT generally is subject to tax at the maximum U.S. federal income corporate tax rate on any net income from foreclosure property, which generally means any gain from the disposition of, or gross income derived from, the foreclosure property, reduced by deductible items directly connected with the production of such income, but excluding any income that otherwise is treated as qualifying income for purposes of the 75% gross income test (if not income or gain derived from foreclosure property). Any such gain from the sale of property for which a foreclosure property election has been made is not subject to the 100% penalty tax on gains from prohibited transactions described above, even if the property has been held primarily for sale to customers in the ordinary course of a trade or business (or otherwise treated as inventory). Property held by the REIT that qualifies as foreclosure property generally ceases to be foreclosure property as of the close of the third taxable year following the taxable year in which the REIT acquires the property (potentially subject to extension up to an additional three years). Such property ceases to be foreclosure property, however, on a date prior to such date under certain circumstances, including if the REIT uses the property in a trade or business (other than a trade or business consisting solely of activities that result in the receipt of rents from real property) which is conducted by the REIT more than 90 days after the REIT acquires the property, unless such trade or business activity is conducted through an independent contractor from whom the REIT derives no income or a TRS.

Failure to Satisfy Gross Income Tests

Even if the REIT fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, the REIT may still qualify as a real estate investment trust for such year if the REIT is entitled to relief under provisions of the Code. These relief provisions generally are available if:

- (a) following the REIT's identification of the failure, the REIT files a schedule with a description of each item of gross income that caused the failure in accordance with the Treasury Regulations; and
- (b) the REIT's failure to comply was due to reasonable cause and not due to wilful neglect.

If these relief provisions apply, however, the REIT nonetheless is subject to a special tax equal to the greater of the amount by which the REIT fails either the 75% or 95% gross income test for that year multiplied by a fraction the numerator of which is the real estate investment trust taxable income for the taxable year (adjusted for certain items) and the denominator of which is the gross income for the taxable year (adjusted for certain items).

Annual Distribution Requirements

To qualify for taxation as a real estate investment trust, the REIT generally must distribute dividends (other than capital gain dividends) to Unitholders in an amount at least equal to:

- (a) the sum of (x) 90% of its real estate investment trust taxable income, computed without regard to the dividends-paid deduction, and net capital gain plus (y) 90% of its net income after tax, if any, from foreclosure property; minus
- (b) the excess of the sum of specified items of non-cash income (including original issue discount on any mortgage loans) over 5% of its real estate investment trust taxable income, computed without regard to the dividends-paid deduction, and net capital gain.

The REIT generally must make distributions during the taxable year to which the distributions relate. Distributions may be made in the following year in either of two circumstances. First, if the REIT declares a dividend in October, November or December of any year with a record date in one of these months and pays the dividend on or before January 31 of the following year, the REIT is treated as having paid the dividend on December 31 of the year in which the dividend is declared. Second, if the REIT declares a dividend before the time prescribed by law for the REIT to file its tax return for a taxable year (including extensions), and the REIT distributes the amount of the dividend during the taxable year following the taxable year to which the dividend relates and not later than the first regular dividend payment that the REIT makes after such declaration. These distributions are taxable to Unitholders in the taxable year that the REIT makes the distributions, even though the distributions relate to the prior taxable year for purposes of satisfying the 90% distribution requirement. To the extent that the REIT does not distribute all of its net capital gain or the REIT distributes at least 90%, but less than 100% of its real estate investment trust taxable income, as adjusted, the REIT is subject to tax on the undistributed amount at regular corporate income tax rates.

If in any taxable year, the REIT has available net operating losses carried forward from prior taxable years, such losses may reduce the amount of distributions that the REIT must make in order to comply with the REIT distribution requirements. Such losses, however, generally do not affect the tax treatment to Unitholders of any distributions that the REIT actually makes.

Although several types of non-cash income are excluded in determining the annual distribution requirement, the REIT incurs corporate income tax (and the 4% non-deductible excise tax described above) with respect to those non-cash income items if the REIT does not distribute those items on a current basis. As a result of the foregoing, unless the REIT borrows funds or pays taxable dividends of its capital stock or debt securities, the REIT may not have sufficient cash to distribute all of its real estate investment trust taxable income and thereby avoid the imposition of corporate income tax (and the excise tax) on certain undistributed income, or potentially satisfy the 90% distribution requirement.

The REIT is required to accrue certain items of income before these items otherwise are taken into income under the Code if these items are taken into account in its applicable financial statements. Additionally, interest deductions otherwise available to the REIT are limited to the sum of its interest income for the taxable year plus 30% of its adjusted taxable income for the taxable year, unless the REIT causes the Operating Partnership to qualify as an "electing real property trade or business." If the Operating Partnership elects to be an "electing real property trade or business," accelerated expensing rules do not apply to property used in the electing real property trade or business and real property and "qualified improvement property" are depreciated under the alternative depreciation system, with a 40-year useful life for non-residential real property, a 30-year useful life for residential real property and a 20-year useful life for qualified improvement property.

Section 280E of the Code provides that, with respect to any taxpayer, no deduction or credit is allowed for expenses incurred during a taxable year “in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of Schedule I and II of the CSA) which is prohibited by federal law or the law of any State in which such trade or business is conducted.” Because cannabis is a Schedule I controlled substance, Section 280E currently applies to businesses operating in the cannabis industry, irrespective of whether such businesses that are licensed and operating in accordance with applicable state laws. The REIT’s tenants will likely be subject to Section 280E. If the IRS were to take the position that, through the REIT’s lease agreements with its cannabis tenants, the REIT is primarily or vicariously liable under federal law for “trafficking” a Schedule I substance (cannabis) under Section 280E of the Code or for any other violations of the CSA, the IRS may seek to apply the provisions of Section 280E to the REIT and disallow certain tax deductions, including for employee salaries, depreciation or interest expense. While recent legislative proposals, if enacted into law, could eliminate or diminish the application of Code Section 280E to cannabis businesses, the enactment of any such law is uncertain. Furthermore, the REIT may be unable to meet the distribution requirements applicable to real estate investment trusts under the Code, which could cause the REIT to incur U.S. federal income tax and fail to qualify as a real estate investment trust. Because the REIT will not be engaged in the purchase and/or sale of a controlled substance, the REIT does not believe that it will be subject to the disallowance provisions of Section 280E, and neither the REIT nor its tax advisors are aware of any tax court cases or guidance from the IRS in which a taxpayer not engaged in the purchase or sale of a controlled substance was disallowed deductions under Section 280E. However, there is no assurance that the IRS will not take such a position either currently or in the future.

The REIT may elect to retain rather than distribute all or a portion of its net capital gain and pay corporate income tax on such gain. In that case, the REIT may elect to have Unitholders include their proportionate share of the undistributed net capital gain in income as long-term capital gain and receive a credit for their share of the tax paid by the REIT. Unitholders then increase the adjusted tax basis of their Units by the difference between (i) the amounts of distributions (including taxable stock dividends) that the REIT designates as capital gain dividends and that the Unitholders include in their taxable income, minus (ii) the tax that the REIT pays on behalf of the Unitholders with respect to that income. For purposes of the 4% excise tax described above, any retained amounts for which the REIT elects this treatment are treated as having been distributed.

The REIT may not have sufficient cash or other liquid assets to meet the distribution requirements described above due to timing differences between the actual receipt of income and actual payment of deductible expenses and the inclusion of items of income and deduction of expenses by the REIT for U.S. federal income tax purposes. In addition, the REIT may prefer to retain cash, rather than distribute cash, in order to repay debt, acquire assets or for other reasons. In the event that such timing differences occur, and in other circumstances, in order to satisfy the distribution requirements described above, the REIT may arrange for short-term, or possibly long-term, borrowings, or may pay dividends in the form of other property (including, for example, Units). Under IRS Revenue Procedure 2017-45, as a publicly offered real estate investment trust, the REIT may give stockholders a choice, subject to various limits and requirements, of receiving a dividend in cash or in Units. As long as at least 20% of the total dividend is available in cash and certain other requirements are satisfied, the distribution of Units is treated as a dividend (to the extent applicable rules treat such distribution as being made out of real estate investment trust earnings and profits).

If taxable income of the REIT for a particular year is subsequently determined to have been understated, under certain circumstances, the REIT may be permitted to rectify any failure to meet the distribution requirements for a taxable year by paying a “deficiency dividend” to Unitholders in a later year, which the REIT may include in calculating its dividends-paid deduction for the earlier year and potentially avoid being taxed on amounts distributed as “deficiency dividends.” In such a circumstance, however, the REIT is required to pay interest (and possibly penalties) based upon the amount of any deduction taken for “deficiency dividends.”

Failure to Qualify

Although management expects that the REIT will qualify as a real estate investment trust, if the REIT were to fail to qualify for taxation as a real estate investment trust for U.S. federal income tax purposes in any taxable year and applicable relief provisions described above did not apply, the REIT would be subject to U.S. federal income tax on its taxable income at regular corporate income tax rates and would not be permitted to deduct the amount of any distributions to Unitholders. In such event, all distributions to Unitholders would be taxable as dividends to the extent of the REIT’s current and accumulated earnings and profits (as determined under U.S. federal income tax principles). Unless entitled to relief under specific statutory provisions, the REIT also would be disqualified from re-electing

taxation as a real estate investment trust for the year in which qualification was lost and for the four taxable years following the year during which qualification was lost.

Taxation of Non-U.S. Holders

The following discussion describes certain U.S. federal income tax consequences to Non-U.S. Holders (as defined below) under present law of an investment in the Units. This discussion applies only to investors that hold the Units as capital assets and that acquire Units in the Offering. This discussion is based upon current provisions of the Code, existing and proposed Treasury Regulations thereunder, current administrative rulings, judicial decisions and other applicable authorities. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below.

The following discussion does not deal with the tax consequences to any particular investor or to persons in special tax situations (except as specifically addressed herein) such as banks, certain financial institutions, insurance companies, broker dealers, U.S. expatriates, traders that elect to mark to market, tax exempt entities, persons liable for alternative minimum tax or persons holding a Unit as part of a straddle, hedging, conversion or integrated transaction.

A “**Non-U.S. Holder**” is a beneficial owner of a Unit that is neither a U.S. Holder nor an entity that is treated as a partnership for U.S. federal income tax purposes. A “**U.S. Holder**” is a beneficial owner of a Unit that is, for U.S. federal income tax purposes: (i) an individual citizen or resident of the U.S., (ii) a corporation (or other entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the U.S., any state thereof or the District of Columbia, (iii) an estate whose income is subject to U.S. federal income taxation regardless of its source or (iv) a trust that (a) is subject to the supervision of a court within the U.S. and the control of one or more U.S. persons or (b) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

The U.S. federal income tax treatment of a person treated as a partner in an entity treated as a partnership for U.S. federal income tax purposes that holds Units depends on the status of the partner and the activities of the partnership. Partners in a partnership that owns Units should consult their own tax advisors as to the particular U.S. federal income tax considerations applicable to them.

THE RULES GOVERNING THE U.S. FEDERAL INCOME TAXATION OF NON-U.S. HOLDERS ARE COMPLEX AND THIS SUMMARY IS FOR GENERAL INFORMATION ONLY. NON-U.S. HOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS TO DETERMINE THE IMPACT OF U.S. FEDERAL, STATE, LOCAL AND NON-U.S. INCOME TAX LAWS ON OWNERSHIP OF THE UNITS, INCLUDING ANY REPORTING REQUIREMENTS.

Distributions on the Units

Distributions (including any taxable stock dividends) that are neither attributable to gains from sales or exchanges by the REIT of U.S. real property interests, (“**USRPIs**”), as defined in the Code, nor designated as capital gain dividends (except as described below) are treated as dividends of ordinary income to the extent that the distributions are made out of the REIT’s current or accumulated earnings and profits (as determined under U.S. federal income tax principles applicable to a real estate investment trust). Such distributions ordinarily are subject to withholding at a rate of 30%, unless an applicable tax treaty or statutory provision reduces that tax and the Non-U.S. Holder provides an IRS Form W-8BEN or IRS Form W-8BEN-E (or other acceptable substitute or applicable form) to the REIT or unless the Non-U.S. Holder provides an IRS Form W-8ECI certifying that the distribution is “effectively connected with a U.S. trade or business” (as discussed below).

A Non-U.S. Holder that is the beneficial owner of Units and a qualified resident of Canada (for purposes of the Treaty) generally is entitled to a 15% withholding rate under the Treaty (rather than the 30% withholding rate) if: (i) the Non-U.S. Holder is an individual and holds no more than 10% of the outstanding Units, (ii) the Units are publicly traded and the Non-U.S. Holder owns no more than 5% of the outstanding Units or (iii) the Non-U.S. Holder (other than an individual) holds no more than 10% of the outstanding Units and the REIT is diversified. For this purpose, the REIT is treated as diversified if the gross value of no single interest in real property held by the REIT exceeds 10% of the gross value of the REIT’s total interest in real property. Qualified residents of Canada that are tax-exempt entities established to provide pension, retirement or other employee benefits (including trusts governed by an RRSP, an RRIF or a DPSP) may be eligible for an exemption from U.S. federal tax withholding on dividends under Article XXI of

the Treaty. A trust governed by a TFSA, a RESP or a RDSP is not entitled to benefits as an entity or arrangement under the Treaty. Instead, income received by a TFSA, a RESP or a RDSP should be treated as received by the beneficiary or annuitant of the TFSA, RESP, or RDSP as the case may be, and the TFSA, RESP, or RDSP, as the case may be, should be disregarded for U.S. federal income tax purposes. The beneficiary or annuitant of the TFSA, RESP, or RDSP as the case may be, may, however, be eligible for reduced withholding tax rates under the Treaty. Unitholders that are Exempt Plans should consult their own tax advisors with respect to the Canadian and U.S. federal income tax considerations relevant to an investment in Units. Distributions that are treated as effectively connected with a U.S. trade or business of a Non-U.S. Holder, and, if required by an applicable income tax treaty, attributable to a U.S. permanent establishment of the Non-U.S. Holder, generally are subject to U.S. federal income tax on a net income basis at graduated rates, in the same manner as U.S. Holders, and are not subject to withholding if certain certification requirements are satisfied (generally, on IRS Form W-8ECI). Any such dividends received by a Non-U.S. Holder that is a corporation may also be subject to a branch profits tax of 30%, unless reduced by an applicable income tax treaty (5% under the Treaty and applicable protocols currently in force).

A Non-U.S. Holder would not incur tax on a distribution in excess of the REIT's current and accumulated earnings and profits if the excess portion of the distribution does not exceed the adjusted tax basis of the Non-U.S. Holder's Units. Instead, the excess portion of the distribution would reduce the Non-U.S. Holder's adjusted tax basis in the Units. A Non-U.S. Holder would be subject to tax on a distribution that exceeds both the REIT's current and accumulated earnings and profits and the adjusted tax basis in its Units if the Non-U.S. Holder otherwise would be subject to tax on gain from the disposition of its Units as described herein.

Distributions on the Units generally are expected to exceed the REIT's current and accumulated earnings and profits as determined under the Code. The amount required to be withheld may be based on a reasonable estimate of the portion of a distribution, if any, that is paid out of current and accumulated earnings and profits, or the REIT may make such calculations or take such other actions as may be required in order to comply with U.S. laws. Because the Units should be considered regularly traded on an established securities market, as described below, the REIT should not be required to withhold any amount with respect to distributions in excess of the REIT's current and accumulated earnings and profits that are distributed to Non-U.S. Holders that own 10% or less of the outstanding Units during the applicable testing period, although no assurances can be given that withholding on such amounts is not or will not become required. If the REIT is or becomes required to withhold with respect to distributions in excess of the REIT's current and accumulated earnings and profits, the rate of withholding is equal to 15% of such amounts. Distributions of proceeds attributable to gains from the sale or exchange by the REIT of USRPIs are subject to U.S. federal income and withholding taxes pursuant to FIRPTA. Under FIRPTA, such gains are considered effectively connected with a U.S. trade or business of the foreign shareholder and are taxed at the normal graduated rates applicable to U.S. Holders. Moreover, such gains may be subject to branch profits tax in the hands of a shareholder that is a foreign corporation at a rate of 30% unless reduced by an applicable income tax treaty (5% under the Treaty). A distribution of proceeds attributable to the sale or exchange by the REIT of USRPIs, however, is not subject to tax under FIRPTA or the branch profits tax, and instead is taxed in the same manner as distributions of cash generated by the REIT's real estate operations other than the sale or exchange of properties (as described above) if (i) the distribution is made with regard to a class of shares that is regularly traded on an established securities market located in the United States (as should be the case with respect to the Units, as discussed below) and (ii) the recipient Unitholder does not own more than 10% of that class of Units at any time during the 1-year period ending on the date the distribution is received.

The REIT is required to withhold 21% (or less to the extent provided in applicable Treasury Regulations) of any distribution to a Non-U.S. Holder owning more than 10% of the relevant class of shares, or that otherwise has held more than 10% of a relevant class of shares at any time during the 1-year period ending on the date the distribution is received that is, or if greater, could be designated by the REIT as a capital gain dividend; this amount is creditable against the Non-U.S. Holder's FIRPTA tax liability. Similarly, withholding at 21% (or less to the extent provided in applicable Treasury Regulations) of any distribution to a Non-U.S. Holder that is, or if greater, could be designated by the REIT as a capital gain dividend also is required if the Units fail the U.S. Publicly Traded Exception (as defined below) and as a result are not considered to be regularly traded on an established securities market in the United States.

Qualified Shareholders

Subject to the exception discussed below, any distribution attributable to gain from the sale or exchange by the REIT of USRPIs to a "qualified shareholder" who holds Units directly or indirectly (through one or more partnerships) is not subject to U.S. tax as income effectively connected with a U.S. trade or business and thus the distribution is not subject to special withholding rules under FIRPTA. While a "qualified shareholder" is not subject to FIRPTA

withholding on REIT distributions, a distribution to a qualified shareholder that otherwise would have been taxable under FIRPTA is treated as an ordinary dividend, and certain investors of a “qualified shareholder” (i.e., non-U.S. persons who hold interests in the “qualified shareholder” (other than interests solely as a creditor), and hold more than 10% of the Units (regardless of whether by reason of the investor’s ownership in the “qualified shareholder”)) may be subject to FIRPTA withholding.

In addition, a sale of Units by a “qualified shareholder” who holds the Units directly or indirectly (through one or more partnerships) is not subject to U.S. federal income taxation under FIRPTA. As with distributions, certain investors of a “qualified shareholder” (i.e., non-U.S. persons who hold interests in the “qualified shareholder” (other than interests solely as a creditor), and hold more than 10% of the Units (regardless of whether by reason of the investor’s ownership in the “qualified shareholder”)) may be subject to FIRPTA withholding on a sale of the Units.

A “qualified shareholder” is a foreign person that (i) either (a) is eligible for the benefits of a comprehensive income tax treaty which includes an exchange of information program and whose principal class of interests is listed and regularly traded on one or more recognized stock exchanges (as defined in such comprehensive income tax treaty), or (b) is a foreign partnership that is created or organized under foreign law as a limited partnership in a jurisdiction that has an agreement for the exchange of information with respect to taxes with the United States and has a class of limited partnership units representing greater than 50% of the value of all the partnership units that is regularly traded on the NYSE or NASDAQ markets, (ii) is a “qualified collective investment vehicle” (within the meaning of Section 897(k)(3)(B) of the Code), and (iii) maintains records on the identity of each person who, at any time during the foreign person’s taxable year, is the direct owner of 5% or more of the class of interests or units (as applicable) described in (i), above.

Qualified Pension Funds

Any distribution to a “qualified foreign pension fund” (or an entity all of the interests of which are held by a “qualified foreign pension fund”) who holds Units directly or indirectly (through one or more partnerships) is not subject to U.S. tax as income effectively connected with a U.S. trade or business and thus is not subject to special withholding rules under FIRPTA. In addition, a sale of Units by a “qualified foreign pension fund” that holds the Units directly or indirectly (through one or more partnerships) is not subject to U.S. federal income taxation under FIRPTA.

A “qualified foreign pension fund” is any trust, corporation, or other organization or arrangement (i) which is created or organized under the law of a country other than the United States, (ii) which is established by such country or one or more employers to provide retirement or pension benefits to participants or beneficiaries that are current or former employees (including self-employed individuals) or persons designated by such employees, as a result of services rendered by such employees to their employers, (iii) which does not have a single participant or beneficiary with a right to more than 5% of its assets or income, (iv) which is subject to government regulation and provides annual information reporting about its beneficiaries (or is otherwise available) to the relevant tax authorities in the country in which the organization or arrangement is established or operates, and (v) with respect to which, under the laws of the country in which the REIT is established or operates, (a) contributions to such organization or arrangement that would otherwise be subject to tax under such laws are deductible or excluded from the gross income of such entity or taxed at a reduced rate, or (b) taxation of any investment income of such organization or arrangement is deferred or such income is taxed at a reduced rate.

Withholding and Constructive Ownership

In order for the REIT to comply with its withholding obligations under FIRPTA, the Units are subject to notice requirements and transfer restrictions. Non-U.S. Holders are required to provide the REIT with such information as the REIT may request. Furthermore, any Non-U.S. Holder that is treated as having acquired sufficient Units to be treated as owning more than 5% of the Units is required to notify the REIT by the close of the business day prior to the date of the transfer that causes the non-U.S. person to own more than 5% of the Units. For the purpose of determining whether a Non-U.S. Holder has acquired more than 5% of the Units, rules of constructive ownership apply which can attribute ownership of Units (i) among family members, (ii) to non-U.S. persons from entities that own Units, to the extent that such non-U.S. persons own interests in such entities and (iii) to entities from non-U.S. persons that own interests in such entities. Under these attribution rules, Units of related entities (including related investment funds) may be aggregated to the extent of overlapping ownership. If any Non-U.S. Holder that otherwise would be treated as having acquired sufficient Units to be treated as owning more than 5% of the Units fails to comply with the notice provisions described above, the excess Units (i.e., the excess of the number of Units that the Non-U.S.

Holder is treated as owning over an amount equal to 5% of the outstanding Units) are required to be sold, with such Non-U.S. Holders receiving the lesser of (i) the original purchase price for the excess Units and (ii) the sale price of the excess Units (net of selling expenses). Any such Non-U.S. Holder also does not have any economic entitlement to any distribution by the REIT on an excess Unit, and, if any such distributions are received by the Non-U.S. Holder and are not repaid, the REIT is permitted to withhold from subsequent payments to the Non-U.S. Holder up to the amount of such forfeited distributions. Non-U.S. Holders are strongly advised to monitor their actual and constructive ownership of Units. See “Declaration of Trust and Description of REIT Units — Restrictions on Ownership and Transfer — FIRPTA” for a more detailed discussion of these rules. Notwithstanding that a Non-U.S. Holder may comply with the notice requirements and transfer restrictions described above, the REIT is entitled to withhold on distributions as otherwise required by law, and, to the extent that the REIT has not sufficiently withheld on prior distributions, is entitled to withhold on subsequent distributions.

Dispositions of Units

Generally, a Non-U.S. Holder is not subject to U.S. federal income tax with respect to gain on the disposition of such Non-U.S. Holder’s Units unless:

- (a) the REIT is or has been a U.S. Real Property Holding Corporation (“USRPHC”) for U.S. federal income tax purposes at any time during the 5-year period ending on the date of disposition or such shorter period that such Units are held;
- (b) the Non-U.S. Holder is an individual who is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met; or
- (c) the gain is effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States and, if required by an applicable income tax treaty, attributable to a permanent establishment of the Non-U.S. Holder.

A Non-U.S. Holder described in (b) above is subject to a flat 30% tax on the gain derived from the sale, which may be offset by U.S. source capital losses (even though the individual is not considered a resident of the United States). A Non-U.S. Holder described in (c) above generally is subject to U.S. federal income tax on a net income basis at graduated rates, in the same manner as U.S. Holders, and, if the Non-U.S. Holder is a corporation, may also be subject to an additional branch profits tax of 30%, unless reduced by an applicable income tax treaty (5% under the Treaty).

As to (a) above, management believes that the REIT is and likely will continue to be a USRPHC for U.S. federal income tax purposes. If the Units are considered “regularly traded on an established securities market,” however, the Units are not treated as interests in a USRPHC (and therefore gain recognized on a disposition is not subject to U.S. federal income tax) with respect to Non-U.S. Holders who do not hold, actually or constructively, more than 10% of the outstanding Units at any time during the 5-year period ending on the date of disposition, or such shorter period that such Units are held. In addition, the purchaser of Units is not required to withhold tax if the Units are considered “regularly traded on an established securities market” (as should be the case), regardless of whether the selling Non-U.S. Holder held more than 10% of the outstanding Units during the applicable testing period.

An “established securities market” consists of any of the following: (i) a U.S. national securities exchange which is registered under Section 6 of the Securities Exchange Act of 1934; (ii) a non-U.S. national securities exchange which is officially recognized, sanctioned, or supervised by a governmental authority; or (iii) any over-the-counter market. An over-the-counter market is any market which has an interdealer quotation system. An interdealer quotation system is any system of general circulation to brokers and dealers which regularly disseminates quotations of stocks and securities by identified brokers or dealers, other than by quotation sheets which are prepared and distributed by a broker or dealer in the regular course of business and which contain only quotations of such broker or dealer.

For the purpose of (ii), above, the CSE is a non-U.S. national securities exchange which is officially recognized, sanctioned, or supervised by a governmental authority, and, accordingly, the CSE is an established securities market. For so long as 100 or fewer persons do not own 50% or more of the Units, the Units should be treated as “regularly traded” on the CSE for a calendar quarter if: (a) the Units trade, other than in *de minimis* quantities, on at least 15 days during the calendar quarter; (b) the aggregate number of Units traded during the calendar quarter is at least 7.5% of the average number of Units outstanding during such calendar quarter (reduced to 2.5% if there are 2,500 or more record Unitholders); and (c) the REIT attaches a statement to its U.S. federal income tax return that provides

information relating to the REIT, the Units, and beneficial owners of more than 5% of the Units (the “**CSE Publicly Traded Exception**”).

In addition, the Units are considered “regularly traded on an established securities market” for a calendar quarter if the established securities market is located in the United States and the Units are regularly quoted by more than one broker or dealer making a market in the Units through an interdealer quotation system. The Units are expected to be quoted on an over-the-counter electronic quotation system maintained by OTC Markets in the U.S. which should be treated as an “established securities market” located in the United States. A broker or dealer makes a market in a class of stock only if the broker or dealer holds itself out to buy or sell shares of such class of stock at the quoted price. In this regard, the REIT expects at least two brokers or dealers regularly to quote and make a market in the Units on the OTC market.

For each calendar quarter during which the Units are regularly quoted on the OTC market, the Units should be treated as “regularly traded” on an established securities market in the United States (the “**U.S. Publicly Traded Exception**”) and, accordingly, gain on sales of Units by Non-U.S. Holders that own 10% or less of the outstanding Units during the applicable testing period should not be subject to U.S. federal income tax. Investors are cautioned that no assurances can be given that at least two brokers or dealers will be regularly quoting the Units on the OTC market in any particular calendar quarter. In addition, neither the Code, the applicable Treasury Regulations, administrative pronouncements nor judicial decisions provide guidance as to the frequency or duration with which the Units must be quoted during a calendar quarter to be “regularly quoted.” U.S. counsel to the REIT believes that it is reasonable to interpret this exception to the effect that, so long as the brokers or dealers regularly quote the Units at any time during a calendar quarter, the U.S. Publicly Traded Exception should apply and any gain from a sale at any time during the quarter should not be subject to U.S. federal income tax for Non-U.S. Holders that own 10% or less of the outstanding Units during the applicable testing period. Due to the lack of guidance from the IRS, however, investors are cautioned that no assurance can be given whether the IRS would concur in this interpretation.

If neither the U.S. Publicly Traded Exception nor the CSE Publicly Traded Exception is satisfied, the sale of Units by a Non-U.S. Holder may be subject to U.S. federal income tax at normal graduated rates with respect to gain recognized. In addition, a purchaser of Units is required to withhold tax at the rate of 15% of the amount realized from the sale and to report and remit such tax to the IRS. Such withheld amount is not an additional tax but is treated as a credit against the Non-U.S. Holder’s U.S. federal income tax liability arising from the sale and the Non-U.S. Holder is required to file a U.S. federal income tax return. Furthermore, a prospective purchaser of Units may conclude that the Units satisfy neither the U.S. Publicly Traded Exception nor the CSE Publicly Traded Exception, and might require withholding in connection with the purchase. The U.S. federal income taxation of Non-U.S. Holders is a highly complex matter that may be affected by many other considerations. Accordingly, Non-U.S. Holders of Units should consult their own tax advisors regarding the income and withholding tax considerations with respect to their investment in Units.

Withholding Taxes on Certain Foreign Accounts

Under the Foreign Account Tax Compliance Act (“**FATCA**”), withholding taxes may apply to certain types of payments made to “foreign financial institutions” (as specially defined in the Code) and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on the Units paid to a foreign financial institution or to a non-financial foreign entity, unless (i) the foreign financial institution undertakes certain diligence and reporting, (ii) the non-financial foreign entity either certifies that the entity does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner, or (iii) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules (including an exemption available for certain Canadian financial institutions under the US-Canada FATCA Intergovernmental Agreement). If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in clause (i) above, the payee must, among other things, undertake to identify accounts held by certain U.S. persons or U.S. owned foreign entities and annually report certain information about such accounts.

If FATCA withholding is imposed, a beneficial owner that is not a foreign financial institution may under certain circumstances be eligible for a refund or credit of any amounts withheld by filing a U.S. federal income tax return. An intergovernmental agreement between the jurisdiction of a foreign financial institution and the United States may modify the general FATCA rules described above. Prospective investors should consult their tax advisors regarding FATCA and these withholding provisions.

Information Reporting and Backup Withholding

Generally, the REIT must report to the IRS and to a Non-U.S. Holder the amount of interest and dividends paid to the Non-U.S. Holder and the amount of tax, if any, withheld with respect to those payments. Copies of the information returns reporting such interest and dividend payments and any withholding may also be made available to the tax authorities in the country in which the Non-U.S. Holder resides under the provisions of an applicable income tax treaty. In general, a Non-U.S. Holder is not subject to backup withholding with respect to payments of interest or distributions that are made to the Non-U.S. Holder if the Non-U.S. Holder has provided a properly completed IRS Form W-8BEN, IRS Form W-8BEN-E or other applicable IRS Form W-8. A Non-U.S. Holder is subject to information reporting and, depending on the circumstances, backup withholding with respect to the proceeds of the sale or other disposition of a Unit within the United States or conducted through certain U.S.-related payors, unless the payor of the proceeds receives the statement described above or the Non-U.S. Holder otherwise establishes an exemption.

Any amounts withheld under the backup withholding rules are allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability provided the required information is furnished to the IRS on a timely basis.

Non-U.S. Holders are advised to consult with their own tax advisor regarding the specific tax consequences to them of the ownership and sales of Units, including the U.S. federal, state, local, non-U.S. and other tax consequences of such purchase and ownership and of potential changes in applicable tax laws.

PLAN OF DISTRIBUTION

General

Pursuant to the Agency Agreement, the REIT has agreed to sell and the Agents have agreed to conditionally offer the Units on a best efforts basis, subject to prior sale, if, as and when issued by the REIT and accepted by the Agents in accordance with the conditions contained in the Agency Agreement, on Closing, up to a maximum of an aggregate of 4,800,000 Units at a purchase price of \$1.25 per Unit payable in cash to the REIT against delivery of the Units for aggregate gross proceeds of \$6,000,000. The Offering Price per Unit was established by negotiation among the REIT and the Agents and has been determined, in part, based on the calculation of Pro-Forma FFO.

Assuming: (i) A notional follow-on financing following Closing of \$25,000,000 at an offering price of \$2.00 per Unit (based on a 22.4x trading FFO multiple, which is currently a discount to the overall sector trading at a 27.0x trading FFO multiple); (ii) the Initial Portfolio generates annual rental income per the lease agreement in line with management's current expectations; (iii) the deployment of 100% of the estimated net proceeds after expected offering costs of the follow-on financings referenced in (i) to fund the equity component of the purchase price for the acquisition of one or more income producing Licensed Facilities based upon a loan-to-value ratio of 0.0% and a capitalization rate of 12.0%; and (iv) managements current expectation of general and administrative expenses of the REIT, the REIT estimates that its pro-forma annual FFO per Unit in case of the Maximum Offering would be approximately \$0.089 per Unit ("**Pro-Forma FFO**"). See "Forward-Looking Statements" and "Risk Factors".

In consideration for their services in connection with the Offering, the REIT has agreed to pay the Agents a fee equal to \$0.075 per Unit, representing 6% of the gross proceeds of the Offering. The Agent will also be reimbursed by the REIT for their expenses and legal fees, plus applicable taxes and disbursements. In addition, the Agents will be granted non-transferable warrants to purchase that number of Units as is equal to 6% (none if sold to persons on the President's List) of the Units sold in connection with this Offering at a price of \$1.25 per warrant (the "**Agents' Warrants**"), exercisable for a period of 24 months from the date of listing of the Units on the CSE, which Agent's Warrants are qualified for distribution under this prospectus. Subscriptions for Units will be received subject to rejection or allocation in whole or in part and the right is reserved to close the subscription books at any time without notice. The obligations of the Agents under the Agency Agreement may be terminated at any time at CG's discretion on the basis of its assessment of the state of the financial markets and may also be terminated at any time on the occurrence of certain stated events.

Subscriptions will be received subject to rejection or allocation in whole or in part and the Agents reserve the right to close the subscription books at any time without notice. Registrations and transfers of Units will be effected electronically through the non-certificated inventory system administered by CDS Clearing and Depository Services

Inc. Beneficial owners of Units will not, except in certain limited circumstances, be entitled to receive physical certificates evidencing their ownership of Units.

The Closing is expected to occur on [●], 2021 or such other date as the REIT and the Agents may agree, but in any event not later than [●], 2021. There will be no Closing unless the Minimum Offering is achieved. The Agents will hold in trust all funds received from subscriptions until the full Offering amount has been raised. If the Minimum Offering is not achieved within the distribution period, the Agents will return the funds to the subscribers without any deductions, unless the subscribers have otherwise instructed the Agents. The distribution under the Offering will not continue for a period of more than 90 days after the date of the receipt obtained from the principal securities regulatory authority for the Final Prospectus. If one or more amendments to the Final Prospectus are filed and the principal securities regulatory authority has issued a receipt for any such amendment, the distribution under the Offering will not continue for a period of more than 90 days after the latest date of a receipt for any such amendment. In any case, the total period of distribution under the Offering will not continue for a period of more than 180 days from the date of the receipt for the Final Prospectus.

The obligations of the Agents under the Agency Agreement are several and conditional and may be terminated at their discretion on the occurrence of certain stated events, including in the event the Units cannot be profitably marketed, upon the occurrence of certain stated material changes with respect to the REIT and its subsidiaries (taken as a whole) and certain stated events seriously adversely affecting the financial markets in Canada or the business, operations, or affairs of the REIT and its subsidiaries (taken as a whole). The Agents are, however, severally obligated to take up and pay for all of the Units that they have agreed to purchase if any of the Units are purchased under the Agency Agreement. There is currently no market through which the Units may be sold and purchasers may not be able to resell Units purchased under this prospectus. This may affect the pricing of the Units in the secondary market, the transparency and availability of trading prices, the liquidity and the extent of issuer regulation (see “Risk Factors”). The REIT has applied for approval to the CSE to list the Units distributed under the Offering on the CSE under the symbol NNL.U. Listing is subject to the approval of the CSE in accordance with its original listing requirements. The CSE has not conditionally approved the REIT’s listing application and there is no assurance that the CSE will approve the listing application. As at the date of the prospectus, the REIT does not have any of its securities listed or quoted, has not applied to list or quote any of its securities, and does not intend to apply to list or quote any of its securities, on the Toronto Stock Exchange, a U.S. marketplace, or a marketplace outside of Canada and the United States of America other than on an over-the-counter electronic quotation system maintained by OTC Markets in the U.S.

The Agents propose to offer the Units initially at the Offering Price. After the Agents have made a reasonable effort to sell all of the Units at the price specified on the cover page of this prospectus, the offering price may be decreased and may be further changed from time to time to an amount not greater than that set out on the cover page of this prospectus, and the compensation realized by the Agents will be decreased by the amount that the aggregate price paid by purchasers for the Units is less than the price paid by the Agents to the REIT.

The Units have not been and will not be registered under the U.S. Securities Act or the securities laws of any states in the U.S. and, subject to certain exceptions, may not be offered or sold in the U.S. The Agents have agreed that they will not offer or sell the Units within the U.S. except to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) or to a limited number of accredited investors pursuant to Rule 506 of Regulation D under the U.S. Securities Act. In addition, until 40 days after Closing Date, an offer or sale of Units within the U.S. by any dealer (whether or not participating in the Offering) may violate the registration provisions of the U.S. Securities Act unless made in compliance with Rule 144A, Rule 506 of Regulation D or another exemption under the U.S. Securities Act.

The REIT has granted to the Agents the Over-Allotment Option, which is exercisable in whole or in part at any time up to 30 days after Closing to purchase up to an additional 720,000 (being 15% of the Offering size) Units at the Offering Price, solely to cover the Agents’ over-allocation position, if any, and for consequent market stabilization purposes. This prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Units to be delivered upon the exercise of the Over-Allotment Option. A purchaser who acquires Units forming part of the Agents’ over-allocation position acquires such Units under this prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

In connection with the Offering, the Agents may over-allocate or effect transactions which stabilize or maintain the market price of the Units at levels other than those which otherwise might prevail on the open market, including:

stabilizing transactions; short sales; purchases to cover positions created by short sales; imposition of penalty bids; and syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Units while the Offering is in progress. These transactions may also include making short sales of the Units, which involve the sale by the Agents of a greater number of Units than they are required to purchase in the Offering. Short sales may be “covered short sales”, which are short positions in an amount not greater than the Over-Allotment Option, or may be “naked short sales”, which are short positions in excess of that amount. The Agents may close out any covered short position either by exercising the Over-Allotment Option, in whole or in part, or by purchasing Units in the open market. In making this determination, the Agents will consider, among other things, the price of Units available for purchase in the open market compared with the price at which they may purchase Units through the Over-Allotment Option. If, following Closing, the market price of the Units decreases, the short position created by the over-allocation position in Units may be filled through purchases in the market, creating upward pressure on the price of the Units. If, following the Closing, the market price of Units increases, the over-allocation position in Units may be filled through the exercise of the Over-Allotment Option at the Offering Price. As a result of these activities, the price of the Units may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Agents at any time. The Agents may carry out these transactions on any stock exchange on which the Units are listed, in the over-the-counter market, or otherwise.

The REIT has agreed to indemnify the Agents and their directors, officers, employees and agents against certain liabilities, including, without restriction, civil liabilities under Canadian securities legislation, and to contribute to any payments that the Agents may be required to make in respect thereof. These obligations will survive for such maximum period of time as the Agents may be entitled to commence an action with respect to a misrepresentation under applicable securities laws and indefinitely in the case of fraud or fraudulent misrepresentation.

In connection with the Offering, CG may be considered to be a “connected issuer” within the meaning of NI 33-105 to the REIT. Patrick Burke is the president of CG, Capital Markets, and is expected to be a Trustee on Closing. The decision to distribute the Units, including the determination of the terms of the Offering, was made through arm’s length negotiations between the REIT and the Agents. CG will not receive any benefit in connection with the Offering, other than its share of the Agents’ Fee payable by the REIT.

The REIT will agree with the Agents in the Agency Agreement that, for a period of 180 days after the Closing Date, it will not, directly or indirectly, and will not agree or announce any intention to, in any manner whatsoever, (i) offer, issue, sell, grant any option, right or warrant to purchase, secure, pledge, or otherwise transfer, dispose of or monetize, or (ii) engage in any hedging transaction or enter into any form of agreement or arrangement the consequence of which is to alter economic exposure to, any REIT securities, without the prior written consent of the Agents, such consent not to be unreasonably withheld, except in conjunction with: (a) the grant or exercise of stock options and other similar issuances pursuant to any unit incentive plan of the REIT and other unit compensation arrangements of the REIT disclosed in this prospectus; (b) obligations of the REIT in respect of existing agreements disclosed in this prospectus; or (c) the issuance of securities by the REIT in connection with acquisitions in the normal course of business.

In addition, the Trustees and executive officers of the REIT and the Cloud Cannabis will be subject to certain lock-up obligations during the Lock-up Period as described under “Principal Unit Holders — Lock-up Period”.

PRINCIPAL UNITHOLDERS

Following Closing, Cloud Cannabis will own, in the aggregate, as of record and/or beneficially, 8,000,000 Class B Units, representing an aggregate approximate 49.28% ownership interest in the REIT, and an aggregate approximate 47.18% ownership interest in the REIT if the Over-Allotment Option is exercised in full (in each case, determined as if all Class B Units are redeemed for Units).

The following table sets out the Unitholders who, immediately following the Closing, will, to the REIT’s knowledge, beneficially own, control or direct, directly or indirectly, voting securities carrying 10% or more of the voting rights attached to any class of the REIT’s voting securities.

| Name of Unitholder | Immediately Following the Closing | | |
|--------------------|--------------------------------------|-------------------------------|--|
| | Number of Units Owned ⁽¹⁾ | Number of Class B Units Owned | Percentage of outstanding Units ⁽²⁾ |
| Cloud Cannabis | Nil | 8,000,000 | 49.28% |

Notes:

- (1) The number of Units beneficially owned includes any Units over which the person has sole or shared voting power or investment power. Except as otherwise noted, no person has any right to acquire additional Units through the exercise of any stock option or other right. Unless otherwise indicated, each person has sole investment and voting power (or shares such power with his or her spouse) over the Units set forth in the table.
- (2) The percentages shown are based on 16,234,809 Units outstanding as of the Closing (determined as if all Class B Units are redeemed for Units).

Lock-Up Period

Cloud Cannabis has agreed that, for a period of 12 months following Closing, it will not, directly or indirectly, without the prior written consent of the REIT, offer, sell, contract to sell, secure, pledge, grant or sell any option, right or warrant to purchase or otherwise lend, transfer or dispose of any Units, financial instruments or securities convertible into or exercisable, exchangeable or redeemable for Units.

For a period beginning on the Closing Date and ending 180 days after the Closing Date:

- (a) the REIT will not, without the prior written consent of CG, on behalf of the Agents, directly or indirectly, (i) offer, issue or grant any option, right or warrant to purchase, or otherwise transfer or dispose of any Units, financial instruments or securities convertible into or exercisable or exchangeable for Units or announce any intention to do any of the foregoing, in a public offering, by way of private placement or otherwise (except pursuant to employee or executive incentive compensation arrangements), or issued to vendors as consideration for the acquisition of a business or assets provided that such vendors agree to not transfer such securities prior to the date that is 180 days after the Closing, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Units, whether any such transaction is to be settled by delivery of Units, other securities, cash or otherwise; and
- (b) the Locked-Up Unitholders have agreed, except with the prior written consent of CG, on behalf of the Agents and the REIT, to not, directly or indirectly, (i) offer, sell, contract to sell, secure, pledge, grant or sell any option, right or warrant to purchase, or otherwise lend, transfer, assign or dispose of any Units or securities convertible into or exercisable or exchangeable for Units (except for transfers to affiliates, provided they remain affiliates); (ii) make any short sale, engage in any hedging transaction, or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Units, whether any such transaction is to be settled by delivery of Units, other securities, cash or otherwise; or (iii) agree or publicly announce any intention to do any of the foregoing, except (A) pursuant to a bona fide third party take-over bid made to all Unitholders or similar acquisition transaction provided that in the event that the take-over bid or acquisition transaction is not completed, any subject securities held by the Locked-Up Unitholders shall remain subject to the restrictions contained in the Unitholder Lock-up; (B) by way of pledge or security interest, provided that the pledgee or beneficiary of the security interest agrees in writing with each of the CG, on behalf of the Agents, to be bound by the Unitholder Lock-up for remainder of its term; and (C) pursuant to bona fide gifts to the immediate family of the Locked-Up Unitholder, provided the recipient thereof agrees in writing with the Agents to be bound by the terms of the Unitholder Lock-up (the “**Unitholder Lock-up**”).

As a result of the Unitholder Lock-up and the arrangements with Cloud Cannabis, [●]% of Units outstanding prior to the Offering on a non-diluted basis will be locked-up by current Unitholders and therefore not freely tradeable for a

period of 180 days after the Closing Date (in the case of the Units subject to the Unitholder Lock-up) or 12 months (in the case of the Units held by Cloud Cannabis).

PRIOR ISSUANCES

On July 27, 2021 the REIT was formed and one initial Unit was issued for \$10.00. This initial Unit was repurchased on September 1, 2021 for its subscription price of \$10.00. The REIT issued 2,590,809 Units (using an implied value of \$0.30 per Unit) to the shareholders US Holdco in consideration for all of the issued and outstanding shares of US Holdco. In connection therewith, the REIT formed an intention to issue up to an additional 500,000 Units at a price per Unit of \$0.50 to future Trustees and senior management (the “**Trustee/Management Units**”). On November 24, 2021, in connection with, and in consideration for, the acquisition of the Initial Licensed Facility, 8,000,000 Class B Units were issued at a price per Unit of \$1.25. On November 24, 2021, in connection with the acquisition of the Initial Licensed Facility, 216,000 Units were issued at a price per Unit of \$1.25 for management incentive and financial advisory services. On October 19, 2021, the REIT issued 100,000 Trustee/Management Units to Edward Lowenthal. On October 25, 2021, the REIT issued 100,000 Trustee/Management Units to Andrew Oppenheim. On October 26, 2021, the REIT issued 30,000 Trustee/Management Units to Datum Laramide Holdings ULC (an affiliate of Andrew Shapack). On October 27, 2021, the REIT issued 100,000 Trustee/Management Units to each of Patrick Burke and Potter Polk.

ESCROWED SECURITIES

In the event that the Units become listed on the CSE, the REIT anticipates that it will be classified as an “emerging issuer”, as defined under NP 46-201 upon such listing. Each of the persons named below (collectively, the “**Escrow Holders**”) would fall within the definition of “principal” of an emerging issuer under NP 46-201. In accordance with applicable securities rules, the Escrow Holders will execute an escrow agreement with the REIT and the Escrow Agent substantially in the form attached as an Appendix to NP 46-201 (Form 46-201F1) (the “**CSE Escrow Agreement**”) in respect of an aggregate of 1,297,474 Units and 8,000,000 Units upon the redemption of the Class B Units in exchange for Units (collectively, the “**Escrow Securities**”), prior to the filing of a Final Prospectus and a listing on the CSE.

10% of such securities held in escrow will be released from escrow on the date the Units are listed on the CSE, and 15% every 6 months thereafter, subject to acceleration provisions provided for in NP 46-201.

Units held by the following persons will be subject to escrow pursuant to the CSE Escrow Agreement:

| Name of Unitholder | Immediately Following the Closing | | |
|---------------------------------|--------------------------------------|-------------------------------|--|
| | Number of Units Owned ⁽¹⁾ | Number of Class B Units Owned | Percentage of outstanding Units ⁽²⁾ |
| Cloud Cannabis | Nil | 8,000,000 | 49.28% |
| Steven Dawson ⁽³⁾ | 599,742 | Nil | 3.69% |
| Katie Barthmaier ⁽⁴⁾ | 392,925 | Nil | 2.42% |
| Richard Michaeloff | 283,424 | Nil | 1.75% |
| Potter Polk | 240,000 | Nil | 1.48% |
| Stacy Riffe | 155,384 | Nil | 0.96% |

Notes:

(1) The number of Units beneficially owned includes any Units over which the person has sole or shared voting power or investment power. Except as otherwise noted, person has any right to acquire additional Units through the exercise of any stock option or other right. Unless

otherwise indicated, each person has sole investment and voting power (or shares such power with his or her spouse) over the Units set forth in the table.

- (2) The percentages shown are based on 16,234,809 Units outstanding as of Closing (determined as if all Class B Units are redeemed for Units).
- (3) Units held through an affiliate, Corriente Green Fund 1, LLC
- (4) Units held through an affiliate, KBA-VGP Holdings LLC

The Escrow Agreement provides that the Escrow Securities are held in escrow pursuant to its terms and the beneficial ownership thereof may not be sold, assigned, hypothecated, transferred within escrow or otherwise dealt with other than in accordance with the terms of the Escrow Agreement. In the event of the bankruptcy of an escrow Unitholder, in accordance with the Escrow Agreement, the Escrow Securities held by such escrow Unitholder may be transferred to the trustees in the bankruptcy or such person legally entitled to the Escrow Securities, which securities will remain in escrow subject to the CSE Escrow Agreement. In the event of the death of an escrow Unitholder, in accordance with the Escrow Agreement, the Escrow Securities held by the escrow Unitholder will be released from escrow.

USE OF PROCEEDS

The net proceeds to the REIT from the Offering, prior to the exercise of the Over-Allotment Option, (after deducting the Agents' Fee of \$210,000 in the case of the Minimum Offering and \$360,000 in the case of the Maximum Offering, but prior to the deduction of the expenses of the Offering estimated at \$[●]) will be \$3,290,000 in the case of the Minimum Offering and \$5,640,000 in the case of the Maximum Offering. If the Over-Allotment Option is exercised in full, the net proceeds to the REIT (after deducting the Agents' Fee of \$241,500 in case of a Minimum Offering and \$414,000 in case of a Maximum Offering, but prior to deducting the expenses of the Offering estimated at \$[●]) will be \$4,025,000 in the case of the Minimum Offering and \$6,486,000 in the case of the Maximum Offering.

The REIT intends to use the net proceeds of the Offering and cash on hand to for working capital purposes based on the budget noted below (given no consideration for any revenue collected as a result of the leasing of the Initial Licensed Facility by the REIT). The REIT has some discretion over the amounts, allowing for some discretion with respect to the amounts based on the size of the Offering.

| Category | Amount (if Minimum Offering) | Amount (if Maximum Offering) |
|---|------------------------------|------------------------------|
| Salaries & Benefits (12 months) | \$720,000 | \$1,080,000 |
| G&A (e.g. legal, compliance, office, administration etc.) (12 months) | \$897,880 | \$1,042,880 |
| Insurance | \$350,000 | \$1,850,000 |
| Offering Expenses | \$1,000,000 | \$1,000,000 |
| Pursuit Costs | \$375,000 | \$750,000 |
| Unexpected Expenses Buffer | \$157,120 | \$277,120 |
| Total | \$3,500,000 | \$6,000,000 |

There may be circumstances where, for sound business reasons, a reallocation of funds to other uses may be necessary. As a result, the use of net proceeds of the Offering that the REIT spends may vary significantly from the anticipated uses above and will depend on a number of factors, including those referred to under "Risk Factors" herein.

Aside from the amounts noted above, the REIT does not have any significant short-term non-discretionary expenditures or significant short-term capital or contractual commitments that are expected to impact its liquidity, operations, capital resources or solvency.

RISK FACTORS

The REIT faces a variety of significant and diverse risks, many of which are inherent in the business conducted by the REIT. Described below are certain risks that could materially affect the REIT and the value of the Units. Other risks and uncertainties that the REIT does not presently consider to be material, or of which the REIT is not presently aware, may become important factors that affect the REIT's future financial condition and results of operations. The occurrence of any of the risks discussed below could materially and adversely affect the business, prospects, financial condition, results of operations, cash flow or the ability of the REIT to make cash distributions to Unitholders or value of the Units of the REIT. Prospective purchasers of the Units should carefully consider these risks before investing in the Units.

Risk Factors Related to the Real Estate Industry

There are significant risks involved in real property ownership beyond the control of the REIT.

Investing in real estate will expose the REIT to a high degree of risk. There is no assurance that the operations of the REIT will be profitable or that cash from operations will be available to make distributions to Unitholders. Because real estate, like many other types of long-term investments, experiences significant fluctuations and cycles in value, specific market conditions may result in occasional or permanent reductions in the value of the REIT's portfolio. Further, the REIT may buy and/or sell properties at less than optimal times. By specializing in a particular type of real estate, the REIT is exposed to adverse effects on that segment of the real estate market and does not benefit from a diversification of its portfolio by property type. The REIT's revenues as well as the marketability and value of the portfolio will depend on many factors beyond the control of the REIT, including, without limitation: (a) changes in general economic conditions (such as the availability, terms and cost of mortgage financings and other types of credit); (b) local economic conditions (such as business layoffs, industry slowdowns, changing demographics, neighbourhood characteristics and other factors); (c) local real estate conditions (such as an oversupply of properties or a reduction in demand for real estate in the area); (d) changes in occupancy; (e) the attractiveness of properties to potential tenants or purchasers; (f) competition with other landlords with similar available space and competition from prospective buyers for, and sellers of, other similar properties; (g) the promulgation and enforcement of governmental regulations relating to land-use and zoning restrictions, environmental protection and occupational safety; (h) changes in governmental rules and fiscal policies; (i) the financial condition of tenants, buyers and sellers of property; (j) changes in interest rates and in the availability, cost and terms of financing; (k) energy and supply shortages; (l) various uninsured or uninsurable risks; (m) civil unrest; (n) acts of God and natural disasters; and (o) acts of war or terrorism. In the event that any of the REIT's properties experience any of the foregoing events or occurrences, the value of, and return on, such investments would be negatively impacted.

There can be no assurance of profitable operations due to the costs of operating a real estate portfolio, including debt service, may exceed gross income therefrom, particularly since certain expenses related to real estate tend to increase even if there is a decrease in the REIT's income from such investments. There is also no assurance that there will be a ready market for the sale of the REIT's portfolio because, as outlined below, investments in real estate generally are not liquid.

The success of the REIT will depend on the availability of, and the degree of competition for, attractive investments. The REIT's operating results will depend on the availability of, as well as the ability of management to identify, consummate, manage and realize, attractive real estate investment opportunities. It may take considerable time for the REIT to identify and consummate appropriate investments. No assurance can be given that the REIT will be successful in identifying and consummating future investments which satisfy the REIT's rate of return objective or that such investments, once consummated, will perform as expected. The REIT will be engaged in a competitive business and will be competing for attractive investments with existing real estate investment funds and other funds formed in the future with similar investment objectives. These factors may affect the REIT's ability to make investments in the future.

The REIT is not guaranteed regular cash flow through leasing its properties.

Upon the expiry of any lease for a property the REIT acquires, there can be no assurance that the lease will be renewed or the tenant replaced for a number of reasons. Furthermore, the terms of any subsequent lease may be less favourable than an existing lease. The REIT's cash flows and financial position would be materially adversely affected if its tenants were to become unable to meet their obligations under their leases or if a significant amount of available space

in the REIT's properties was not able to be leased on economically favorable lease terms. In the event of default by a tenant, the REIT may experience delays or limitations in enforcing its rights as lessor and incur substantial costs in protecting its investment. Furthermore, at any time, a tenant may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of the lease by the resident and, thereby, cause a reduction in the REIT's cash flows, financial condition and results of operations and its ability to make distributions to Unitholders.

Competition for the acquisition of properties suitable for the retail sale, cultivation or production of Regulated Cannabis and alternative financing sources for licensed operators may impede the REIT's ability to make acquisitions or increase the cost of these acquisitions, which could adversely affect the REIT's operating results and financial condition.

The REIT competes for the acquisition of properties suitable for the retail sale, cultivation, production or processing of Regulated Cannabis with other entities engaged in retail, agricultural and real estate investment activities, including corporate agriculture companies, cultivators and producers of Regulated Cannabis, private equity investors, and other real estate investors (including public and private REITs). The REIT also competes as a provider of capital to Regulated Cannabis operators with alternative financing sources to these companies, including both equity and debt financing alternatives. These competitors may prevent the REIT from acquiring desirable properties in the future, may cause an increase in the price the REIT must pay for properties or may result in the REIT having to lease its properties on less favorable terms than the REIT expects. The REIT's competitors may have greater financial and operational resources than the REIT does and may be willing to pay more for certain assets or may be willing to accept more risk than the REIT believes can be prudently managed. In particular, larger companies may enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. The REIT's competitors may also adopt transaction structures similar to its structure, which would decrease the REIT's competitive advantage in offering flexible transaction terms. In addition, due to a number of factors, including but not limited to potential greater clarity of the laws and regulations governing Regulated Cannabis by state and federal governments, the number of entities and the amount of funds competing for suitable investment properties may increase, resulting in increased demand and increased prices paid for these properties. If the REIT pays higher prices for properties or enters into leases for such properties on less favorable terms than the REIT expects, the REIT's profitability and ability to generate cash flow and make distributions to its Unitholders may decrease.

Increased competition for properties may also preclude the REIT from acquiring those properties that would generate attractive returns to the REIT.

By way of example, several proposed bills have been introduced in the United States Congress focused on the Regulated Cannabis industry, including the Marijuana Opportunity Reinvestment and Expungement Act (the "**MORE Act**"), the Secure and Fair Enforcement (SAFE) Banking Act (the "**SAFE Banking Act**"), and the Cannabis Administration and Opportunities Act (the "**CAOA**"). The House of Representatives has passed both the SAFE Banking Act and the MORE Act, but the Senate has not yet passed either measure. If it became law, the MORE Act, introduced by then-U.S. Senator Kamala Harris and U.S. Representative Jerrold Nadler in July 2019, would, among other things, remove cannabis as a Schedule I controlled substance under the CSA and make available U.S. Small Business Administration funding for Regulated Cannabis operators. If it became law, the SAFE Banking Act would, among other things, provide protection from penalties by federal banking regulators against banks and other financial institutions that provide financial services to state-licensed, compliant Regulated Cannabis operators. The types of financial services encompassed by the SAFE Banking Act would include, among other things, the provision of loans by financial institutions to such operators. If it became law, the CAOA, released for a discussion draft by U.S. Senate Majority Leader Chuck Schumer, U.S. Senator Ron Wyden, and U.S. Senator Cory Booker in July 2021, would among other things remove cannabis from the definition of a controlled substance under the CSA, allow states to set their own regulations for cannabis, and block states from prohibiting interstate commerce of Regulated Cannabis across their borders. It is highly unlikely that these bills will pass Congress and be signed into law this year; however, there is a likelihood that they will be reintroduced at the beginning of the next Congress in 2022. Depending on the political winds and the outcome of federal elections, there is a possibility that these bills will become law in the next couple years. Should that happen, there would be further increased competition for the acquisition of properties that can be leased to licensed Regulated Cannabis operators, and such operators would have greater access to alternative financing sources with lower costs of capital. These factors may reduce the number of operators that wish to enter into lease transactions with the REIT or renew leases with the REIT, or may result in the REIT having to enter into leases on less favorable terms with tenants, each of which may significantly adversely impact the REIT's profitability and ability to generate cash flow and make distributions to its Unitholders.

Changes in laws governing the REIT's activities may adversely impact the REIT.

The REIT is subject to laws and regulations governing the ownership and leasing of real property, zoning, building standards, landlord-tenant relationships, employment standards, environmental matters, taxes and other matters. It is possible that future changes in applicable federal, provincial, state, local or common laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in the legal requirements affecting the REIT (including with retroactive effect). Any changes in the laws to which the REIT is subject could materially adversely affect the REIT's rights and title to its assets, including its ability to engage in relationships of various types with Regulated Cannabis license holders. It is not possible to predict whether there will be any further changes in the regulatory regimes to which the REIT is subject or the effect of any such changes on its investments.

In addition, the REIT will be required to comply with certain Canadian securities law, income tax law and the CSE and other legal and regulatory requirements. Compliance with, and monitoring of, such laws and regulations may be difficult, time consuming and costly. Those laws and regulations and their interpretation and application also may change from time to time and those changes could have a material adverse effect on the REIT's business, assets, investments and results of operations. A failure to comply with applicable laws or regulations, as interpreted and applied, could have a material adverse effect on the REIT's business, assets, investments and results of operations.

Lower revenue growth or significant unanticipated expenditures may result from the REIT's need to comply with changes in applicable laws or the enactment of new laws, including: (a) laws imposing environmental remedial requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions; (b) commercial landlord/tenant laws; or (c) other governmental rules and regulations or enforcement policies affecting the development, use and operation of the REIT's properties, including changes to building codes and fire and life-safety codes.

No future acquisitions of Licensed Facilities have been definitively identified.

The REIT has not yet definitively identified any additional Licensed Facilities for potential acquisition. The Unitholders' return on their investments in the Units will vary depending on the return on investment achieved on the Licensed Facilities, including the Initial Licensed Facility.

The REIT will be subject to various U.S. federal, state and municipal laws relating to environmental matters that may adversely affect its operations.

As the Initial Licensed Facility consist of assets in the United States, the REIT will be subject to various U.S. federal, state and municipal environmental laws. Principal areas of possible exposure could arise from (1) releases of hazardous substances at the real property it acquires, or (2) tenants' non-fulfillment of their environmental regulatory compliance obligations during their tenancy. If the REIT were to become liable for contamination or other environmental conditions at its properties, it could negatively affect the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

Subject to certain defenses, U.S. environmental law makes real property owners strictly liable for releases of hazardous substances on property they own, regardless of whether they caused (or even knew about) the release. With respect to the REIT, the releases could have occurred either before the REIT acquired the property or during its ownership, for example, from a tenant's operations or from a neighboring property owner.

Management believes the REIT has taken commercially reasonable precautions to address these potential risks. First, with respect to hazardous substances releases at, on, or under the real property the REIT acquires, it is the REIT's policy to obtain a Phase I Report prior to acquiring a property. See "Assessments and Valuation of the Initial Licensed Facility." Management believes that, through this practice, it has laid the predicate for a potential defense to liability for pre-existing conditions. Second, where commercially appropriate and feasible, the REIT's lease agreements will require tenants to covenant compliance with their regulatory obligations and to indemnify the REIT for any losses that might arise from tenants' noncompliance.

Despite these precautions, the discovery of contamination, particularly in connection with the lease or sale of properties or borrowing using the real estate as security, could trigger claims for lease reductions or termination of leases for cause, for damages and other claims against the REIT. The presence of contamination or the failure to remediate contamination may adversely affect the REIT's ability to sell affected property, realize the full value of

such property or borrow using such property as collateral security, and could potentially result in claims against the REIT by public or private parties. The remediation of any contamination and the related additional measures the REIT would have to undertake could involve considerable cost and could have a materially adverse effect on the REIT.

The REIT intends to make the necessary capital and operating expenditures to assure the properties it acquires can operate in compliance with environmental and health and safety laws. Management believes the REIT's tenants will shoulder principal regulatory compliance obligations. Nonetheless, should tenants fail to live up to their obligations, or to indemnify the REIT for their failures, costs to the REIT may have an adverse effect on the REIT's financial condition, results of operations, and decrease the amount of cash available for distribution to Unitholders.

Finally, environmental, health and safety laws also govern the maintenance and removal of asbestos containing materials in the event of damage, demolition or renovation of a property and also govern emissions of and exposure to asbestos fibers in the air. The Initial Licensed Facility might contain asbestos containing materials, mold or other hazardous substances above the allowable or recommended thresholds, or other environmental risks could be associated with the buildings. The costs of investigation, removal and remediation of such substances or properties, if any that the REIT cannot recoup from its tenants, may be substantial and could adversely affect the REIT's financial condition results of operations, and decrease the amount of cash available for distribution to Unitholders.

The REIT's operating policy is to obtain a Phase I environmental site assessment, conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have Phase II environmental site assessment work completed where recommended in a Phase I environmental site assessment. Although such environmental site assessments would provide the REIT with some level of assurance about the condition of the property, the REIT may become subject to liability for undetected contamination or other environmental conditions at its properties, which could negatively impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. See "Assessments and Valuation of the Initial Licensed Facility".

The REIT intends to make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters that may have a material adverse effect on the REIT's business, financial condition or results of operation and decrease the amount of cash available for distribution. Furthermore, environmental laws can change and the REIT may become subject to even more stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have an adverse effect on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

The Initial Licensed Facility could sustain damage as a result of natural disasters.

The Initial Licensed Facility and future Licensed Facilities that may be acquired by the REIT may be located in areas which have sustained significant storm damage in the past and where buildings are susceptible to sustaining storm damage. While the REIT has insurance to cover a substantial portion of the cost of such events, the REIT's insurance includes deductible amounts and certain items may not be covered by insurance. Future hurricanes, floods or other natural disasters may significantly affect the REIT's operations and properties and, more specifically, may cause the REIT to experience reduced rental revenue (including from increased vacancy), incur clean-up costs or otherwise incur costs in connection with such events. Any of these events may have a material adverse effect on the REIT's business, cash flows, financial condition, results of operations and ability to make distributions to Unitholders. Further, to the extent the REIT must pay unexpectedly large amounts for insurance, it could suffer reduced earnings that would result in lower distributions to Unitholders.

Accidental death or severe injuries on the REIT's properties could have a material adverse effect on the REIT's reputation, business and results of operations.

The accidental death or severe injuries to persons on the REIT's properties due to fire, natural disasters or other hazards could have a material adverse effect on the REIT's reputation, business and results of operations. The REIT's insurance coverage may not cover all losses associated with such events, and the REIT may experience difficulty marketing facilities where any such events have occurred, which could have a material adverse effect on the REIT's reputation, business and results of operations.

An investment in real estate is relatively illiquid, which may limit the REIT's ability to vary its portfolio.

An investment in real estate is relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the REIT's ability to vary its portfolio of properties promptly in response to changing economic, investment or other conditions. If the REIT were to be required to quickly liquidate its real property investments, the proceeds to the REIT might be significantly less than the aggregate carrying or Gross Book Value of its properties or less than what would be expected to be received under normal circumstances which could have an adverse effect on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. Illiquidity may result from the absence of an established market for real property investments, as well as from legal or contractual restrictions on their resale. In addition, in recessionary times, it may be difficult to dispose of certain types of real estate. The costs of holding real estate are considerable, and during an economic recession, the REIT may be faced with ongoing expenditures with a declining prospect of incoming receipts. In such circumstances, it may be necessary for the REIT to dispose of properties at lower prices in order to generate sufficient cash for operations and making distributions. There can be no assurance that the fair market value of any properties held by the REIT will not decrease in the future.

The REIT's operations are subject to changes in the economic environment.

The REIT is subject to risks involving the economy in general, including inflation, deflation or stagflation, unemployment and geopolitical issues. Poor economic conditions could adversely affect the REIT's ability to generate revenues, thereby reducing its operating income and earnings. Such conditions could also have an adverse impact on the ability of the REIT to maintain occupancy rates which could harm the REIT's financial condition. In weak economic environments, the REIT's tenants may be unable to meet their lease payments and other obligations due to the REIT, which could have a material and adverse effect on the REIT. In addition, fluctuation in interest rates or other financial market volatility may restrict the availability of financing for future prospective purchasers of the REIT's investments and could potentially reduce the value of such investments. A significant component of the REIT's ability to successfully operate relates to certain external factors that are beyond the REIT's control, particularly interest rates and capital markets conditions. It is possible that capitalization rates within the real estate sector in which the REIT operates could expand in the future due to external market factors, which tend to put downward pressure on the market values of publicly traded real estate companies or entities.

The REIT faces significant risks associated with the development and redevelopment of properties that the REIT acquires.

The REIT may engage in development or redevelopment of properties that it acquires. Development and redevelopment activities entail risks that could adversely impact the REIT's financial condition and results of operations, including:

- construction costs, which may exceed the REIT or its tenant's original estimates due to increases in materials, labor or other costs, which could make the project less profitable for the REIT's tenant, require the REIT or its tenant to commit additional funds to complete the project and adversely impact the REIT tenant's business and prospects as a result;
- permitting or construction delays, which may result in increased project costs, as well as deferred revenue and delayed commencement of operations by the REIT's tenant;
- unavailability of raw materials when needed, which may result in project delays, stoppages or interruptions, which could make the project less profitable;
- claims for warranty, product liability and construction defects after a property has been built;
- health and safety incidents and site accidents;
- poor performance or non-performance by, or disputes with, any of the REIT contractors, subcontractors or other third parties on whom the REIT relies;
- unforeseen engineering, environmental or geological problems, which may result in delays or increased costs;

- labor stoppages, slowdowns or interruptions;
- a health pandemic, including COVID-19;
- liabilities, expenses or project delays, stoppages or interruptions as a result of challenges by third parties in legal proceedings; and
- weather-related and geological interference, including hurricanes, landslides, earthquakes, floods, drought, wildfires and other events, which may result in delays or increased costs.

If certain of properties' access to adequate water and power supplies is interrupted, it could harm the REIT's ability to lease the properties for cannabis cultivation and production, thereby adversely affecting the REIT's ability to generate returns on its properties.

In order to lease certain of the properties that the REIT acquires, these properties require access to sufficient water and power to make them suitable for the cultivation and production of Regulated Cannabis. Although the REIT expects to acquire properties with sufficient access to water, should the need arise for additional wells from which to obtain water, the REIT would be required to obtain permits prior to drilling such wells. Permits for drilling water wells are required by state and county regulations, and such permits may be difficult to obtain due to the limited supply of water in areas where the REIT acquires properties. Similarly, the REIT's properties may be subject to governmental regulations relating to the quality and disposition of rainwater runoff or other water to be used for irrigation. In such case, the REIT could incur costs necessary in order to retain this water. If the REIT is unable to obtain or maintain sufficient water supply for its properties, the REIT's ability to lease them for the cultivation and production of Regulated Cannabis would be significantly impaired, which would have a material adverse impact on the value of the REIT's assets and its results of operations.

Historically, states that have legalized Regulated Cannabis cultivation have typically required that such cultivation take place indoors. Indoor cultivation of Regulated Cannabis requires significant power for growing lights and ventilation and air conditioning to remove the hot air generated by the growing lights. While outdoor cultivation is gaining acceptance in many states with favorable climates for such growth, the REIT expects that a number of its properties will utilize indoor cultivation methods. Any extended interruption of the power supply to the REIT's properties, particularly those using indoor cultivation methods, would likely harm the REIT's tenants' crops, which could result in their inability to make lease payments to the REIT for its properties. Any lease payment defaults by a tenant could adversely affect the REIT's cash flows and cause the REIT to reduce the amount of distributions to Unitholders.

Risk Factors Related to the Business of the REIT

The REIT has a limited operating history, and may be unable to operate its business successfully or generate sufficient cash flow to sustain distributions to its Unitholders.

The REIT has not commenced real estate operations, and has a limited operating history. The REIT is subject to many of the business risks and uncertainties associated with any new business enterprise. The REIT cannot assure you that it will be able to operate its business successfully or profitably or find additional suitable investments upon successful completion of the Offering. The REIT's ability to provide attractive risk-adjusted returns to its Unitholders over the long term is dependent on its ability both to generate sufficient cash flow to pay an attractive dividend and to achieve capital appreciation, and the REIT cannot assure you that it will do either. There can be no assurance that the REIT will be able to continue to generate sufficient revenue from operations to pay its operating expenses and make distributions to Unitholders. The results of the REIT's operations and the execution on its business plan depends on several factors, including the availability of additional opportunities for investment, the performance of its existing properties and tenants, the availability of adequate equity and debt financing, the federal and state regulatory environment relating to the Regulated Cannabis industry, conditions in the financial markets and economic conditions.

Cloud Cannabis as key tenant

At Closing, the REIT will derive all of its annual base minimum rent from the Cloud Cannabis. Consequently, revenues will be dependent on the ability of Cloud Cannabis to meet its rent obligations and the REIT's ability to collect rent from Cloud Cannabis. If Cloud Cannabis were to terminate its tenancies, default on or cease to satisfy its payment obligations, it would have a material adverse effect on the REIT's financial condition and results of operations and its ability to make cash distributions to Unitholders. The REIT will enter into leases with the applicable members of Cloud Cannabis in respect of the Initial Licensed Facility. Under such leases, Cloud Cannabis will provide an indemnity for the lease obligations of each other member of Cloud Cannabis. Consequently, Cloud Cannabis will be the REIT's only tenant at Closing and its most significant tenant for the foreseeable future, with members of Cloud Cannabis occupying 100% of the REIT's properties on Closing. The rent from the portions of the Initial Licensed Facility occupied by Cloud Cannabis will represent approximately 100% of the REIT's NOI over the foreseeable future. On Closing, the initial terms of lease with Cloud Cannabis will be 14.9 years. Therefore, the REIT's net income could also be materially adversely affected in the event of a downturn in the business, or the bankruptcy or insolvency, Cloud Cannabis, as the REIT's only tenant.

There are a number of uncertainties involved with the REIT's acquisition of future properties.

The REIT's business plan will include, among other things, growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and leasing such properties upon successful completion of the Offering. While the REIT initially intends to compete for new acquisitions in the United States, with near term focus within its existing markets, the REIT could take advantage of other acquisition opportunities (regardless of location or specific asset type) if the Board considers it to be in the best interests of the REIT to do so. The acquisition of properties entails risks that investments will fail to perform in accordance with expectations, including risks that the properties will not achieve anticipated occupancy levels and that estimates of the costs of improvements to bring an acquired property up to standards established for the market position intended for that property may prove inaccurate. If the REIT is unable to make accretive acquisitions or otherwise manage its growth effectively, it could adversely impact the REIT's financial position and results of operations and decrease the cash available for distribution. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis and, as such, there can be no assurance that distributions to Unitholders will increase in the future.

Acquired properties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of the REIT. Representations and warranties given by third parties to the REIT may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Furthermore, it is not always possible to obtain from the seller the records and documents that are required in order to fully verify that the buildings to be acquired are constructed in accordance with and that their use complies with, planning laws and building code requirements. Accordingly, in the course of acquiring a property, specific risks might not be or might not have been recognized or correctly evaluated.

These circumstances could lead to additional costs and could have a material adverse effect on revenues from the relevant properties. The REIT's ability to acquire properties in the future on satisfactory terms and successfully integrate and operate them is subject to the following additional risks: (a) the REIT may be unable to acquire desired properties because of competition from other real estate investors with more capital, including other real estate operating companies, real estate investment trusts and investment funds; (b) the REIT may acquire properties that are not accretive to results upon acquisition, and the REIT may not successfully manage and lease those properties to meet its expectations; (c) competition from other potential acquirers may significantly increase the purchase price of a desired property; (d) the REIT may be unable to generate sufficient cash from operations, or obtain the necessary debt or equity financing to consummate an acquisition or, if obtainable, financing may not be on satisfactory terms; (e) the REIT may need to spend more than budgeted amounts to make necessary improvements or renovations to acquired properties; (f) agreements for the acquisition of properties are typically subject to customary conditions to closing, including satisfactory completion of due diligence investigations, and the REIT may spend significant time and money on potential acquisitions that the REIT does not consummate; (g) the REIT may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into existing operations; (h) the REIT may acquire properties without any recourse, or with only limited recourse, for liabilities, whether known or unknown, such as clean-up of environmental contamination, claims by residents, vendors or other persons against the former owners of the properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties; (i) the effort of acquiring or pursuing the acquisition of a new

property may divert the attention of the REIT's management team from existing business operations; and (j) market conditions may result in higher than expected vacancy rates and lower than expected rental rates. If the REIT cannot complete property acquisitions on favorable terms, or operate acquired properties to meet the REIT's goals or expectations, the REIT's business, financial condition, results of operations and cash flow, the per Unit trading price and the REIT's ability to satisfy debt service obligations and to make distributions to its Unitholders could be materially and adversely affected.

Upon the Closing, the REIT will compete for acquisitions with both public and private acquirers. Other public acquirers may have access to lower cost capital, which private acquirers may be able to use greater leverage and higher proportion of lower coupon floating rate debt.

The REIT cannot assure that it will recover amounts for a breach of a representation and warranty under a purchase and sale agreement.

When acquiring assets, the REIT will endeavour to obtain certain representations and warranties with respect to the assets being acquired. Such representations and warranties, to the extent obtained, are subject to limitations, and generally represent unsecured contractual rights. Notwithstanding the foregoing, when acquiring assets, the REIT will endeavour to negotiate holdbacks from the aggregate purchase price, which holdback amounts are deposited into escrow at the closing of an acquisition, and are held and released in accordance with, and subject to, the terms of the relevant purchase and sale agreement and a separate holdback escrow agreement. Holdback amounts are used to satisfy the indemnification obligations of the sellers of the assets acquired by the REIT with respect to the representations and warranties provided by the sellers under the purchase and sale agreements pursuant to which the assets are acquired.

There can be no assurance of recovery by the REIT for any breach of the representations and warranties provided under any of the purchase and sale agreements pursuant to which it will acquire properties, as there can be no assurance that the holdback amounts, if any, or assets of the sellers of the properties will be sufficient to satisfy such obligations. The REIT may not be able to successfully enforce applicable indemnities contained in the purchase and sale agreements pursuant to which the REIT will acquire properties and such indemnities may not be sufficient to fully indemnify the REIT from third party claims. Only the REIT (or its subsidiaries) will be entitled to bring a claim or action for misrepresentation or breach of contract under such purchase and sale agreements and Unitholders will not have any contractual rights or remedies under such agreements.

Appraisals

The REIT retained the Appraiser to provide independent estimates of the fair market value range in respect of the Initial Licensed Facility. Caution should be exercised in the evaluation and use of appraisal results, which are estimates of market value at a specific point in time. In general, appraisals such as the Appraisal represent only the analysis and opinion of qualified experts as of the effective date of such appraisals and are not guarantees of present or future value. There is no assurance that the assumptions employed in determining the appraised values of the Initial Licensed Facility are correct as of the date of the Prospectus or that such valuations actually reflect an amount that would be realized upon a current or future sale of the Initial Licensed Facility or that any projections included in the Appraisal will be attainable. In addition, the Appraisal has effective dates as at September 28, 2021. As prices in the real estate market fluctuate over time in response to numerous factors, the fair market value of the Initial Licensed Facility shown on the Appraisal may be an unreliable indication of their current market value. For example, the impact of the COVID-19 virus has created near-term instability in the capital and real estate markets. It is currently unknown what direct, or indirect effect, if any, this event may have on the U.S. national economy, the local economy, and the market in which the subject properties are located. As such, the associated risk may not yet be priced into the real estate market. Readers of the appraisals should note the data and comparables used in the Appraisal are data points that occurred in the past and there is projection risk associated with using lagging indicators, and the opinions in the Appraisal are as of a specific point in time and may change in the near term.

Insufficient gross Proceeds of the Offering

There can be no assurance the Maximum Offering will be sold. If less than all of the Units offered are sold pursuant to the Offering and any concurrent private placements, then less than the maximum proceeds will be available to the REIT. Consequently, the REIT may be unable to implement its business development plans in the manner currently intended.

The REIT will be subject to fluctuations in capitalization rates.

As interest rates fluctuate in the lending market, generally so too do capitalization rates which affect the underlying value of real estate. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.

The REIT may explore acquisitions of properties in new markets in the future.

If the opportunity arises, the REIT may explore acquisitions of properties in new markets in the future. Each of the risks applicable to the REIT's ability to acquire and successfully integrate and operate properties in the markets in which the properties comprising the Initial Licensed Facility are located is also applicable to its ability to acquire and successfully integrate and operate properties in new markets. In addition to these risks, the REIT may not possess the same level of familiarity with the dynamics and market conditions of any new markets, which could adversely affect its ability to expand into or operate in those markets. The REIT may be unable to achieve a desired return on its investments in new markets. If the REIT is unsuccessful in expanding into new markets, that could adversely affect the REIT's business, financial condition, results of operations and cash flow, the per Unit trading price and ability to satisfy debt service obligations and to make distributions to Unitholders.

The Trustees may develop conflicts of interest.

The Trustees may, from time to time, in their individual capacities, deal with parties with whom the REIT may be dealing, or may be seeking investments similar to those desired by the REIT. The interest of these persons could conflict with those of the REIT. The Declaration of Trust contains conflict of interest provisions requiring Trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. In addition, certain decisions regarding matters that may give rise to a conflict of interest must be made by a majority of the "independent" Trustees only (as such term is used in NI 58-101).

The REIT may engage in co-investment / joint ventures.

The REIT may invest in, or be a participant in, directly or indirectly, joint ventures and partnerships with third parties in respect of its properties. A joint venture or partnership involves certain additional risks, including:

- the possibility that such co-venturers/partners may at any time have economic or business interests or goals that will be inconsistent with the REIT's or take actions contrary to the REIT's instructions or requests or to the REIT's policies or objectives with respect to the property;
- the co-venturer/partner may have control over all of the day to day and fundamental decisions relating to a property;
- the risk that such co-venturers/partners could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands to maintain and operate such properties or repay the co-venturers'/partners' share of property debt guaranteed by the REIT or its subsidiaries or for which the REIT or its subsidiaries will be liable and/or result in the REIT suffering or incurring delays, expenses and other problems associated with obtaining court approval of joint venture or partnership decisions;
- the risk that such co-venturers/partners may, through their activities on behalf of or in the name of the ventures or partnerships, expose or subject the REIT or its subsidiaries to liability; and

- the need to obtain co-venturers'/partners' consents with respect to certain major decisions or inability to have any decision making authority, including the decision to distribute cash generated from such properties or to refinance or sell a property.

In addition, the sale or transfer of interests in certain of the joint ventures and partnerships may be subject to certain requirements, such as rights of first refusal, rights of first offer or drag-along rights, and certain of the joint venture and partnership agreements may provide for buy-sell or similar arrangements. Such rights may inhibit the REIT's ability to sell an interest in a property or a joint venture/partnership within the time frame or otherwise on the basis the REIT desires.

Additionally, drag-along rights may be triggered at a time when the REIT may not wish to sell its interest in a property, but the REIT may be forced to do so at a time when it would not otherwise be in its best interest.

The REIT may face restrictions on its ability to sell property.

The REIT may be required to expend funds to correct defects or to make improvements before a property can be sold. No assurance can be given that the REIT will have funds available to correct such defects or to make such improvements. In acquiring a property, the REIT may agree to lock-out provisions that materially restrict it from selling that property for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property or debt or other contracts that are not pre-payable or terminable and must be assumed by a buyer. These provisions would restrict the REIT's ability to sell a property. These factors and any others that would impede the REIT's ability to respond to adverse changes in the performance of its properties could significantly affect the REIT's financial condition and operating results and decrease the amount of cash available for distribution to Unitholders.

There is no guarantee that the REIT's investments in troubled assets will be realized or that there will be any cash available for distribution to Unitholders.

The REIT may make future investments in non-performing or other troubled assets that involve a high degree of financial risk and there can be no assurance that the REIT's investment objectives will be realized or that there will be any cash available for distribution to its Unitholders. Furthermore, investments in properties operating in work-out modes or under bankruptcy protection laws may, in certain circumstances, be subject to additional potential liabilities that could exceed the value of the REIT's original investment. In addition, under certain circumstances, payments to the REIT and distributions by the REIT to its Unitholders may be reclaimed if any such payments or distributions are later determined to have been fraudulent conveyances or preferential payments under applicable law.

The REIT's ongoing and future investment in less marketable assets involve higher degrees of uncertainty.

Less marketable assets may be more difficult to value due to the unavailability of reliable comparables. The sale of less marketable assets may require more time and result in lower prices, due to higher brokerage charges and other selling expenses, than the sale of more marketable assets. Although the REIT believes the Initial Licensed Facility is currently in an attractive marketable position, the ongoing and future marketability of the portfolio will be dependent on numerous other factors, including interest rates, competition from other residential properties and general economic conditions. There can be no assurance that the REIT will be able to sell one or more of the properties in the portfolio at the time that it may be in the best interests of the REIT to sell.

The REIT may have difficulty locating suitable investment opportunities.

The REIT may be unable to find a sufficient number of attractive opportunities to meet its long-term investment objectives.

There can be no assurance that the REIT will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals.

The expiry of leases for the REIT's properties will occur from time to time over the short and long-term. No assurance can be provided that the REIT will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases

may adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

The REIT is subject to privacy and information security risks.

The protection of employee, and company data is critically important to the REIT. The REIT's business requires it, including some of its vendors, to use and store personally identifiable and other sensitive information of its employees. The collection and use of personally identifiable information is governed by U.S. federal and state laws and regulations. Privacy and information security laws continue to evolve and may be inconsistent from one jurisdiction to another. Compliance with all such laws and regulations may increase the REIT's operating costs and adversely impact the REIT's ability to market the REIT's properties and services.

The security measures put in place by the REIT, and such vendors, cannot provide absolute security, and the REIT and its vendors' information technology infrastructure may be vulnerable to criminal cyber-attacks or data security incidents, including, ransom of data, such as, without limitation, employee information, due to employee error, malfeasance, or other vulnerabilities. Any such incident could compromise the REIT's or such vendors' networks, and the information stored by the REIT or such vendors could be accessed, misused, publicly disclosed, corrupted, lost, or stolen, resulting in fraud, including wire fraud related to REIT assets, or other harm. Moreover, if a data security incident or breach affects the REIT's systems or such vendors' systems or results in the unauthorized release of personally identifiable information, the REIT's reputation and brand could be materially damaged and the REIT may be exposed to a risk of loss or litigation and possible liability, including, without limitation, loss related to the fact that agreements with such vendors, or such vendors' financial condition, may not allow the REIT to recover all costs related to a cyber-breach for which they alone or they and the REIT should be jointly responsible for, which could result in a material adverse effect on the REIT's business, results of operations and financial condition.

Privacy and information security risks have generally increased in recent years because of the proliferation of new technologies, such as ransomware, and the increased sophistication and activities of perpetrators of cyber-attacks. In the future, the REIT may expend additional resources to continue to enhance the REIT's information security measures and/or to investigate and remediate any information security vulnerabilities. Despite these steps, there can be no assurance that the REIT will not suffer a data security incident in the future, that unauthorized parties will not gain access to sensitive data stored on the REIT's systems, or that any such incident will be discovered in a timely manner. Further, the techniques used by criminals to obtain unauthorized access to sensitive data, such as phishing and other forms of human engineering, are increasing in sophistication and are often novel or change frequently; accordingly, the REIT may be unable to anticipate these techniques or implement adequate preventative measures.

If the REIT does not allocate and effectively manage the resources necessary to build and sustain reliable information technology infrastructure, fails to timely identify or appropriately respond to cybersecurity incidents, or the REIT's or its third-party vendors' information systems are damaged, destroyed, shut down, interrupted or cease to function properly, the REIT's business could be disrupted and the REIT could, among other things, be subject to: the loss of or failure to attract new employees; the loss of revenue; the loss or unauthorized access to confidential information or other assets; the loss of or damage to trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs.

Because the REIT will lease its properties to a limited number of tenants, and to the extent the REIT depends on a limited number of tenants in the future, the inability of any single tenant to make its lease payments could adversely affect the REIT's business and its ability to make distributions to its Unitholders.

Regardless, lease payment defaults by any of the REIT's tenants or a significant decline in the value of any single property could materially adversely affect the REIT's business, financial position and results of operations, including the REIT's ability to make distributions to its Unitholders. A lack of diversification also increases the potential that a single underperforming investment or tenant could have a material adverse effect on the REIT's cash flows and the price the REIT could realize from the sale of its properties. Any adverse change in the financial condition of any of the REIT's tenants, including but not limited to the state cannabis markets not developing and growing in ways that the REIT or the REIT's tenants projected, or any adverse change in the political climate regarding cannabis where the REIT's properties are located, could subject the REIT to a significant risk of loss.

In addition, failure by any of the REIT's tenants to comply with the terms of its lease agreement with the REIT could require the REIT to find another lessee for the applicable property. The REIT may experience delays in enforcing its

rights as landlord and may incur substantial costs in protecting its investment and re-leasing that property. Furthermore, the REIT cannot assure you that it will be able to re-lease that property for the rental amount the REIT currently receives, or at all, or that a lease termination would not result in the REIT having to sell the property at a loss. The result of any of the foregoing risks could materially and adversely affect the REIT's business, financial condition and results of operations and the REIT's ability to make distributions to its Unitholders.

In the future, the REIT expects to acquire other properties, "as-is," which increases the risk of an investment that requires the REIT to remedy defects or costs without recourse to the prior owner.

The Initial Licensed Facility was acquired on an "as is" basis, with only limited representations and warranties from the property seller regarding matters affecting the condition, use and ownership of the property. The REIT expects that future acquisitions of Licensed Facilities will be undertaken on the same basis. There may also be environmental conditions associated with properties the REIT acquires of which the REIT is unaware despite the REIT's diligence efforts. If environmental contamination exists on properties the REIT acquires or develops after an acquisition, the REIT could become subject to liability for the contamination. As a result, if defects in the property (including any building on the property) or other matters adversely affecting the property are discovered, including but not limited to environmental matters, the REIT may not be able to pursue a claim for any or all damages against the property seller. Such a situation could harm the REIT's business, financial condition, liquidity and results of operations.

If the REIT's cash from operations is insufficient to meet its current or future operating needs, expenditures and debt service obligations, its business, financial condition and results of operations may be materially and adversely affected.

The REIT may require additional cash resources due to changing business conditions or other future developments, including any marketing initiatives, investments or acquisitions. To the extent it is unable to generate sufficient cash flow, the REIT may be forced to cancel, reduce or delay these activities. Alternatively, if the REIT's sources of funding are insufficient to satisfy its cash requirements, it may seek to obtain a credit facility or sell equity or debt securities. The sale of equity securities would result in dilution of the REIT's existing Unitholders. The incurrence of indebtedness would result in increased debt service obligations and operating and financing covenants that could restrict the REIT's operations.

The REIT's ability to generate cash to meet its operating needs, expenditures and debt service obligations will depend on its future performance and financial condition, which will be affected by financial, business, economic, legislative, regulatory and other factors, including potential changes in costs, pricing, the success of product innovation and marketing, competitive pressure and customer preferences. If the REIT's cash flows and capital resources are insufficient to fund its debt service obligations and other cash needs, it could face substantial liquidity problems and could be forced to forego growth opportunities, reduce or delay investments and capital expenditures, dispose of material assets or operations, seek additional debt or equity capital, or restructure or refinance its indebtedness.

Furthermore, it is uncertain whether financing will be available in amounts or on terms acceptable to the REIT, if at all, which could have a material adverse effect on its business, financial condition and results of operations.

The REIT is subject to financial reporting and other public company requirements. Failure to maintain adequate financial and management processes and controls could lead to errors in the REIT's financial reporting, which could harm its business and cause a decline in the price of its securities.

The REIT is subject to reporting and other obligations under applicable Canadian securities laws and rules of the CSE, and any other stock exchange on which the REIT's securities are then-listed, including NI 52-109. These reporting and other obligations will place significant demands on the REIT's management, administrative, operational and accounting resources. If the REIT is unable to accomplish any such necessary objectives in a timely and effective manner, its ability to comply with its financial reporting obligations and other rules applicable to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause the REIT to fail to satisfy its reporting obligations or result in material misstatements in its financial statements.

The REIT does not expect that its disclosure controls and procedures and internal controls over financial reporting will prevent all error or fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative

to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all. If the REIT cannot provide reliable financial reports or prevent fraud, the REIT's reputation and operating results could be materially adversely affected which could also cause investors to lose confidence in the REIT's reported financial information, which could result in a reduction in the trading price of the Units.

The REIT may lose its "foreign private issuer" status under applicable U.S. securities laws in the future, which could result in significant additional cost and expense.

The REIT is expected to be a foreign private issuer under applicable U.S. securities laws. This status will depend on the proportion of Units owned by US residents, which may fluctuate over time. Specifically, if, as of the last business day of the REIT's second fiscal quarter for any year, the REIT determines that more than 50% of its outstanding voting securities are directly or indirectly held of record by residents of the United States, effective on the first day of its fiscal year immediately succeeding such determination the REIT will no longer meet the definition of a foreign private issuer.

If the REIT loses this status, it would be required to comply with the Exchange Act reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers. The REIT would also be required under current SEC rules to prepare its financial statements in accordance with U.S. GAAP and modify certain of its governance practices in accordance with various SEC rules. The regulatory and compliance costs to it under U.S. securities laws if the REIT is required to comply with the reporting requirements applicable to a U.S. domestic issuer will likely be higher than the cost it would incur as a foreign private issuer. As a result, we expect that a loss of foreign private issuer status would increase the REIT's legal and financial compliance costs and may have a negative impact on the REIT's overall business, financial condition and results of operations.

As a further consequence to losing foreign private issuer status, any securities issued by the REIT in unregistered or unqualified offerings both within and outside the United States will be "restricted securities" (as defined in Rule 144(a)(3) under the Securities Act), and will continue to be subject to United States resale restrictions notwithstanding their resale in "offshore transactions" pursuant to Regulation S under the U.S. Securities Act. As a practical matter, this will likely require the REIT to register more offerings of its securities under the U.S. Securities Act on either a primary offering or resale basis, even if they take place entirely outside the United States.

The REIT is subject to insurance-related risks including as a result of the REIT's involvement in cannabis industries and/or those closely associated with cannabis.

The REIT maintains or will maintain certain insurance, including director and officer insurance, liability insurance, workers compensation insurance, professional liability insurance and property insurance. The REIT's insurance coverage includes deductibles, premiums and similar provisions. However, there is no guarantee that the REIT's insurance coverage will be sufficient, or that insurance proceeds will be paid in a timely manner to the REIT. In addition, there are types of losses the REIT may incur but against which the REIT cannot be insured or which it believes are not economically reasonable to insure, such as losses due to acts of war or certain natural disasters. If the REIT incurs these losses and they are material, the REIT's business, operating results and financial condition may be adversely affected. Also, certain material events may result in sizable losses for the insurance industry and may materially adversely impact the availability of adequate insurance coverage or result in significant premium increases. Accordingly, the REIT may elect to self-insure, accept higher deductibles or reduce the amount of coverage in response to such market changes.

Moreover, insurance that is otherwise readily available, such as workers' compensation, general liability, and directors' and officers' insurance, may be more difficult for the REIT to find and more expensive, because the REIT may lease the properties comprising the Initial Licensed Facility to companies that operate in cannabis industries and/or those closely associated with cannabis. There are no guarantees that the REIT will be able to find such insurances, or that the cost will be affordable to the REIT. If the REIT is forced to go without such insurances, it may prevent the REIT from entering into certain business sectors, may inhibit the REIT's growth, and may expose the REIT to additional risk and financial liabilities.

Parties with whom the REIT will do business with may be subject to insolvency risks or may otherwise become unable or unwilling to perform their obligations to the REIT.

The REIT will be party to contracts, transactions and business relationships with various third parties, notably tenants. If any of these third parties were to become subject to bankruptcy, receivership or similar proceedings, the REIT's rights and benefits in relation to its contracts, transactions and business relationships with such third parties could be terminated, modified in a manner adverse to the REIT or otherwise impaired. The REIT cannot make any assurances that it would be able to arrange for alternate or replacement contracts, transactions or business relationships on terms as favorable as its existing contracts, transactions or business relationships, if at all. Any inability on the REIT's part to do so could have a material adverse effect on its business and results of operations.

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect the REIT's reported financial results or financial condition.

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to the REIT's business, including but not limited to revenue recognition, impairment of goodwill and intangible assets, inventory, income taxes and litigation, are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation, or changes in underlying assumptions, estimates or judgments, could significantly change the REIT's reported financial performance or financial condition in accordance with generally accepted accounting principles.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about the REIT or its business, the Unit trading price and volume could decline.

The trading market for Units will depend in part on the research and reports that securities or industry analysts publish about the REIT or its business. If no securities or industry analysts commence covering the REIT, the trading price for Units would be negatively impacted. If the REIT obtains securities or industry analyst coverage and if one or more of the analysts who cover the REIT downgrade Units or publish inaccurate or unfavorable research about the REIT's business, the REIT's trading price may decline. If one or more of these analysts cease coverage of the REIT or fail to publish reports on the REIT regularly, demand for Units could decrease, which could cause the Units trading price and volume to decline.

The REIT's future real estate investments may consist of primarily industrial properties suitable for cultivation and production of cannabis, which may be difficult to sell or re-lease upon tenant defaults or early lease terminations, either of which would adversely affect returns to Unitholders.

While the REIT's business objectives consist of principally acquiring and deriving rental income from Licensed Facilities, the REIT expects that at times the REIT will deem it appropriate or desirable to sell or otherwise dispose of certain of the properties the REIT acquires. Industrial properties may be relatively illiquid compared to other types of real estate and financial assets. This illiquidity could limit the REIT's ability to quickly dispose of properties in response to changes in regulatory, economic or other conditions. Therefore, the REIT's ability at any time to sell assets may be restricted and this lack of liquidity may limit the REIT's ability to make changes to the REIT's portfolio promptly, which could materially and adversely affect the REIT's financial performance. The REIT cannot predict the various market conditions affecting the properties that it expects to acquire that will exist in the future. Due to the uncertainty of regulatory and market conditions which may affect the future disposition of the real estate assets the REIT expects to acquire, the REIT cannot assure you that the REIT will be able to sell acquired assets at a profit in the future. Accordingly, the extent to which the REIT will realize potential appreciation on the real estate investments the REIT expects to acquire will depend upon regulatory and other market conditions.

Contingent or unknown liabilities could materially and adversely affect the REIT's business, financial condition, liquidity and results of operations.

The REIT may in the future acquire properties, subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. As a result, if a claim were asserted against the REIT based on ownership of any of these properties, the REIT may have to pay substantial amounts to defend or settle the claim. If the magnitude of such unknown liabilities is high, individually or in the aggregate, the REIT's business, financial condition, liquidity and results of operations would be materially and adversely affected.

The REIT may be subject to legal proceedings from time to time.

Legal proceedings may arise from time to time in the course of the REIT's business. All industries are subject to legal claims, with and without merit. Such legal claims may be brought against the REIT or one or more of its subsidiaries in the future from time to time. Defense and settlement costs of legal claims can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, such process could take away from management time and effort and the resolution of any particular legal proceeding to which the REIT may become subject could have a material effect on the REIT's financial position and results of operations.

Risk Factors Related to Owning Real Estate Assets used in Cannabis Industries and/or those Closely Associated with Cannabis Industries

While Regulated Cannabis is legal in many U.S. state jurisdictions, it continues to be a controlled substance under the United States federal CSA.

Cannabis is largely regulated at the state level in the United States. To the REIT's knowledge, there are to date a total of 47 states, plus the District of Columbia, and four of the five permanently inhabited U.S. territories that have legalized or decriminalized some form of Regulated Cannabis. Notwithstanding the permissive regulatory environment of Medical-Use Cannabis at the state level, all Regulated Cannabis continues to be categorized as a controlled substance under the CSA and as such, violates federal law in the United States.

The United States Congress has passed appropriations bills each of the last three years that have not appropriated funds for prosecution of cannabis offenses of individuals who are in compliance with state Medical-Use Cannabis laws – but those restrictions do not extend to Adult-Use Cannabis laws. See discussion of the Rohrabacher/Blumenauer Amendment below. American courts have construed these appropriations bills to prevent the U.S. federal government from prosecuting individuals when those individuals comply with state law concerning Medical-Use Cannabis. However, because this conduct continues to violate U.S. federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business – even those that have fully complied with state law – could be prosecuted for violations of U.S. federal law. And if Congress restores funding, the government will have the authority to prosecute individuals for violations of the law before it lacked funding under the CSA's five year statute of limitations.

Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the REIT, including its reputation and ability to manage real estate assets in the cannabis industry, the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded units. In addition, it is difficult to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

The approach to the enforcement of Regulated Cannabis laws may be subject to change or may not proceed as previously outlined.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in Regulated Cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored the Cole Memorandum addressed to all United States district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several U.S. states have enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of Regulated Cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice has never

provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to cannabis. States where Medical-Use Cannabis had been legalized were not characterized as a high priority. In March 2017, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit; however, he disagreed that it had been implemented effectively and, on January 4, 2018, Attorney General Jeff Sessions authored the Sessions Memorandum, which rescinded the Cole Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of United States attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principles are included in chapter 9.27.000 of the United States Attorneys' Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community.

As a result of the Sessions Memorandum, federal prosecutors are free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active federal prosecutors will be in relation to such activities. Furthermore, the Sessions Memorandum did not discuss the treatment of Medical-Use Cannabis by federal prosecutors.

Following the inauguration of Joseph R. Biden as U.S. President in January 2021, Merrick Garland is now the U.S. Attorney General. During his confirmation hearing, and in the ensuing months, Garland took a similar stance as his predecessor, and affirmed that prosecution of businesses and individuals operating in compliance with state law is not a good use of Department of Justice resources. However, he has expressed continued concern over international transport of large amounts of illicit cannabis from other nations—namely Mexico—and large-sale domestic cultivation of illicit cannabis.

In recent years, certain temporary federal legislative enactments that protect the Medical-Use Cannabis industry have also been in effect. For instance, cannabis businesses that are in strict compliance with state law receive a measure of protection from federal prosecution by operation of a temporary appropriations measure that has been enacted into law as an amendment (or “rider”) to federal spending bills passed by Congress and signed by both Presidents Obama and Trump. First adopted in the Appropriations Act of 2015, Congress has included in successive budgets since a “rider” that prohibits the Department of Justice from expending any funds to enforce any law that interferes with a state’s implementation of its own Medical-Use Cannabis laws. The rider, discussed above, is known as the Rohrabacher/Blumenauer Amendment or “Rohrabacher-Farr Amendment”. The Rohrabacher/Blumenauer Amendment (now known colloquially as the “Joyce Amendment” after its most recent sponsors) was most recently included in the Extending Government Funding and Delivering Emergency Assistance Act, which was signed by President Biden on September 30, 2021, and extends the Rohrabacher/Blumenauer Amendment through December 3, 2021.

Should the Rohrabacher/Blumenauer Amendment not be renewed in subsequent spending bills, there can be no assurance that the federal government will not seek to prosecute cases involving Medical-Use Cannabis businesses that are otherwise compliant with state law. Such potential proceedings could involve significant restrictions being imposed upon the REIT or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the REIT’s business, revenues, operating results and financial condition as well as the REIT’s reputation, even if such proceedings were concluded successfully in favor of the REIT.

Moreover, unless and until the U.S. Congress amends the CSA with respect to Medical-Use Cannabis and/or Adult-Use Cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current U.S. federal law. If the U.S. federal government begins to enforce U.S. federal laws relating to Regulated Cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, the REIT’s business, assets, revenues, operating results and financial condition as well as the REIT’s reputation may be materially and adversely effected. In the extreme case, such enforcement could ultimately involve the prosecution of key executives of the REIT or the seizure of its assets.

FDA rulemaking related to Medical-Use Cannabis and the possible registration of facilities where Medical-Use Cannabis is grown could negatively affect the Medical-Use Cannabis industry, which would directly affect our financial condition.

Should the federal government legalize Medical-Use Cannabis, it is possible that the U.S. Food and Drug Administration (“FDA”) would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. The Farm Bill preserved FDA’s authority to regulate products containing cannabis or cannabis-derived compounds, regardless of whether the cannabis or cannabis-derived compounds are classified as hemp.²⁰ Additionally, the FDA may issue rules and regulations including current good manufacturing practice, or cGMPs, related to the growth, cultivation, harvesting and processing of Medical-Use Cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where Medical-Use Cannabis is grown register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, we do not know what the impact would be on the Medical-Use Cannabis industry, including what costs, requirements and possible prohibitions may be enforced. If we or our tenants are unable to comply with the regulations or registration as prescribed by the FDA, we and or our tenants may be unable to continue to operate their and our business in its current form or at all.

The REIT may be subject to applicable anti-money laundering laws and regulations.

Given the nature of its business, the REIT may be subject to a variety of laws and regulations in Canada and in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the *Currency and Foreign Transactions Reporting Act of 1970* (commonly known as the Bank Secrecy Act), as amended by Title III of the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001* (USA PATRIOT Act), the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada.

In February 2014, the U.S. Financial Crimes Enforcement Network of the Treasury Department issued a memorandum providing guidance to banks seeking to provide services to cannabis related businesses (the “**FinCEN Memorandum**”). The FinCEN Memorandum (which is not law) states that in some circumstances, it is permissible for banks to provide services to cannabis related businesses without risking prosecution for violation of U.S. federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to U.S. federal prosecutors relating to the prosecution of U.S. money laundering offenses predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memorandum.

In the event that the REIT’s investments, or any proceeds thereof, any distributions therefrom, or any profits or revenues accruing from investments in cannabis related real estate businesses and/or assets in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the REIT to declare or pay distributions, effect other distributions or subsequently repatriate such funds back to Canada.

Tenants operating in cannabis industries and/or those closely associated with cannabis may be subject to significant regulatory risks, and new laws that are adverse to the business of the REIT’s tenants may be enacted.

The REIT’s tenants will be entities operating in Regulated Cannabis industries and/or those closely associated with Regulated Cannabis. Laws applicable to such entities may be amended or repealed, or new laws may be enacted in the future which may negatively impact such operations. If the REIT’s tenants are forced to close their operations, the REIT may need to replace those tenants with tenants who are not engaged in such industries, who may pay lower rents. Moreover, any changes in applicable laws that negatively impacts entities operating in Regulated Cannabis industries and/or those closely associated with Regulated Cannabis would likely result in a high vacancy rate for the

²⁰ The 2018 Farm Bill removed “hemp” from the list of controlled substances under the CSA. “Hemp” is defined under federal law by the concentration of THC. Specifically, “hemp” the plant *Cannabis sativa L.* and “any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers,” with no more than a 0.3 percent concentration of THC by dry weight.

kinds of properties that the REIT seeks to acquire, which would depress the REIT's lease rates and property values. In addition, the REIT would realize an economic loss on any and all improvements made to properties that were specific to operating in Regulated Cannabis industries and/or those closely associated with cannabis.

Certain events or developments in the Regulated Cannabis industry more generally and social media may impact the REIT's reputation.

Damage to the REIT's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not. Cannabis has often been associated with various other narcotics, violence and criminal activities, the risk of which is that the REIT's business might attract negative publicity if it owns cannabis related real estate businesses and/or assets. There is also risk that the action(s) of other participants, companies and service providers in the cannabis industry may negatively affect the reputation of the industry as a whole and thereby negatively impact the reputation of the REIT.

The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regards to issuers and their activities, whether true or not and the cannabis industry in general, whether true or not. Negative posts or comments about the REIT or its properties on any social networking website could damage the REIT's reputation. In addition, employees or others might disclose non-public sensitive information relating to the REIT's business through external media channels. The continuing evolution of social media will present the REIT with new challenges and risks.

The REIT does not ultimately have direct control over how it or the cannabis industry is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the REIT's overall ability to advance its business strategy and realize on its growth prospects.

Third parties with whom the REIT may do business may perceive themselves as being exposed to reputational risk as a result of their relationship with the REIT.

The parties with which the REIT may do business may perceive that they are exposed to reputational risk as a result of the REIT's cannabis-related real estate activities. Failure to establish or maintain business relationships due to reputational risk arising in connection with the nature of the REIT's cannabis-related real estate activities could have a material adverse effect on the REIT's business, assets, financial condition and results of operations.

Future investments or acquisitions by the REIT may be subject to heightened scrutiny.

Future cannabis related real estate investments or acquisitions by the REIT, which are expected to be in the United States, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the REIT may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the REIT's ability to invest in the United States or any other jurisdiction.

The REIT may be subject to measures that would restrict the ability of the REIT's investors to trade its securities.

Subject to certain exceptions, registration of the Units and transfers thereof held through CDS, or its nominee, will be made electronically through the NCI system of CDS. CDS provides and facilitates reliable, cost-effective depository, clearing, regulatory and other information services to securities market participants. Among other things, CDS is used in connection with clearing and settling eligible Canadian exchange-traded and over-the-counter equity, debt and money market transactions, settling Canadian exchange-traded derivatives, broker-to-broker trade matching, depository and custodial services, ledger-keeping as well as real-time messaging and flexible interfaces to and from CDS and its participants.

Given the heightened risk profile associated with cannabis in the United States, CDS may implement procedures or protocols that would prohibit or significantly curtail the ability of CDS to settle trades for cannabis entities that have cannabis businesses or assets in the United States. It is not certain whether CDS will decide to enact such measures, nor whether it has the authority to do so unilaterally. Nevertheless, on February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced

the signing of a Memorandum of Understanding (the “**TMX MOU**”) with the NEO Exchange, the Canadian Securities Exchange, the TSX and the TSX Venture Exchange. The TMX MOU outlines the parties’ understanding of Canada’s regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of Units to make and settle trades. In particular, the Units would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Units through the facilities of a stock exchange.

U.S. border officials could deny entry into the U.S. to employees of, or investors in the REIT.

Since cannabis remains illegal under U.S. federal law, those employed at or investing in the REIT could face detention, denial of entry or lifetime bans from the U.S. for their business associations with the REIT. Entry happens at the sole discretion of the U.S. Customs and Border Protection officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The Government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. In addition, business or financial involvement in the legal cannabis industry in the United States, including U.S. cannabis related real estate businesses and/or assets could also be reason enough for U.S. border guards to deny entry. On September 21, 2018, U.S. Customs and Border Protection released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that U.S. Customs and Border Protection enforcement of United States laws regarding controlled substances has not changed and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal cannabis industry in U.S. states where it is deemed legal may affect admissibility to the U.S. On October 9, 2018, U.S. Customs and Border Protection updated its statement to clarify that Canadian citizens who work in the Regulated Cannabis industry will generally be admissible to the U.S. if their entry is for purposes unrelated to the cannabis industry. However, if their entry is for a reason related to the cannabis industry, they may be deemed inadmissible. Denial of entry or ban from entry into the U.S. for key executives of the REIT could affect their ability to conduct the business of the REIT, and could otherwise have a material adverse effect on the REIT.

The REIT may have difficulty accessing the services of banks, which may make it difficult for the REIT to operate its business as it requires access to capital.

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties, as well as to fund its growth strategy and certain capital expenditures from time to time. There can be no assurances that the REIT will otherwise have access to sufficient capital or access to capital on terms favorable to the REIT for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. Further, in certain circumstances, the REIT may not be able to borrow funds due to the limitations set forth in the Second A&R LP Agreement. Market conditions and unexpected volatility or illiquidity in financial markets may inhibit the REIT’s access to long-term financing in the Canadian capital markets. As a result, it is possible that financing which the REIT may require in order to grow and expand its operations, upon the expiry of the term of financing, upon refinancing any particular property owned by the REIT or otherwise, may not be available or, if it is available, may not be available on favorable terms to the REIT. Failure by the REIT to access required capital could have a material adverse effect on the REIT’s business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

The REIT may have trouble accessing services of financial institutions. For example, as discussed above, the FinCEN Memorandum provides guidance with respect to financial institutions providing banking services to cannabis businesses, including burdensome due diligence expectations and reporting requirements. This guidance does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the Department of Justice, FinCEN, or other federal regulators. Thus, many banks and other financial institutions in the United States do not appear to be comfortable providing banking services to cannabis-related businesses, or relying on this guidance, which can be amended or revoked at any time by the executive branch. In addition to the foregoing, banks may refuse to process debit card payments, and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the REIT may have limited or no access to banking or other financial services in the United States. In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance,

regardless of whether the state it resides in permits cannabis sales. While the United States House of Representatives has passed the SAFE Banking Act, which would permit commercial banks to offer services to cannabis companies that are in compliance with state law, it remains under consideration by the Senate, and if Congress fails to pass the SAFE Banking Act, the REIT's inability, or limitations on the REIT's ability, to open or maintain bank accounts and/or obtain other banking services may make it difficult for the REIT to operate and conduct its business as planned or to operate efficiently.

There may be a restriction on the deduction of certain expenses.

Section 280E of the Code provides that, with respect to any taxpayer, no deduction or credit is allowed for expenses incurred during a taxable year "in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of Schedule I and II of the CSA) which is prohibited by federal law or the law of any State in which such trade or business is conducted." Because cannabis is a Schedule I controlled substance, Section 280E currently applies to businesses operating in the cannabis industry, irrespective of whether such businesses that are licensed and operating in accordance with applicable state laws. The REIT's tenants will likely be subject to Section 280E. If the IRS were to take the position that, through the REIT's lease agreements with its cannabis tenants, the REIT is primarily or vicariously liable under federal law for "trafficking" a Schedule I substance (cannabis) under Section 280E of the Code or for any other violations of the CSA, the IRS may seek to apply the provisions of Section 280E to the REIT and disallow certain tax deductions, including for employee salaries, depreciation or interest expense. The application of Code Section 280E to the REIT may adversely affect its profitability and, in fact, may cause the REIT to operate at a loss. While recent legislative proposals, if enacted into law, could eliminate or diminish the application of Code Section 280E to cannabis businesses, the enactment of any such law is uncertain. Furthermore, the REIT may be unable to meet the distribution requirements applicable to real estate investment trusts under the Code, which could cause the REIT to incur U.S. federal income tax and fail to qualify as a real estate investment trust. Because the REIT will not be engaged in the purchase and/or sale of a controlled substance, the REIT does not believe that it will be subject to the disallowance provisions of Section 280E, and neither the REIT nor its tax advisors are aware of any tax court cases or guidance from the IRS in which a taxpayer not engaged in the purchase or sale of a controlled substance was disallowed deductions under Section 280E. However, there is no assurance that the IRS will not take such a position either currently or in the future.

There may be a lack of access to U.S. bankruptcy protections.

As discussed above, cannabis is illegal under federal law. Therefore, there is a compelling argument that the federal bankruptcy courts cannot provide relief for parties who engage in Regulated Cannabis businesses. Recent bankruptcy rulings have denied bankruptcies for dispensaries upon the justification that businesses cannot violate federal law and then claim the benefits of federal bankruptcy for the same activity and upon the justification that courts cannot ask a bankruptcy trustee to take possession of, and distribute Regulated Cannabis-related assets as such action would violate the CSA. Therefore, we may not be able to seek the protection of the bankruptcy courts and this could materially affect our business or our ability to obtain credit.

There may be difficulty with the enforceability of contracts.

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Because cannabis remains illegal in the United States at a federal level, judges in multiple U.S. states have on a number of occasions refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate federal law, even if there is no violation of state law. It is possible that the REIT may not be able to legally enforce contracts (including leases) the REIT enters into if necessary, which means there can be no assurance that there will be a remedy for breach of contract, which would have a material adverse effect on the REIT's business, assets, revenues, operating results, financial condition and prospects. For example, at least some federal courts have dismissed lawsuits seeking to enforce contracts involving the purchase or sale of Regulated Cannabis businesses.

The ability to grow any real estate business with ties to cannabis operations in the United States depends on state laws pertaining to the cannabis industry.

Continued development of the medical and/or recreational-use cannabis industry depends upon continued legislative authorization of cannabis at the state level. The status quo of, or progress in, the regulated medical and/or recreational-use cannabis industry is not assured and any number of factors could slow or halt further progress in this area. While

there may be ample public support for legislative action permitting the manufacture and use of cannabis, numerous factors impact the legislative process. For example, many states that voted to legalize medical and/or Adult-Use Cannabis have seen significant delays in the drafting and implementation of industry regulations and issuance of licenses. In addition, burdensome regulation at the state level could slow or stop further development of the Regulated Cannabis industry, including (but not limited to) restricting the type and extent of permissible investment and business relationships with and among Regulated Cannabis businesses, limiting the medical conditions for which medical cannabis can be recommended by physicians for treatment, restricting the form in which medical cannabis can be consumed, imposing significant registration requirements on physicians and patients or imposing significant taxes on the growth, processing and/or retail sales of cannabis, all of which could have the impact of dampening growth for cannabis related real estate businesses and/or assets and making it difficult for cannabis related real estate businesses and/or assets to operate profitably in those states. Any one of these factors could slow or halt additional legislative authorization of Medical-Use and/or Adult-Use Cannabis, which could harm the REIT's business prospects.

Risk Factors Related to Tax

Changes in tax law may have a material adverse effect on the REIT's business, financial condition and results of operations.

Changes in laws and policy relating to taxes may have an adverse effect on the REIT's business, financial condition and results of operations. Potential tax reforms in the United States, Canada, Ontario and other jurisdictions in which the REIT operates may result in significant changes to current federal and provincial tax rules and regulations. These changes could have a material adverse effect on the REIT's business, results of operations and liquidity.

The REIT is resident in Canada for purposes of the Tax Act and is treated as a domestic corporation in the U.S. under the Code.

As a result, the REIT is generally taxable on its worldwide income in both Canada and the U.S. However, in both jurisdictions, the REIT generally will not be subject to tax on the portion of its income that it distributes to Unitholders (subject to certain limitations and exceptions). Management of the REIT is of the view that the status of the REIT as taxable in both Canada and the U.S. is not likely to give rise to any material adverse consequences in the future as it is not anticipated that the REIT will be subject to material federal income tax in either Canada or the U.S. Nevertheless, the REIT's status as taxable on its worldwide income in both Canada and the U.S. could, in certain circumstances, have a material adverse effect on the REIT and the Unitholders. As a result of the REIT being resident in both Canada and the U.S., withholding taxes of both Canada and the U.S. will be relevant to distributions by the REIT and could result in double taxation to certain investors and other consequences.

The REIT ceasing to qualify as a "mutual fund trust", and changes to the treatment of "mutual fund trusts", may be adverse to Unitholders.

The REIT intends to qualify at all relevant times as a "unit trust" and a "mutual fund trust" for purposes of the Tax Act. There can be no assurance that Canadian federal income tax laws or the administrative policies and assessing practices of the CRA respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders. Should the REIT cease to qualify as a mutual fund trust under the Tax Act, the Canadian income tax considerations associated with an investment in Units could be materially and adversely different in certain respects.

If the SIFT Rules were to apply to the REIT, they could adversely affect Unitholders.

The SIFT Rules will apply to a trust that is a SIFT trust for purposes of the Tax Act. The REIT will not be considered to be a SIFT trust in respect of a particular taxation year and, accordingly, will not be subject to the SIFT Rules in that year, if it does not own any "non-portfolio property" (as defined in the Tax Act) and does not carry on business in Canada in that year. The REIT has not owned and does not currently intend to own any non-portfolio property, nor has it carried on or does it currently intend to carry on a business in Canada.

In the event that the SIFT Rules were to apply to the REIT, the impact to a particular Unitholder will depend on the status of such Unitholder and, in part, on the amount of income distributed which would not be deductible by the REIT in computing its income in a particular year and what portions of the REIT's distributions constitute "non-portfolio earnings", other income and returns of capital. The likely effect of the SIFT Rules on the market for Units and on the

REIT's ability to finance future acquisitions through the issue of Units or other securities is uncertain. If the SIFT Rules were to apply to the REIT, they could adversely affect the marketability of the Units, the amount of cash available for distribution and the after-tax return to investors.

Certain Unitholders may not be able to effectively utilize U.S. taxes paid by the Unitholder through foreign tax credits or foreign tax deductions.

The after-tax return from an investment in Units to a Unitholder resident in Canada for the purposes of the Tax Act will depend in part on the Unitholder's ability to effectively utilize U.S. taxes paid by the Unitholder through foreign tax credits or foreign tax deductions under the Tax Act. A Unitholder's ability to effectively utilize U.S. taxes through foreign tax credits or foreign tax deductions may be affected where the Unitholder does not have sufficient taxes otherwise payable under Part I of the Tax Act or sufficient U.S. source income in the taxation year the U.S. taxes are paid (including having regard to differences between the composition of distributions made by the REIT for Canadian and U.S. tax purposes) or where the Unitholder has other U.S. sources of income or losses, has paid other U.S. taxes or, in certain circumstances, has not filed a U.S. federal income tax return. Furthermore, the ability to effectively utilize foreign tax credits or foreign tax deductions will be dependent upon the Canadian federal and provincial tax rates and U.S. tax rates that will apply in future years to applicable sources of income. Unitholders are therefore advised to consult their own tax advisors in regards to foreign tax credits and foreign tax deductions, including having regard to the differences between the composition of distributions made by the REIT for Canadian and U.S. tax purposes and to their own circumstances.

A Unitholder that is an Exempt Plan will generally not be entitled to a foreign tax credit or deduction under the Tax Act in respect of any U.S. tax paid by the Exempt Plan.

A Unitholder that is an Exempt Plan will generally not be entitled to a foreign tax credit or deduction under the Tax Act in respect of any U.S. tax paid by the Exempt Plan (including any U.S. withholding tax imposed on distributions paid to an Exempt Plan). As a result, the after-tax return from an investment in Units to a Unitholder that is an Exempt Plan may be adversely affected to the extent that U.S. taxes are imposed in respect of such Unitholder's investment.

Unitholders may not be entitled to a foreign tax credit in respect of certain additional U.S. tax on a disposition of the Units and on certain distributions by the REIT.

As discussed below, a Unitholder may be subject to additional U.S. tax on a disposition of the Units and on certain distributions by the REIT, if (i) the Unitholder holds, or has held, actually or constructively, more than 10% of the outstanding Units, as determined for U.S. federal income tax purposes, or (ii) the CSE Publicly Traded Exception or the U.S. Publicly Traded Exception are not satisfied. The proceeds receivable on a disposition of a Unit may not qualify as U.S. source income for purposes of the Tax Act (including for Canadian foreign tax credit purposes), and beneficiaries of certain Unitholders that are trusts may not be considered to have paid such tax for purposes of the Tax Act. Accordingly, Unitholders may not be entitled to a foreign tax credit in respect of such U.S. tax for Canadian tax purposes.

The inclusion of FAPI in computing income of the REIT will increase the allocation of income by the REIT to Unitholders.

FAPI earned directly or indirectly by US Holdco and any other CFA (including through any subsidiary partnerships) of the REIT must be included in computing the income of the REIT for the fiscal year of the REIT in which the taxation year of US Holdco (or such other CFA) ends, subject to a deduction for grossed-up FAT as computed in accordance with the Tax Act. It is not anticipated that the deduction for grossed-up FAT will materially offset FAPI realized by the REIT, and accordingly any FAPI realized generally will increase the allocation of income by the REIT to Unitholders. In addition, as FAPI generally must be computed in accordance with Part I of the Tax Act as though the CFA were a resident of Canada (subject to the detailed rules contained in the Tax Act), income or transactions may be taxed differently under foreign tax rules as compared to the FAPI rules and, accordingly, may result in additional income being allocated to Unitholders. For example, certain transactions that do not give rise to taxable income under the Code may still give rise to FAPI for purposes of the Tax Act.

Distributions by the REIT may be subject to withholding tax.

The Tax Act may impose withholding or other taxes on distributions made by the REIT to a Unitholder that is a “non-resident” of Canada within the meaning of the Tax Act or a partnership that is not a “Canadian Partnership” within the meaning of the Tax Act (“**Non-Residents**”). Further, because the REIT is both resident in Canada for purposes of the Tax Act and treated as a domestic corporation in the U.S. under the Code, withholding taxes of both Canada and the U.S. will be relevant to Unitholders who are both Non-Residents and Non-U.S. Holders and could, in certain circumstances, result in both Canadian and U.S. withholding tax applying to certain distributions to certain investors and other consequences. Unitholders who are Non-Residents should consult their own tax advisors.

The REIT may realize gains and losses for tax purposes and FAPI as a result of certain conversions into Canadian currency.

For purposes of the Tax Act, the REIT generally is required to compute its Canadian tax results, including any FAPI earned, using Canadian currency. Where an amount that is relevant in computing the REIT’s Canadian tax results is expressed in a currency other than Canadian currency, such amount must be converted to Canadian currency using the appropriate exchange rate determined in accordance with the detailed rules in the Tax Act. As a result, the REIT may realize gains and losses for tax purposes and FAPI by virtue of the fluctuation of the value of foreign currencies relative to Canadian dollars.

Changes in Canadian federal income tax laws may be adverse to REIT and Unitholders.

There can be no assurance that Canadian federal income tax laws, the judicial interpretation thereof, the terms of the Treaty, or the administrative policies and assessing practices of the CRA will not be changed in a manner that adversely affects the REIT or Unitholders. Any such change could increase the amount of tax payable by the REIT or its affiliates or could otherwise adversely affect Unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to Unitholders in respect of such distributions.

There can be no assurance that the Units will continue to be qualified investments for Exempt Plans under the Tax Act.

There can be no assurance that the Units will continue to be qualified investments for Exempt Plans under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified or prohibited investments by trusts governed by Exempt Plans.

Taxable income distributed to Unitholders may exceed the amount of cash distributed by the REIT to Unitholders.

Whether or not the REIT pays cash distributions in a particular year, it is expected that the REIT will make sufficient distributions, including distributions in the form of additional Units if sufficient cash distributions are not paid, to ensure that the REIT is not subject to nonrefundable tax under Part I of the Tax Act for the year. Accordingly, Unitholders may be subject to tax under the Tax Act on their share of the REIT’s income regardless of whether cash distributions are paid, and may be distributed taxable income from the REIT that exceeds the amount of cash distributed to them by the REIT.

The REIT may not qualify as a real estate investment trust for U.S. federal income tax purposes.

The REIT intends to operate in a manner that will allow it to qualify as a real estate investment trust for U.S. federal income tax purposes. The REIT has not requested and does not intend to request a ruling from the IRS as to its real estate investment trust qualification. The REIT’s qualification as a real estate investment trust will depend on the REIT’s satisfaction of certain asset, income, organizational, distribution, Unitholder ownership and other requirements on a continuing basis. Accordingly, given the complex nature of the rules governing real estate investment trusts, the ongoing importance of factual determinations, including the potential tax treatment of investments the REIT makes, and the possibility of future changes in the REIT’s circumstances, no assurance can be given that the REIT’s actual results of operations for any particular taxable year will satisfy such requirements. Moreover, no assurance can be given that legislation, new regulations, administrative interpretations or court decisions will not change the tax laws with respect to qualification as a real estate investment trust or the U.S. federal income tax consequences of that qualification.

If the REIT fails to qualify as a real estate investment trust in any calendar year, it would be required to pay U.S. federal income tax (and any applicable state and local tax) on its taxable income at regular corporate rates, and

dividends paid to the Unitholders would not be deductible by the REIT in computing its taxable income and would be taxable to the Unitholders under the rules generally applicable to corporate distributions.

A loss of real estate investment trust status would reduce the net earnings available for investment or distribution to Unitholders because of the additional tax liability which in turn could have an adverse impact on the value of the Units. Unless its failure to qualify as a real estate investment trust was subject to relief under U.S. federal tax laws, the REIT could not re-elect to qualify as a real estate investment trust until the fifth calendar year following the year in which it failed to qualify.

The REIT may be deemed to be a non-U.S. corporation for U.S. federal income tax purposes, impacting its ability to qualify as a real estate investment trust.

The REIT intends to rely on Section 7874 to be classified as a domestic corporation for U.S. federal income tax purposes. Under U.S. federal income tax law, an entity which is organized under the laws of Canada would generally be classified as a non-U.S. entity for U.S. federal income tax purposes. Section 7874 provides an exception to this general rule under which a non-U.S. entity may, in certain circumstances, be treated as a U.S. corporation for U.S. federal income tax purposes. These rules are complex and there is limited guidance regarding their application.

If the REIT were deemed to be a non-U.S. corporation for U.S. federal income tax purposes, the REIT would fail to qualify as a real estate investment trust, and the intended benefits of the structure would not be achieved. This would result in adverse tax consequences. Additionally, the REIT could not re-elect to qualify as a real estate investment trust.

The REIT may not be able to meet the distribution requirements to qualify as a real estate investment trust for U.S. federal income tax purposes.

To qualify as a real estate investment trust for U.S. federal income tax purposes, the REIT generally must distribute annually to its Unitholders a minimum of 90% of its net taxable income, determined without regard to the dividends-paid deduction and excluding net capital gains. The REIT will be subject to regular corporate income taxes on any undistributed real estate investment trust taxable income each year. Additionally, it will be subject to a 4% non-deductible excise tax on any amount by which distributions paid by the REIT in any calendar year are less than the sum of 85% of its ordinary income, 95% of its capital gain net income and 100% of its undistributed income from previous years. Payments the REIT makes to its Unitholders under Unitholders' rights of redemption will not be taken into account for purposes of these distribution requirements. Compliance with the real estate investment trust distribution requirements may hinder the REIT's ability to grow, which could adversely affect the value of its Units. Furthermore, the REIT may find it difficult or impossible to meet distribution requirements in certain circumstances. The requirement to distribute most of its taxable income could cause the REIT to: (i) sell assets in adverse market conditions, (ii) borrow on unfavourable terms, (iii) distribute amounts that would otherwise be used to make future acquisitions or capital expenditures, or (iv) declare a taxable dividend in which Unitholders may elect to receive Units or cash (where the aggregate amount of cash to be distributed in such dividend may be subject to limitation), in each case, in order to comply with real estate investment trust requirements. These alternatives could adversely affect the REIT's economic performance.

The REIT may not satisfy the compliance requirements to qualify as a real estate investment trust for U.S. federal income tax purposes.

To qualify as a real estate investment trust for U.S. federal income tax purposes, the REIT must continually satisfy tests concerning, among other things, the sources of its income, the nature and diversification of its assets, the amounts that it distributes to the Unitholders and the ownership of the Units. The REIT may be required to make distributions to Unitholders at disadvantageous times or when it does not have funds readily available for distribution, and may be unable to pursue investments that would be otherwise advantageous to it in order to satisfy the source-of-income or asset diversification requirements for qualifying as a real estate investment trust. Thus, compliance with the real estate investment trust requirements may hinder the REIT's ability to operate solely on the basis of maximizing profits.

Additionally, at the close of each calendar quarter, the REIT must also satisfy five tests relating to the nature of its assets. First, at least 75% of the value of the REIT's total assets must be represented by some combination of designated real estate assets, cash, cash items, U.S. Government securities and, under some circumstances, stock or debt instruments purchased with new capital. Second, the value of any one issuer's securities that the REIT owns may

not exceed 5% of the value of the REIT's total assets. Third, the REIT may not own more than 10% of any one issuer's outstanding securities, as measured by either value or voting power. The 5% and 10% asset tests do not apply to securities that qualify under the 75% asset test, or to securities of a taxable REIT subsidiary and qualified REIT subsidiaries, and the 10% of value asset test does not apply to "straight debt" having specified characteristics and to certain other securities. Fourth, the aggregate value of all securities of taxable REIT subsidiaries that the REIT holds may not exceed 20% of the value of the REIT's total assets, with respect to taxable years beginning on and after January 1, 2018. Fifth, not more than 25% of the value of the REIT's assets may consist of certain debt instruments issued by publicly offered real estate investment trusts that are otherwise qualifying assets for purposes of the 75% test described above. If the REIT fails to comply with these requirements at the end of any calendar quarter, it must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing its real estate investment trust qualification and suffering adverse tax consequences.

The REIT may not satisfy the required ownership limitations to qualify as a real estate investment trust under the Code.

In order for the REIT to qualify as a real estate investment trust for each taxable year under the Code (other than its first taxable year, during which this requirement is not yet applicable), no more than 50% in value of its outstanding Units may be owned, directly or indirectly, by five or fewer individuals during the last half of any taxable year. "Individuals" for this purpose include natural persons, private foundations, some employee benefit plans and trusts, and some charitable trusts.

If this requirement is not satisfied, then the REIT would fail to qualify as a real estate investment trust for U.S. federal income tax purposes. This would have detrimental tax consequences to the REIT and the holders of its Units. If the REIT fails to qualify as a real estate investment trust in any calendar year, it would be required to pay U.S. federal income tax (and any applicable state and local tax) on its taxable income at regular corporate rates, and dividends paid to the Unitholders would not be deductible by the REIT in computing its taxable income and would be taxable to the Unitholders under the rules generally applicable to corporate distributions. Further, a loss of real estate investment trust status would reduce the net earnings available for investment or distribution to Unitholders because of the additional tax liability which in turn could have an adverse impact on the value of the Units. In addition, these ownership limitations could have the effect of discouraging a takeover or other transaction in which holders of the Units might receive a premium for their Units over the then-prevailing market price or which holders might believe to be otherwise in their best interests.

The REIT may be subject to U.S. federal and state income taxes not necessarily known at the time of this prospectus.

Even if the REIT qualifies and maintains its status as a real estate investment trust, it may be subject to U.S. federal and state income taxes. The REIT may not be able to make sufficient distributions to avoid excise taxes applicable to real estate investment trusts. The REIT may also decide to retain income it earns from the sale or other disposition of its real estate assets and pay income tax directly on such income. In that event, the Unitholders would be treated as if they earned that income and paid the tax on it directly. The REIT may also be subject to state and local taxes on its income or property, either directly or at the level of the entities through which it indirectly owns its assets. Any U.S. federal or state taxes the REIT pays will reduce its cash available for distribution to the Unitholders.

In addition, in order to meet the real estate investment trust qualification requirements or to avert the imposition of the prohibited transactions tax discussed below, the REIT may hold some of its assets or conduct activities through subsidiary corporations (the taxable REIT subsidiaries) that will be subject to corporate level income tax at regular rates. If the REIT lends money to a taxable REIT subsidiary, the taxable REIT subsidiary may be unable to deduct all or a portion of the interest paid to the REIT, which could result in an even higher corporate level tax liability. Furthermore, the Code imposes a 100% tax on certain transactions between a taxable REIT subsidiary and its parent real estate investment trust that are not conducted on an arm's length basis, including services provided by the taxable REIT subsidiary to such real estate investment trust or on behalf of such real estate investment trust. The REIT will structure transactions with any taxable REIT subsidiary on terms that it believes are arm's length to avoid incurring the 100% excise tax described above, but there can be no assurances that it will be able to avoid application of the 100% tax.

The REIT may be subject to prohibited transactions tax.

The REIT's ability to dispose of property during its first few years of operations is restricted to a substantial extent as a result of its real estate investment trust status. Under applicable provisions of the Code regarding prohibited transactions by real estate investment trusts, The REIT will be subject to a 100% tax on any gain realized on the sale or other disposition of any property (other than foreclosure property) that it owns, directly or through any subsidiary entity, including the Operating Partnership, but excluding any taxable REIT subsidiary, that is deemed to be inventory or property held primarily for sale to customers in the ordinary course of trade or business. The REIT intends to avoid the 100% prohibited transaction tax by (1) conducting activities that may otherwise be considered prohibited transactions through a taxable REIT subsidiary, (2) conducting operations in such a manner so that no sale or other disposition of an asset will be treated as a prohibited transaction, or (3) structuring certain dispositions of its properties to comply with certain safe harbours available under the Code for properties held at least two years. However, no assurance can be given that any particular property will not be treated as inventory or property held primarily for sale to customers in the ordinary course of a trade or business.

If the Operating Partnership is classified as a "publicly traded partnership" and as a result, treated as a corporation, the REIT may fail to qualify as a real estate investment trust.

In general the REIT will conduct all of its operations and hold all of its assets indirectly through the Operating Partnership. For so long as the Operating Partnership is treated as a partnership for U.S. federal income tax purposes, the REIT will be treated as owning its proportionate share of the assets and income of the Operating Partnership for the purposes of the REIT asset and income tests. An entity that would otherwise be treated as a partnership for U.S. federal income tax purposes may nonetheless be treated as a corporation for U.S. federal income tax purposes if it is a "publicly traded partnership" and certain other requirements are met. A partnership would be treated as a publicly traded partnership if its interests were traded on an established securities market or were readily tradable on a secondary market or a substantial equivalent thereof, within the meaning of applicable Treasury Regulations. The Operating Agreement contains provisions intended to ensure that the Operating Partnership is not considered a "publicly traded partnership". Accordingly, management does not anticipate that the Operating Partnership will be treated as a publicly traded partnership that is taxable as a corporation. However, if the Operating Partnership were classified as a "publicly traded partnership", the Operating Partnership would be treated as a corporation rather than as a partnership for U.S. federal income tax purposes. In such case, the REIT would not be treated as owning its proportionate share of the assets and income of the Operating Partnership for the purposes of the real estate investment trust asset and income test requirements (and, instead, would be treated as owning the stock of a corporation). This could cause the REIT to fail to qualify as a real estate investment trust. In addition, the income of the Operating Partnership would become subject to U.S. federal corporate income tax.

Changes in law could negatively impact the U.S. federal income tax treatment of an investment in the REIT.

The present U.S. federal income tax treatment of real estate investment trusts may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time, which could affect the U.S. federal income tax treatment of an investment in the REIT. The U.S. federal income tax rules relating to real estate investment trusts constantly are under review by persons involved in the legislative process, the IRS and the U.S. Treasury Department, which results in frequent statutory changes and revisions to regulations and interpretations. Revisions in U.S. federal tax laws and interpretations thereof could adversely affect the REIT or cause it to change its investments and commitments and affect the tax considerations of an investment in it.

The Units of the REIT may not qualify for certain tax exemptions under FIRPTA.

A non-U.S. person disposing of a U.S. real property interest, including shares of a U.S. corporation whose assets consist principally of U.S. real property interests, is generally subject to tax under FIRPTA on the gain recognized on the disposition and required to file a U.S. federal income tax return reporting this disposition. FIRPTA does not apply, however, to the disposition of stock in a real estate investment trust if the shares are considered "regularly traded on an established securities market" and the non-U.S. person does not hold, actually or constructively, more than 10% of the outstanding shares of the real estate investment trust at any time during the five-year period ending on the date of disposition or such shorter period that the shares were held.

For purposes of this exception, the CSE is considered an "established securities market" and, as long as 100 or fewer persons do not own 50% or more of the Units, the Units should be treated as regularly traded on the CSE if all of the

requirements of the CSE Publicly Traded Exception otherwise are met. No assurance can be given, however, that these requirements will be satisfied.

In addition, the Units would be considered “regularly traded on an established securities market” for a calendar quarter if the established securities market is located in the United States and the Units are regularly quoted by more than one broker or dealer making a market in the Units through an interdealer quotation system in the United States. The REIT intends for its Units to be quoted on the OTC market in a manner that would be considered “regularly traded on an established securities market” for purposes of this exception.

Investors are cautioned that no assurances can be given that at least two brokers or dealers will be regularly quoting the Units on the OTC market in any particular calendar quarter. In addition, neither the Code, the applicable Treasury Regulations, administrative pronouncements nor judicial decisions provide guidance as to the frequency or duration with which the Units must be quoted during a calendar quarter to be “regularly quoted.” U.S. counsel to the REIT believes that it is reasonable to interpret this exception to the effect that, so long as the brokers or dealers regularly quote the Units at any time during a calendar quarter, the U.S. Publicly Traded Exception should apply and any gain from a sale at any time during the quarter should not be subject to U.S. federal income tax for Non-U.S. Holders that own 10% or less of the outstanding Units during the applicable testing period. Due to the lack of guidance from the IRS, however, investors are cautioned that no assurance can be given whether the IRS would concur in this interpretation.

If neither the U.S. Publicly Traded Exception nor the CSE Publicly Traded Exception is satisfied, the sale of Units by a non-U.S. person would generally be subject to U.S. federal income tax at normal graduated rates with respect to gain recognized and the REIT would be required to withhold at a rate of 15% on distributions in excess of the REIT’s current and accumulated earnings and profits. In addition, a purchaser of Units would be required to withhold tax at the rate of 15% of the amount realized from the sale and to report and to remit such tax to the IRS. Furthermore, under FIRPTA, if any non-U.S. person holds, actually or constructively, more than 10% of the outstanding Units, the REIT will be required to withhold 21% (or less to the extent provided in applicable Treasury Regulations) of any distribution to such Unitholder that could be designated by the REIT as a capital gain dividend. Any such withheld amount is creditable against such Unitholder’s FIRPTA tax liability.

In order for the REIT to comply with its withholding obligations under FIRPTA, the Units are subject to notice requirements and transfer restrictions. Non-U.S. persons holding Units are required to provide the REIT with such information as the REIT may request. Furthermore, any non-U.S. person that would be treated as having acquired sufficient Units to be treated as owning more than 5% of the Units is required to notify the REIT by the close of the business day prior to the date of the transfer that would cause the non-U.S. person to own more than 5% of the Units. For the purpose of determining whether a non-U.S. person has acquired more than 5% of the Units, rules of constructive ownership apply which can attribute ownership of Units (i) among family members, (ii) to non-U.S. persons from entities that own Units, to the extent that such non-U.S. persons own interests in such entities and (iii) to entities from non-U.S. persons that own interests in such entities. Under these attribution rules, Units of related entities (including related investment funds) may be aggregated to the extent of overlapping ownership. If any non-U.S. person that otherwise would be treated as having acquired sufficient Units to be treated as owning more than 5% of the Units fails to comply with the notice provisions described above, the excess Units (i.e., the excess of the number of Units they are treated as owning over an amount equal to 5% of the outstanding Units) will be sold, with such non-U.S. persons receiving the lesser of (i) its original purchase price for the excess Units, and (ii) the sale price of the excess Units (net of selling expenses). Any such non-U.S. person would also not have any economic entitlement to any distribution by the REIT on an excess Unit, and, if any such distributions are received by the non-U.S. person and are not repaid, the REIT is permitted to withhold from subsequent payments to the non-U.S. person up to the amount of such forfeited distributions. Non-U.S. persons holding Units are strongly advised to monitor their actual and constructive ownership of Units. See “Declaration of Trust and Description of REIT Units — Restrictions on Ownership and Transfer — FIRPTA” for a more detailed discussion of these rules. Notwithstanding that a non-U.S. person may comply with the notice requirements and transfer restrictions described above, the REIT is entitled to withhold on distributions as otherwise required by law, and, to the extent that the REIT has not sufficiently withheld on prior distributions, is entitled to withhold on subsequent distributions.

Risk Factors Related to the COVID-19 Pandemic

The current outbreak of the novel coronavirus, or COVID-19, or the future outbreak of any other highly infectious or contagious diseases, could materially and adversely impact or cause disruption to the REIT's tenants and their operations, and in turn the REIT's performance, financial condition, results of operations and cash flows.

A novel strain of coronavirus (“**COVID-19**”) was reported to have surfaced in Wuhan, China in December 2019, and has since spread globally, including to every state in the United States. On March 11, 2020, the World Health Organization characterized the outbreak of the novel coronavirus as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The spread of the COVID-19 coronavirus pandemic has had a material and substantial impact on the U.S. and global economy.

The duration of COVID-19 continues to be uncertain and as such, governmental intervention in the U.S. continues to evolve. Although there are no federal government rent relief programs for landlords in the U.S. or specific direct rent relief programs within the states in which the REIT operates, the U.S. government passed the Coronavirus Aid, Relief and Economic Security Act (“**CARES Act**”) on March 27, 2020, the largest economic stimulus bill in modern history. The CARES Act provided approximately \$2.2 trillion in stimulus payments for qualified individuals, families, large and small businesses and state and local governments, which indirectly assisted unemployed tenants in making rent payments amongst other living necessities. The key benefits of the CARES Act expired on July 31, 2020. On December 27, 2020, the U.S. government passed an additional \$900 billion stimulus package for a second stimulus package which included direct cash payments, rental assistance and enhanced unemployment benefits, further assisting qualified individuals who lost their sources of income and experienced hardships as a result of COVID-19.

On March 12, 2021, the U.S. government enacted the American Rescue Plan Act of 2021 (the “**ARP**”), a \$1.9 trillion economic stimulus package, which builds upon developments in the CARES Act and the December 2020 stimulus package. The ARP provides support to qualified individuals, families, large and small businesses and state and local governments, including but not limited to, stimulus payments, unemployment aid, emergency paid leave, an increase in food stamp benefits, certain tax changes, grants to small businesses, funding for local governments and education and rental and utility assistance. Government stimulus plans will assist in mitigating risk, however there is a risk that any sustained economic hardship the virus has on the REIT's tenant base may impact future collections and delinquency rates.

The spread of COVID-19 has the potential to cause a further economic slowdown and increased volatility in financial markets. The U.S. federal government has introduced monetary and fiscal interventions aimed at stabilizing the economy. However, uncertainty remains as to the overall impact and timing these interventions have on the U.S. debt and equity markets as well as the economies of both the U.S. and the markets in which the REIT operates. The ongoing response to COVID-19 varies by state and local jurisdictions and some of the state governments have implemented stay at home orders and other measures to minimize the spread of the virus. These uncertain economic conditions resulting from COVID-19 may adversely impact the REIT's operations and holdings.

Many U.S. cities and states, including cities and states implemented measures to combat COVID-19, including quarantines, “shelter-in-place” rules, and restrictions on travel and the types of business that may continue to operate, some of which measures remain in place. Additionally, certain states and municipalities implemented measures to halt evictions, limit or prohibit the levy of late charges, and otherwise limit the remedies of landlords due to tenant defaults under their leases, and additional measures may be implemented in the future. The REIT will continue to actively monitor any continued impact COVID-19 may have on the REIT's operating results, specifically as they relate to rent collections, occupancy, rent growth and expenses incurred for preventative measures in response to COVID-19 at the REIT's properties.

Notwithstanding the COVID-19 pandemic, such measures are not expected to have a material impact on the REIT, and management believes that the operational metrics within the Initial Licensed Facility will continue to be stable or strengthen in the foreseeable future and over the longer term. Nonetheless, given the unpredictable nature of the COVID-19 pandemic, any continuation or intensification of such pandemic or related government measures, and any changes in levels of government financial support to individuals affected by the COVID-19 pandemic and economic downturn, could in the future have an adverse effect (which effect could be material) on the REIT's financial condition, results of operations and cash flows due to the following factors, or others:

- Weaknesses in national, regional or local economies may prevent tenants from paying rent in full or on a timely basis. Federal, state, local, and industry efforts, including eviction moratoriums and requirements to reduce or waive late fees, may affect the REIT's ability to collect rent or enforce remedies for the failure to pay rent, which could lead to an increase in its recognition of credit losses related to the REIT's rent receivables.
- A reduction in tenant demand for real estate due to a general decline in business activity or otherwise could adversely affect the value of the REIT's assets. In addition, the REIT may be unable to complete capital improvement projects on a timely basis or at all due to government-mandated shutdowns or an inability by third-party contractors to continue to work on construction projects.
- A general decline in business activity or demand for real estate transactions could adversely affect the REIT's ability or desire to acquire additional assets with any future cash it may hold.
- The financial impact of the COVID-19 pandemic could negatively impact the REIT's ability to comply with financial covenants in its credit arrangements and result in a default and potentially an acceleration of indebtedness. Such non-compliance could negatively impact the REIT's financial position and its ability to make additional borrowings under its credit facilities.
- A severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions may affect the REIT's ability to access capital necessary to fund business operations, including the acquisition or expansion of assets, or replace or renew maturing liabilities on a timely basis, on attractive terms, or at all, and may adversely affect the valuation of financial assets and liabilities.
- The spread of COVID-19 has the potential to cause a further economic slowdown and increased volatility in financial markets and the U.S. federal government has introduced monetary and fiscal interventions aimed at stabilizing the economy. However, uncertainty remains as to the overall impact and timing of these interventions on the U.S. debt and equity markets as well as the economies of both the U.S. and the markets in which the REIT operates or will operate. No lenders aside from the government sponsored agencies have granted payment relief or payment deferral options to borrowers.
- The COVID-19 pandemic could negatively affect the health, availability and productivity of the REIT's personnel. It could also affect the REIT's ability to recruit and attract new employees or retain current employees.
- An outbreak that directly affects, or threatens to directly affect, any of the REIT's assets could also deter or prevent the REIT's property managers' on-site personnel from reporting to work. The effects of shelter-in-place orders could strain the REIT's business continuity plans, introduce operational risk, including but not limited to cybersecurity risks, and impair the REIT's ability to manage its business.
- Governmental agencies that permit and approve the REIT's projects, suppliers, homebuilders, and other business partners and third parties may be prevented from conducting business activities in the ordinary course for an indefinite period of time, which could in turn negatively affect the REIT's business.
- Delays in administering vaccinations against COVID-19 or shortages in vaccine supply chains could prolong the COVID-19 pandemic, which could in turn negatively affect the REIT's business.

Other risks, including those described elsewhere in this prospectus related to changes to applicable laws and regulations, economic downturn in the U.S. market, debt financing, financing renewal, access to capital and the REIT's reliance on information technology infrastructure, and the effects of these risks on the REIT's financial condition, results of operations, cash flows, ability to make cash distributions, operations and the market price of its securities, could be exacerbated by the effects of the COVID-19 pandemic and government measures to control it, any intensification of such pandemic or measures, or any other outbreak of contagious disease.

The extent to which the COVID-19 pandemic impacts the REIT's operations, financial condition and financial results will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Such future

developments include the severity and duration of the pandemic, any intensification of the pandemic, the actions by governments and others taken to contain the pandemic or mitigate its impact, changes in the preferences of tenants and prospective tenants, and the direct and indirect economic effects of the pandemic and containment measures, among others. The rapid development and fluidity of this situation impedes the REIT's ability to predict the ultimate adverse impact of the COVID-19 pandemic. The COVID-19 pandemic and the current financial, economic and capital markets environment, and future developments in these and other areas, present material uncertainty and risk with respect to the REIT's performance, financial condition, results of operations and cash flows.

ENFORCEMENTS OF JUDGEMENTS AGAINST FOREIGN PERSONS

Each of Steve Dawson, Katie Barthmaier, Stacy Riffe and Edward Lowenthal, as well as the Appraiser, reside or is otherwise organized outside of Canada. Each of the noted persons (as trustees and/or officers of the REIT and not in their personal capacities) and the Appraiser have appointed GODA Incorporators, Inc., located at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7 as their agent for service of process. Investors are advised that it may not be possible to enforce judgments obtained in Canada against any person that resides or is otherwise organized outside of Canada even if the party has appointed an agent for service of process.

MATERIAL CONTRACTS

This prospectus includes a summary description of the REIT's material agreements. The summary descriptions disclose all attributes material to an investor but are not complete and are qualified by reference to the terms of the material agreements. The following are the only material agreements of the REIT or its subsidiaries that will be in effect on Closing, other than contracts entered into in the ordinary course of business:

- (i) Declaration of Trust;
- (ii) Lease Agreement relating to the Initial Licensed Facility;
- (iii) Contribution Agreement relating to the Initial Licensed Facility;
- (iv) CSE Escrow Agreements;
- (v) Agency Agreement; and
- (vi) Operating Agreement.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed in this prospectus and in the notes to the audited financial statements of the REIT, there are no material interests, direct or indirect, of the Trustees or officers of the REIT, any Unitholder that beneficially owns more than 10% of the Units of the REIT or any associate or affiliate of any of the foregoing persons in any transaction within the last three years or any proposed transaction that has materially affected or would materially affect the REIT or any of its subsidiaries.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

None of the REIT or its subsidiaries are involved in any outstanding, threatened or pending litigation that would have a material adverse effect on the REIT.

LEGAL MATTERS AND INTERESTS OF EXPERTS

The matters referred to under "Eligibility for Investment" and "Certain Canadian Federal Income Tax Considerations", as well as certain other legal matters relating to the issue and sale of the Units, will be passed upon on behalf of the REIT by Goodmans LLP and on behalf of the Agents by Blake, Cassels & Graydon LLP.

The matters referred to under "Certain U.S. Federal Income Tax Considerations" will be passed upon on behalf of the REIT by Hodgson Russ LLP.

Certain information relating to the Appraisal has been based upon a report by Newmark Knight Frank Valuation & Advisory, LLC.

As of the date of this prospectus, the partners and associates of Goodmans LLP, Blake, Cassels & Graydon LLP, Hodgson Russ LLP and Newmark Knight Frank Valuation & Advisory, LLC, beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the REIT.

AUDITORS AND TRANSFER AGENT AND REGISTRAR

The REIT's auditor is MNP LLP, Chartered Accountants, located in Toronto, Ontario. MNP LLP has advised the REIT that it is independent in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario. The transfer agent and registrar for the Units is Olympia Trust Company at its principal office located in Calgary, Alberta.

PURCHASERS STATUTORY RIGHTS

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

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NOVA NET LEASE REIT
FINANCIAL STATEMENTS
FOR THE PERIOD FROM JULY 27, 2021 (DATE OF FORMATION)
TO AUGUST 31, 2021

To the Shareholders of Nova Net Lease REIT:

We have audited the financial statements of Nova Net Lease REIT (the "REIT"), which comprise the statement of financial position as at August 31, 2021, and the statement of changes in unitholders' equity and cash flows for the period from July 27, 2021 (date of formation) to August 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the REIT as at August 31, 2021, and its financial performance and its cash flows for the period from July 27, 2021 (date of formation) to August 31, 2021 in accordance with International Financial Reporting Standards.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the REIT's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the REIT or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the REIT's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the REIT's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the REIT's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the REIT to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jo-Ann Lempert.

Montréal, Québec

November 24, 2021

MNP SENCRL, s.r.l.¹

¹ FCPA auditor, FCA, public accountancy permit no. A122514

NOVA NET LEASE REIT
STATEMENT OF FINANCIAL POSITION

As at August 31, 2021

| | | |
|---|----|----|
| Assets | | |
| Cash | \$ | 10 |
| <hr/> | | |
| Total assets | | 10 |
| <hr/> | | |
| Unitholders' Equity | | |
| Unitholders' Equity | | 10 |
| <hr/> | | |
| Total Unitholders' Equity | | 10 |
| <hr/> | | |
| Total liabilities and Unitholders' Equity | \$ | 10 |

Subsequent events (note 4)

Approved on behalf of the Board of Trustees

The accompanying notes are an integral part of these financial statements.

NOVA NET LEASE REIT
STATEMENT OF INCOME AND COMPREHENSIVE INCOME

For the period from July 27, 2021 (Date of Formation) to August 31, 2021

| | | |
|-------------------------------------|----|---|
| Revenues | \$ | - |
| Expenses | | - |
| <hr/> | | |
| Net income and comprehensive income | \$ | - |
| <hr/> | | |
| Weighted average units outstanding | | 1 |
| Net income per unit | \$ | - |

The accompanying notes are an integral part of these financial statements.

NOVA NET LEASE REIT

STATEMENT OF CHANGES IN UNITHOLDERS' EQUITY

For the Period from July 27, 2021 (Date of Formation) to August 31, 2021

| | Number of Trust Units | Unitholders' Equity | Net loss and comprehensive loss | Total Unitholders equity |
|--|--------------------------|------------------------|---------------------------------------|--------------------------------|
| Balance – Beginning of period | - | \$ - | \$ - | \$ - |
| Issuance of unit on formation (Note 3) | 1 | 10 | - | 10 |
| Net loss | - | - | - | - |
| Balance – End of period | 1 | \$ 10 | \$ - | \$ 10 |

The accompanying notes are an integral part of these financial statements.

NOVA NET LEASE REIT
STATEMENT OF CASH FLOWS

For the Period from July 27, 2021 (Date of Formation) to August 31, 2021

| | | |
|---|----|----|
| Financing Activities | | |
| Proceeds from issuance of unit on formation | \$ | 10 |

| | | |
|---------------------------|--|----|
| Increase in cash | | 10 |
| Cash, beginning of period | | - |

| | | |
|---------------------|----|----|
| Cash, end of period | \$ | 10 |
|---------------------|----|----|

The accompanying notes are an integral part of these financial statements.

NOVA NET LEASE REIT

NOTES TO THE FINANCIAL STATEMENTS

As at August 31, 2021 and for the period from July 27, 2021 (date of formation) to August 31, 2021

1. ORGANIZATION AND NATURE OF THE BUSINESS

Nova Net Lease REIT (the “REIT”) was formed on July 27, 2021, as a newly created, open-ended real estate investment trust established pursuant to a declaration of trust under the laws of the Province of Ontario, where one unit of the REIT was issued for \$10 in cash. The declaration of trust of the REIT will be filed on SEDAR at www.sedar.com in conjunction with the filing of the final prospectus for the REIT’s initial public offering of trust units on the Canadian Securities Exchange. The REIT’s registered office is located at 181 Bay Street, Suite 1030, Toronto, Ontario, Canada, M5J 2T3.

The REIT was formed primarily for the purpose of acquiring, through a U.S. wholly-owned subsidiary, specialized industrial and retail properties leased to experienced, state-licensed operators in the legal U.S. cannabis industry. The REIT intends to acquire properties through sale-leaseback transactions and lease such properties on a triple-net basis. Real estate activities of the REIT will be conducted through its indirect wholly-owned subsidiary, Nova Net Lease Operating LLC (the “Operating Partnership”).

The REIT will be classified as a U.S. corporation for U.S. federal income tax purposes pursuant to section 7874 of the United States Internal Revenue Code of 1986, as amended (the “Code”). As a result, it will be permitted to elect to be treated as a real estate investment trust under the Code, notwithstanding it is organized as a Canadian entity.

The financial statements included herein are those of the REIT as at August 31, 2021, and for the period from July 27, 2021 (date of formation) to August 31, 2021, and were authorized for issuance by the Board of Trustees of the REIT on November 24, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements of the REIT as at August 31, 2021, and for the period from July 27, 2021 (date of formation) to August 31, 2021, have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and IFRS Interpretations Committee (“IFRIC”). The REIT was formed on July 27, 2021, and accordingly, no comparative information has been presented for the statement of loss and comprehensive loss and statement of cash flows

The financial statements have been prepared on a historical cost basis.

Functional and Presentation Currency

The financial statements are presented in U.S. dollars, which is the REIT’s functional currency.

3. UNITHOLDERS’ EQUITY

The REIT is authorized to issue an unlimited number of units. Upon formation on July 27, 2021, one unit was issued for \$10, which was repurchased by the REIT on September 1, 2021 for \$10.

NOVA NET LEASE REIT

NOTES TO THE FINANCIAL STATEMENTS

As at August 31, 2021 and for the period from July 27, 2021 (date of formation) to August 31, 2021

4. SUBSEQUENT EVENTS

SHARE EXCHANGE AND ISSUANCE OF TRUST UNITS

On September 1, 2021, the REIT issued 2,590,809 units to the existing shareholders of Verdant Growth Properties Corp. (“Verdant”) in exchange for all outstanding shares of common stock in Verdant, thereby making Verdant a wholly-owned subsidiary of the REIT. Verdant, a corporation incorporated under the laws of the State of Delaware, was formed on October 27, 2020, for the purpose of owning and leasing, on a triple-net basis, cannabis-related real estate assets in the United States. At the time of the share exchange, Verdant owned no investment assets and had no operations.

On September 1, 2021, the trust unit issued at formation of the REIT was repurchased for its subscription price of \$10.

In October 2021, the REIT issued 330,000 units to incoming trustees for proceeds of \$165,000, and 100,000 units to a member of management in exchange for a \$50,000 note payable to the REIT. The note bears interest at 0.18% per annum, with a maturity date of December 31, 2021.

On November 24, 2021, in connection with the acquisition of the investment property in Kalamazoo, Michigan, a total of 216,000 trust units were issued to the REIT’s financial advisor, members of management, and certain founders.

INVESTMENT ASSET ACQUISITIONS

On November 24, 2021, the Operating Partnership acquired a 70,000 square foot specialized industrial cannabis facility, including 67,000 square feet of cultivation and 3,000 square feet of retail, in Kalamazoo, Michigan, under terms of a contribution agreement with Cloud Cannabis (“Cloud”) whereby Cloud agreed to contribute the real estate to the Operating Partnership in exchange for units in the Operating Partnership valued at \$10.0 million. Simultaneous with the closing on the acquisition, the operator of the cultivation facility entered into a triple-net lease with a wholly-owned subsidiary of the Operating Partnership with an initial term of 15 years and two 10-year extension options. Monthly rent will accrue upon entry into the lease agreement, but payment will be deferred until the closing on the REIT’s initial public offering, at which time the deferred rent will be payable equally over a 12-month period.

INITIAL PUBLIC OFFERING

In November 2021, the REIT filed its preliminary prospectus with the Ontario Securities Commission for purposes of completing the Offering. Upon approval and closing of the Offering, which cannot be assured, the REIT expects to raise gross proceeds of approximately \$6 million through the issuance of trust units at a price of \$1.25 per unit. The REIT will use the net proceeds of the Offering to fund costs related to the Offering and working capital.

Nova Net Lease REIT

Management's Discussion and Analysis

As at August 31, 2021
And for the period from inception on July 27, 2021 to August 31, 2021
(Expressed in U.S. dollars)

Management's Discussion & Analysis

The following discussion of performance, financial condition and future prospects of Nova Net Lease REIT should be read in conjunction with the audited financial statements ("**Audited Financial Statements**") for the period from inception on July 27, 2021 to August 31, 2021, and the accompanying notes thereto.

This Management's Discussion and Analysis ("**MD&A**") has been prepared with an effective date of November 24, 2021. The Audited Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("**IFRS**") and with interpretation of the International Financial Reporting Interpretations Committee ("**IFRIC**"). The REIT's financial information is expressed in United States dollars. In addition to reviewing this MD&A, readers are encouraged to read our public information that will be filed on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com in conjunction with the filing of the preliminary prospectus for Nova Net Lease REIT for its initial public offering of trust units on the Canadian Securities Exchange.

Cautionary Statement Regarding Forward-Looking Statements

This document may contain "forward-looking statements" (as defined under applicable securities laws). These forward-looking statements relate to future events or future performance including with respect to our objectives and priorities for fiscal year 2021 and beyond.

Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target", "intend", "could" or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and many factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating forward-looking statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions and the risks and uncertainties discussed in the section entitled "Risk Factors" in our initial public offering prospectus dated November 26, 2021 (the "**Prospectus**").

The forward-looking statements contained in this MD&A are presented for the purpose of assisting investors in understanding business and strategic priorities and objectives of the REIT as at the periods indicated and may not be appropriate for other purposes. Forward-looking statements contained in this MD&A are not guarantees of future performance and, while forward-looking statements are based on certain assumptions that we consider reasonable, actual events and results could differ materially from those expressed or implied by forward-looking statements made by us. Readers are cautioned to consider these and other factors carefully when making decisions with respect to the REIT and not place undue reliance on forward looking statements. Circumstances affecting us may change rapidly. Except as may be expressly required by applicable law, the REIT does not undertake any obligation to update publicly or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.

Nature of Activities

Nova Net Lease REIT (the “**REIT**”, “**we**”, “**our**” or “**us**”) was formed on July 27, 2021, as a newly created, open-ended real estate investment trust established pursuant to a declaration of trust under the laws of the Province of Ontario, for the purpose of acquiring, through a U.S. subsidiary, specialized industrial and retail properties leased to experienced, licensed operators in the legal U.S. cannabis industry. The REIT intends to acquire properties through sale-leaseback transactions and lease such properties on a triple-net basis. The REIT’s registered office is located at 181 Bay Street, Suite 1030, Toronto, Ontario, Canada, M5J 2T3. The declaration of trust of the REIT will be filed on SEDAR at www.sedar.com in conjunction with the filing of the final prospectus for the REIT’s initial public offering of trust units (the “**Offering**”) on the Canadian Securities Exchange (“**CSE**”).

Prior to September 1, 2021, the REIT had no operations. On September 1, 2021, all of the outstanding shares of Verdant Growth Properties Corp. (“**Verdant**”) were exchanged for shares in the REIT, making Verdant a wholly-owned subsidiary of the REIT (the “**Share Exchange**”). Verdant, a Delaware corporation, was formed on October 27, 2020, for the purpose of owning and leasing, on a triple-net basis, cannabis-related real estate assets in the United States. Since inception, Verdant has been preparing for an initial public offering on the CSE. The REIT was formed to effect the cross-border structure whereby the REIT will be classified as a U.S. corporation for U.S. federal income tax purposes pursuant to section 7874 of the United States Internal Revenue Code of 1986, as amended (the “**Code**”). As a result, it will be permitted to elect to be treated as a real estate investment trust under the Code, notwithstanding it is organized as a Canadian entity.

The REIT is considered an umbrella partnership real estate investment trust (an “**UPREIT**”) for U.S. federal income tax purposes. Operations of the REIT will be conducted primarily through Nova Net Lease Operating LLC (the “**Operating Partnership**”), a subsidiary of Verdant.

The MD&A included herein is that of the REIT as at August 31, 2021, and for the period from July 27, 2021 (date of formation) to August 31, 2021.

Selected Financial Information

The REIT was established on July 27, 2021, and from formation through August 31, 2021, its only activity was to issue one trust unit at formation for \$10. The following table summarizes the relevant financial data for the REIT and should be read with the Audited Financial Statements.

| | |
|---------------------|-------|
| Cash | \$ 10 |
| Unitholders’ Equity | \$ 10 |

Results of Operations

The REIT had no operations for the period July 27, 2021 to August 31, 2021, and its only activity was to issue one trust unit at formation for \$10. Prior to the Share Exchange, all activities and costs related to planning for the REIT’s future Offering were borne by Verdant. Accordingly, no expenses have been reflected on the statement of income and comprehensive income. Effective with the Share Exchange, Verdant became a wholly-owned subsidiary of the REIT.

Liquidity and Capital Resources

On July 27, 2021, the REIT issued one trust unit for \$10 to form the REIT.

For the period from inception to August 31, 2021, the REIT did not own investment assets and had not commenced operations. Liquidity was comprised of \$10 from the issuance of one trust unit. The intention of management is to raise funds through an initial public offering of the REIT’s trust units, and use those funds to fund costs related to the Offering and working capital. The REIT’s Audited Financial Statements have been

prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the REIT be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. To the extent that the REIT may require funding for general expenses or in connection with the acquisition of an investment property before the completion of the Offering, we would endeavor to issue additional shares of the REIT's trust units to the founders or other qualified investors.

As at August 31, 2021, the REIT did not have any commitments for capital expenditures.

Off-Balance Sheet Arrangements

The REIT had no off-balance sheet arrangements.

Transactions between Related Parties

In October 2020, Verdant entered into an agreement (“**Advisory Agreement**”) to engage a financial and strategic advisor whose services will continue for a period of 24 months following the closing of the Offering, to provide guidance with respect to capital raising strategy, and to provide corporate office space and administrative support following the closing of the Offering. Certain trustees of the REIT and directors of its subsidiaries are associated with the advisor, and will participate financially from fees earned by the advisor as a result of successful private financings and capital markets transactions, including the Offering, and monthly work fee. As of August 31, 2021, no fees had been earned under the terms of the Advisory Agreement, and no fees were recorded in the REIT's Audited Financial Statements. Upon the closing of the first acquisition on November 24, 2021, fees in the amount of \$200,000, payable 50% in cash and 50% in REIT units, were earned and became payable. Effective with the Share Exchange, the REIT assumed the terms of the Advisory Agreement.

Proposed Transactions

See Subsequent Events – Asset Acquisitions.

Significant Accounting Policies and Critical Accounting Estimates

For further information about the accounting policies used by the REIT, please refer to the Audited Financial Statements and notes thereto, which have been prepared in accordance with IFRS and with interpretation of the IFRIC.

The preparation of Audited Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Audited Financial Statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Instruments

Financial instruments are classified as amortized cost, fair value through profit or loss or fair value through other comprehensive income. The REIT has assessed the classification and measurement of its financial instruments as follows: cash at amortized cost.

As at August 31, 2021, the REIT held cash of \$10, and its carrying amount approximated fair value.

Future Accounting Changes

There are no future accounting changes that are expected to impact the financial statements of the REIT.

Subsequent Events

SHARE EXCHANGE AND ISSUANCE OF TRUST UNITS

On September 1, 2021, the REIT issued 2,590,809 trust units (using an implied value of \$0.30 per trust unit) to the shareholders of Verdant in consideration for all of the issued and outstanding shares of Verdant.

On September 1, 2021, the trust unit that was issued at formation of the REIT was repurchased for its subscription price of \$10.

In October 2021, the REIT issued 330,000 shares of trust units to incoming trustees for aggregate proceeds of \$165,000, and 100,000 shares to a member of management in exchange for a \$50,000 note payable to the REIT. The note bears interest at 0.18% per annum, with a maturity date of December 31, 2022.

On November 24, 2021, in connection with the acquisition of the investment property in Kalamazoo, Michigan, a total of 216,000 trust units were issued to the REIT's financial advisor, members of management, and certain founders.

ASSET ACQUISITIONS

On November 24, 2021, the Operating Partnership acquired a 70,000 square foot specialized industrial cannabis facility, including 67,000 square feet of cultivation and 3,000 square feet of retail, in Kalamazoo, Michigan, under terms of a contribution agreement with Cloud Cannabis ("Cloud") whereby Cloud agreed to contribute the real estate to the Operating Partnership in exchange for units in the Operating Partnership valued at \$10.0 million. Simultaneous with the closing on the acquisition, the operator of the cultivation facility entered into a triple-net lease with a wholly-owned subsidiary of the Operating Partnership with an initial term of 15 years and two 10-year extension options. Monthly rent will accrue upon entry into the lease agreement, but payment will be deferred until the closing of the Offering, at which time the deferred rent will be payable equally over a 12-month period.

INITIAL PUBLIC OFFERING

In November 2021, the REIT filed its preliminary prospectus with the Ontario Securities Commission for purposes of completing the Offering. Upon approval and closing of the Offering, which cannot be assured, the REIT expects to raise gross proceeds of approximately \$6 million through the issuance of trust units at a price of \$1.25 per unit. The REIT will use the net proceeds of the Offering to fund expenses of the Offering and working capital.

Outstanding Units

As of the date of this MD&A, the REIT had 3,236,809 trust units issued and outstanding.

Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer of the REIT are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.

Managing Risk

Except as otherwise disclosed in this MD&A and in the Audited Financial Statements, there have been no significant changes to the nature and scope of the risks faced by the REIT as described in the Prospectus, which will be available on the REIT's profile on SEDAR at www.sedar.com.

VERDANT GROWTH PROPERTIES CORP.
FINANCIAL STATEMENTS
FOR THE PERIOD FROM OCTOBER 27, 2020 (DATE OF FORMATION)
TO DECEMBER 31, 2020

To the Shareholders of Verdant Growth Properties Corp.:

Opinion

We have audited the financial statements of Verdant Growth Properties Corp. (the "Company"), which comprise the statement of financial position as at December 31, 2020, and the statement of loss and other comprehensive loss, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jo-Ann Lempert.

Montréal, Québec

October 21, 2021

MNP¹ SENCRL, s.r.l.

¹ FCPA auditor, FCA, public accountancy permit no. A122514

VERDANT GROWTH PROPERTIES CORP.
STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

| | | As at December 31, 2020 |
|--|----|----------------------------|
| <hr/> | | |
| Assets | | |
| Cash | \$ | 659,990 |
| Deferred share issuance costs | | 7,157 |
| <hr/> | | |
| Total assets | | 667,147 |
| <hr/> | | |
| Liabilities | | |
| Accounts payable and accrued liabilities | | 53,900 |
| <hr/> | | |
| Total liabilities | | 53,900 |
| <hr/> | | |
| Shareholders' Equity | | |
| Common stock and additional paid-in capital (note 3) | | 654,830 |
| Deficit | | (41,583) |
| <hr/> | | |
| Total shareholders' equity | | 613,247 |
| <hr/> | | |
| Total liabilities and shareholders' equity | \$ | 667,147 |

Subsequent events (note 5)

Approved on behalf of the Board of Directors

'signed'

The accompanying notes are an integral part of these consolidated financial statements.

VERDANT GROWTH PROPERTIES CORP.
STATEMENT OF LOSS AND COMPREHENSIVE LOSS
For the period from October 27, 2020 (Date of Formation) to December 31, 2020

| | | |
|--|-----------|-----------------|
| Revenues | \$ | - |
| Expenses | | |
| Legal | | 40,816 |
| Other | | 767 |
| <u>Total expenses</u> | | <u>41,583</u> |
| | | |
| <u>Net loss and comprehensive loss</u> | <u>\$</u> | <u>(41,583)</u> |
| | | |
| Weighted average shares outstanding | | 91,386 |
| | | |
| Net loss per share | \$ | (0.46) |

The accompanying notes are an integral part of these consolidated financial statements.

VERDANT GROWTH PROPERTIES CORP.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
For the period from October 27, 2020 (Date of Formation) to December 31, 2020

| | Number of common shares | Common stock & additional paid-in capital | Net loss and comprehensive loss | Total Shareholders equity |
|---|-------------------------------|---|---------------------------------------|---------------------------------|
| <u>Balance – October 27, 2020 (date of formation)</u> | 1 | \$ - | \$ - | \$ - |
| Shares issued, net of issue costs (note 3) | 220,000 | 654,830 | - | 654,830 |
| Net loss | - | - | (41,583) | (41,583) |
| <u>Balance – December 31, 2020</u> | 220,001 | \$ 654,830 | \$ (41,583) | \$ 613,247 |

The accompanying notes are an integral part of these consolidated financial statements.

VERDANT GROWTH PROPERTIES CORP.
STATEMENT OF CASH FLOWS

For the period from October 27, 2020 (Date of Formation) to December 31, 2020

| | | |
|--|----|----------|
| Operating Activities | | |
| Net loss | \$ | (41,583) |
| Change in non-cash working capital | | |
| Deferred share issuance costs | | (7,157) |
| Accrued liabilities | | 53,900 |
| Cash provided by operating activities | | 5,160 |
| Financing Activities | | |
| Proceeds from issuance of common stock, net of costs | | 654,830 |
| | | 654,830 |
| Increase in cash | | 659,990 |
| Cash, beginning of period | | - |
| Cash, end of period | \$ | 659,990 |

The accompanying notes are an integral part of these consolidated financial statements.

VERDANT GROWTH PROPERTIES CORP.
NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2020 and for the period from October 27, 2020 (the date of formation) to December 31, 2020

1. CORPORATE INFORMATION AND SUBSEQUENT REORGANIZATION

Verdant Growth Properties Corp. (“Verdant” or the “Company”), a Delaware corporation, was formed on October 27, 2020 for the purpose of owning and leasing, on a triple-net basis, cannabis-related real estate assets in the United States. At December 31, 2020, Verdant owned no investment assets and had no operations.

Nova Net Lease REIT (the “REIT”) was formed on July 27, 2021 as a newly created, open-ended real estate investment trust established pursuant to the Declaration of Trust under the laws of the Province of Ontario, for the purpose of acquiring specialized industrial and retail properties leased to experienced, state-licensed operators in the legal U.S. cannabis industry. The REIT intends to acquire properties through sale-leaseback transactions and lease such properties on a triple-net basis. The Declaration of Trust of the REIT will be filed on SEDAR at www.sedar.com in conjunction with the filing of the preliminary prospectus for the REIT’s initial public offering of trust units on the Canadian Securities Exchange. The REIT’s registered office is located at 181 Bay Street, Suite 1030, Toronto, Ontario, M5J 2T3, Canada.

On September 1, 2021, all of the outstanding shares of Verdant were exchanged for shares in the REIT. The REIT will be classified as a U.S. corporation for U.S. federal income tax purposes pursuant to section 7874 of the United States Internal Revenue Code of 1986, as amended (the “Code”). As a result, it will be permitted to elect to be treated as a real estate investment trust under the Code, notwithstanding it is organized as a Canadian entity.

For the period from formation to December 31, 2020, Verdant did not own investment assets and had not commenced real estate operations. Liquidity was provided by the initial investment in shares of the Company’s common stock by the founders. The intention of management is to raise funds through an initial public offering of the REIT’s trust units, and use those funds to acquire investment assets. These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. These financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.

The financial statements included herein are those of Verdant as at December 31, 2020, and for the period from October 27, 2020 (date of formation) to December 31, 2020, and were authorized for issuance by the Board of Directors of the Company on October 20, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements of Verdant as at December 31, 2020, and for the period from October 27, 2020 (the date of formation) to December 31, 2020, have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and IFRS Interpretations Committee (“IFRIC”).

The financial statements of Verdant have been prepared on a historical cost basis.

VERDANT GROWTH PROPERTIES CORP.
NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2020 and for the period from October 27, 2020 (the date of formation) to December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Functional and Presentation Currency

The financial statements of Verdant are presented in U.S. dollars, which is the Company's functional currency.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Management has deferred certain legal fees that, in its judgement, are directly attributable to issuing new shares in the Company's planned initial public offering. Legal fees related to the planned listing on the Canadian Securities Exchange have been expensed.

Financial Instruments

Financial instruments are classified as amortized cost, fair value through profit or loss ("FVTPL") or fair value through other comprehensive income. The Company has assessed the classification and measurement of its financial instruments as follows:

| | |
|--|----------------|
| Cash | Amortized Cost |
| Accounts Payable and Accrued Liabilities | Amortized Cost |

3. EQUITY

Verdant is authorized to issue 2,200,000 shares of common stock, par value of \$0.0001. Upon formation, one share of common stock was issued, and in December 2020, Verdant issued 220,000 shares of common stock to the founding stockholders for aggregate gross proceeds of \$660,000, less share issuance costs of \$5,170. At December 31, 2020, there were 220,001 shares outstanding.

4. RELATED PARTY TRANSACTIONS

In October 2020, Verdant engaged a financial and strategic advisor whose services will continue for a period of 24 months following the closing of the initial public offering of the REIT's Trust Units, to provide guidance with respect to capital raising strategy, and to provide corporate office space and administrative support following the closing of the initial public offering of the REIT's trust units. Two of the Company's directors are also associated with the advisor, and will participate financially from fees earned by the advisor as a result of successful private financings and capital markets transactions, including the initial public offering, and monthly work fees.

As of December 31, 2020, no fees had been earned under the terms of the agreement, and no fees were recorded in the Company's financial statements.

VERDANT GROWTH PROPERTIES CORP.
NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2020 and for the period from October 27, 2020 (the date of formation) to December 31, 2020

4. SUBSEQUENT EVENTS

ISSUANCE OF COMMON STOCK

In April 2021, Verdant issued an additional 48,231 shares of common stock for aggregate proceeds of \$143,538, net of share issuance costs of \$1,154.

CONTINGENT COMPENSATION ARRANGEMENT

In April 2021, the Company issued a letter to certain members of Verdant management agreeing to compensate them upon the successful completion of the first investment property acquisition. Payment will be in shares of the Company's stock valued at a total of \$120,000.

FORMATION OF THE REIT

On July 27, 2021, Nova Net Lease REIT was formed to acquire the outstanding shares of common stock of Verdant under Section 7874 of the Internal Revenue Code. On September 1, 2021, all of the outstanding shares of Verdant were exchanged for shares in the REIT.

FORMATION OF THE OPERATING PARTNERSHIP

On July 21 2021, Nova Net Lease Operating LLC (the "Operating Partnership") was formed pursuant to the Delaware Act by the filing of a Certificate of Formation with the State of Delaware. At formation, the Operating Partnership was a single member LLC with Verdant owning 100% of the Class A Units.

ASSET ACQUISITIONS

In October 2021, the Operating Partnership entered into a contribution agreement with Cloud Cannabis ("Cloud") whereby Cloud would contribute the real estate related to a 70,000 square foot specialized industrial cannabis cultivation facility in Kalamazoo, Michigan to the Operating Partnership in exchange for units in the Operating Partnership valued at \$10.0 million. The Operating Partnership expects to complete due diligence procedures and close on the acquisition by November 2021, prior to the closing of the REIT's initial public offering, at which time the operator of the cultivation facility will enter into a triple-net lease with the Operating Partnership with an initial term of 15 years.

REDEMPTION OF COMMON STOCK

In August 2021, Verdant redeemed 9,120 shares of common stock for \$27,360.

Verdant Growth Properties Corp.

Management's Discussion and Analysis

As at December 31, 2020

And for the period from inception on October 27, 2020 to December 31, 2020

(Expressed in U.S. dollars)

Management's Discussion & Analysis

The following discussion of performance, financial condition and future prospects of Verdant Growth Properties Corp. should be read in conjunction with the audited financial statements ("**Audited Financial Statements**") for the period from inception on October 27, 2020 to December 31, 2020 and the accompanying notes thereto.

This Management's Discussion and Analysis ("**MD&A**") has been prepared with an effective date of October 20, 2021. The Audited Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("**IFRS**") and with interpretation of the International Financial Reporting Interpretations Committee ("**IFRIC**"). The Company's financial information is expressed in United States dollars. In addition to reviewing this MD&A, readers are encouraged to read our public information that will be filed on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com in conjunction with the filing of the preliminary prospectus for Nova Net Lease REIT for its initial public offering of trust units on the Canadian Securities Exchange.

Cautionary Statement Regarding Forward-Looking Statements

This document may contain "forward-looking statements" (as defined under applicable securities laws). These forward-looking statements relate to future events or future performance including with respect to our objectives and priorities for fiscal year 2020 and beyond.

Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target", "intend", "could" or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and many factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating forward-looking statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions and the risks and uncertainties discussed in the section entitled "Risk Factors" in our initial public offering prospectus dated November 26, 2021 (the "**Prospectus**").

The forward-looking statements contained in this MD&A are presented for the purpose of assisting investors in understanding business and strategic priorities and objectives of the Company as at the periods indicated and may not be appropriate for other purposes. Forward-looking statements contained in this MD&A are not guarantees of future performance and, while forward-looking statements are based on certain assumptions that we consider reasonable, actual events and results could differ materially from those expressed or implied by forward-looking statements made by us. Readers are cautioned to consider these and other factors carefully when making decisions with respect to the Company and not place undue reliance on forward looking statements. Circumstances affecting us may change rapidly. Except as may be expressly required by applicable law, the Company does not undertake any obligation to update publicly or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.

Nature of Activities

Verdant Growth Properties Corp. (“**Verdant**” or the “**Company**”), a Delaware corporation, was formed on October 27, 2020 for the purpose of owning and leasing, on a triple-net basis, cannabis-related real estate assets in the United States. At December 31, 2020, Verdant owned no investment assets and had no operations.

Nova Net Lease REIT (the “**REIT**”, “**we**”, “**our**” or “**us**”) was formed on July 27, 2021 as a newly created, open-ended real estate investment trust established pursuant to the Declaration of Trust under the laws of the Province of Ontario, for the purpose of acquiring specialized industrial and retail properties leased to experienced, licensed operators in the legal U.S. cannabis industry. The REIT intends to acquire properties through sale-leaseback transactions and lease such properties on a triple-net basis. The REIT’s registered office is located at 181 Bay Street, Suite 1030, Toronto, Ontario, M5J 2T3, Canada. The Declaration of Trust of the REIT will be filed on SEDAR at www.sedar.com in conjunction with the filing of the preliminary prospectus for the REIT’s initial public offering of trust units on the Canadian Securities Exchange (“**CSE**”).

On September 1, 2021, all of the outstanding shares of Verdant were exchanged for shares in the REIT. The REIT will be classified as a U.S. corporation for U.S. federal income tax purposes pursuant to section 7874 of the United States Internal Revenue Code of 1986, as amended (the “**Code**”). As a result, it will be permitted to elect to be treated as a real estate investment trust under the Code, notwithstanding it is organized as a Canadian entity.

The MD&A included herein is that of Verdant as at December 31, 2020, and for the period from October 27, 2020 (date of formation) to December 31, 2020.

Selected Financial Information

Verdant was established on October 27, 2020, and from formation through December 31, 2020, the only activities carried out by the Company were to issue 220,001 shares of stock to the founding shareholders and to engage legal counsel to begin the process of planning for an initial public offering. The following table summarizes the relevant financial data for our business and should be read with the Audited Financial Statements.

| | |
|--|------------|
| Cash and Other Assets | \$667,147 |
| Accounts Payable and Accrued Liabilities | \$ 53,900 |
| Shareholders’ Equity | \$613,247 |
| Net Loss and Comprehensive Loss | \$(41,583) |

Results of Operations

Verdant had no operations for the period October 27, 2020 to December 31, 2020, and its only activities were to raise capital from the founding shareholders and begin the planning related to a future initial public offering and listing on the CSE. Legal fees incurred during the period from formation to December 31, 2020 of \$40,816 were, in management's judgement, related to the planned listing on the CSE or other setup matters and were charged to expense on the statement of loss and comprehensive loss. Legal fees of \$7,157 that, in our judgement, were directly attributable to issuing new shares in the Company's planned initial public offering were deferred. Legal fees of \$5,170 related to the issuance of founders shares were reflected in shareholders' equity. Net loss and comprehensive loss for the period was \$41,583.

Liquidity and Capital Resources

In December 2020, Verdant issued 220,000 shares of common stock for proceeds of \$654,830, net of issuance costs.

As at December 31, 2020, Verdant had cash of \$659,900, which was available to fund the Company's working capital requirements, including costs to be incurred in preparation for our initial public offering.

To the extent that we may require funding for general ongoing expenses or in connection with the acquisition of an investment property before the completion of our initial public offering, we would endeavor to issue additional shares of the Company's common stock to the founders or other qualified investors.

For the period from inception to December 31, 2020, Verdant did not own investment assets and had not commenced real estate operations. Liquidity was provided by the initial investment in shares of the Company's common stock by the founders. The intention of management is to raise funds through an initial public offering of the REIT's trust units, and use those funds to acquire investment assets. The Company's Audited Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

As at December 31, 2020, the Company did not have any commitments for capital expenditures.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements.

Transactions between Related Parties

In October 2020, Verdant engaged a financial and strategic advisor whose services will continue for a period of 24 months following the closing of the initial public offering of the REIT's Trust Units, to provide guidance with respect to capital raising strategy, and to provide corporate office space and administrative support following the closing of the initial public offering of the REIT's trust units. Two of the Company's directors are also associated with the advisor, and will participate financially from fees earned by the advisor as a result of successful private financings and capital markets transactions, including the initial public offering, and monthly work fee. As of December 31, 2020, no fees had been earned under the terms of the agreement, and no fees were recorded in the Company's Audited Financial Statements.

Proposed Transactions

See Subsequent Events – Asset Acquisitions.

Significant Accounting Policies and Critical Accounting Estimates

For further information about the accounting policies used by the Company, please refer to the Audited Financial Statements and notes thereto, which have been prepared in accordance with IFRS and with interpretation of the IFRIC.

The preparation of Audited Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Audited Financial Statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

For the period from October 27, 2020 (date of formation) to December 31, 2020, the Company used judgement in determining the allocation of legal fees to expense, additional paid-in capital and deferred share issuance costs.

Financial Instruments

Financial instruments are classified as amortized cost, fair value through profit or loss or fair value through other comprehensive income. The Company has assessed the classification and measurement of its financial instruments as follows:

| | |
|--|----------------|
| Cash | Amortized Cost |
| Accounts Payable and Accrued Liabilities | Amortized Cost |

As at December 31, 2020, the Company held cash of \$659,990 and accounts payable and accrued liabilities of \$53,900, and the carrying amounts of these balances approximates the fair value due to the short-term nature of the instruments.

Future Accounting Changes

There are no future accounting changes that are expected to impact the financial statements of the Company.

Subsequent Events

ISSUANCE OF COMMON STOCK

In April 2021, Verdant issued an additional 48,231 shares of common stock for aggregate proceeds of \$143,538, net of share issuance costs of \$1,154.

CONTINGENT COMPENSATION ARRANGEMENT

In April 2021, the Company issued a letter to certain members of Verdant management agreeing to compensate them upon the successful completion of the first investment property acquisition. Payment will be in shares of the Company's stock valued at a total of \$120,000.

FORMATION OF THE REIT

On July 27, 2021, the REIT was formed to acquire the outstanding shares of common stock of Verdant under Section 7874 of the Code. On September 1, 2021, all of the outstanding shares of Verdant were exchanged for shares in the REIT.

FORMATION OF THE OPERATING PARTNERSHIP

On July 21 2021, Nova Net Lease Operating LLC (the "**OP**") was formed pursuant to the Delaware Act by the filing of a Certificate of Formation with the State of Delaware. At formation, the OP was a single member LLC with Verdant owning 100% of the Class A Units.

ASSET ACQUISITIONS

In October 2021, the OP entered into a contribution agreement with Cloud Cannabis ("**Cloud**") whereby Cloud would contribute the real estate related to a 70,000 square foot specialized industrial cannabis cultivation facility in Kalamazoo, Michigan to the OP in exchange for units in the OP valued at \$10.0 million. The Operating Partnership expects to complete due diligence procedures and close on the acquisition by November 2021, prior

to the closing of the REIT's initial public offering, at which time the operator of the cultivation facility will enter into a triple-net lease with the Operating Partnership with an initial term of 15 years.

REDEMPTION OF COMMON STOCK

In August 2021, Verdant redeemed 9,120 shares of common stock for \$27,360.

Outstanding Units

As of the date of this MD&A, Verdant had 259,081 shares of common stock issued and outstanding, all held by the REIT.

Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.

Managing Risk

Except as otherwise disclosed in this MD&A and in the Audited Financial Statements, there have been no significant changes to the nature and scope of the risks faced by the Company as described in the Prospectus, which will be available on the REIT's profile on SEDAR at www.sedar.com.

VERDANT GROWTH PROPERTIES CORP.
CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX MONTH PERIODS ENDED JUNE 30, 2021

VERDANT GROWTH PROPERTIES CORP.
CONDENSED INTERIM STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(UNAUDITED)

| | | For the Three Months Ended June 30, 2021 | For the Six Months Ended June 30, 2021 |
|--|-----------|--|--|
| Revenues | \$ | - | - |
| Expenses | | | |
| Professional fees | | 141,101 | 152,229 |
| Consulting fees | | 47,676 | 47,676 |
| Compensation expense (note 4) | | 120,000 | 120,000 |
| Other | | 2,295 | 2,559 |
| Total expenses | | 311,072 | 322,464 |
| Net loss and comprehensive loss | \$ | (311,072) | (322,464) |
| Weighted average shares outstanding | | 263,462 | 241,851 |
| Net loss per share | \$ | (1.18) | (1.33) |

The accompanying notes are an integral part of these consolidated financial statements.

VERDANT GROWTH PROPERTIES CORP.
CONDENSED INTERIM STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the six month period ended June 30, 2021

| | Number of common shares | Common stock & additional paid-in capital | Equity reserve | Net loss and comprehensive loss | Total Shareholders equity |
|--|-------------------------------|---|-------------------|---------------------------------------|---------------------------------|
| Balance – December 31, 2020 | 220,001 | \$ 654,830 | \$ - | \$ (41,583) | \$ 613,247 |
| Shares issued, net of issue costs (note 3) | 48,231 | 143,538 | - | - | 143,538 |
| Stock-based compensation (note 4) | - | - | 120,000 | - | 120,000 |
| Net loss | - | - | - | (322,464) | (322,464) |
| Balance – June 30, 2021 | 268,232 | \$ 798,368 | \$ 120,000 | \$ (364,047) | \$ 554,321 |

The accompanying notes are an integral part of these consolidated financial statements.

VERDANT GROWTH PROPERTIES CORP.
CONDENSED INTERIM STATEMENT OF CASH FLOWS

For the six months ended June 30, 2021

| | | |
|--|----|-----------------|
| Operating Activities | | |
| Net loss | \$ | (322,464) |
| Add items not involving cash: | | |
| Stock-based compensation | | 120,000 |
| Change in non-cash working capital: | | |
| Deferred share issuance costs | | (27,911) |
| Other assets | | (4,192) |
| Accounts payable and accrued liabilities | | 141,986 |
| Cash provided by operating activities | | <u>(92,581)</u> |
| Financing Activities | | |
| Proceeds from issuance of common stock, net of costs | | 143,538 |
| | | <u>143,538</u> |
| Increase in cash | | 50,957 |
| Cash, beginning of period | | <u>659,990</u> |
| Cash, end of period | \$ | <u>710,947</u> |

The accompanying notes are an integral part of these consolidated financial statements.

VERDANT GROWTH PROPERTIES CORP.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (unaudited)

For the three and six months ended June 30, 2021

1. CORPORATE INFORMATION AND SUBSEQUENT REORGANIZATION

Verdant Growth Properties Corp. (“Verdant” or the “Company”), a Delaware corporation, was formed on October 27, 2020 for the purpose of owning and leasing, on a triple-net basis, cannabis-related real estate assets in the United States. At June 30, 2021, Verdant owned no investment assets and had no operations.

Nova Net Lease REIT (the “REIT”) was formed on July 27, 2021 as a newly created, open-ended real estate investment trust established pursuant to the Declaration of Trust under the laws of the Province of Ontario, for the purpose of acquiring specialized industrial and retail properties leased to experienced, state-licensed operators in the legal U.S. cannabis industry. The REIT intends to acquire properties through sale-leaseback transactions and lease such properties on a triple-net basis. The Declaration of Trust of the REIT will be filed on SEDAR at www.sedar.com in conjunction with the filing of the preliminary prospectus for the REIT’s initial public offering of trust units on the Canadian Securities Exchange. The REIT’s registered office is located at 181 Bay Street, Suite 1030, Toronto, Ontario, M5J 2T3, Canada.

On September 1, 2021, all of the outstanding shares of Verdant were exchanged for shares in the REIT. The REIT will be classified as a U.S. corporation for U.S. federal income tax purposes pursuant to section 7874 of the United States Internal Revenue Code of 1986, as amended (the “Code”). As a result, it will be permitted to elect to be treated as a real estate investment trust under the Code, notwithstanding it is organized as a Canadian entity.

For the period from formation on October 27, 2020 to June 31, 2021, Verdant did not own investment assets and had not commenced real estate operations. Liquidity has been provided by the initial investment in shares of the Company’s common stock by the founders and management. The intention of management is to raise funds through an initial public offering, and use those funds to acquire investment assets. These financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due. These financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.

The condensed interim financial statements included herein are those of Verdant as at June 30, 2021, and for the period from January 1, 2021 to June 30, 2021, and were authorized for issuance by the Board of Directors of the Company on October 20, 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The condensed interim financial statements of Verdant as at June 30, 2021, and for the period from January 1, 2021 to June 30, 2021, have been prepared by management in accordance with International Accounting Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”). The Company was formed on October 27, 2020, and accordingly, no comparative information has been presented for the statement of loss and comprehensive loss and statement of cash flows.

The condensed financial statements of Verdant have been prepared on a historical cost basis. Verdant’s functional and presentation currency is the U.S. dollar.

VERDANT GROWTH PROPERTIES CORP.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(unaudited)

For the three and six months ended June 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant Accounting Policies

The condensed interim financial statements do not include all the information required for annual financial statements and should be read in conjunction with the annual financial statements for the period from October 27, 2020 to December 31, 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the IASB. The condensed interim financial statements follow the same accounting policies as described in the financial statements for the period from October 27, 2020 to December 31, 2020.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Management has deferred certain legal fees that, in its judgement, are directly attributable to issuing new shares in the Company’s planned initial public offering. Legal fees related to the planned listing on the Canadian Securities Exchange have been expensed.

Management has deferred legal fees of \$4,192 related to the acquisition of its first investment asset, which is expected to close in October 2021.

3. EQUITY

Verdant is authorized to issue 2,200,000 shares of common stock, par value of \$0.0001. In April 2021, Verdant issued 48,231 shares of common stock to certain members of management for proceeds of \$143,538, net of share issuance costs of \$1,154.

4. CONTINGENT COMPENSATION

In April 2021, the Company issued a letter to certain members of Verdant management agreeing to compensate them upon the successful completion of the first investment property acquisition. Payment will be in shares of the Company’s stock valued at a total of \$120,000. As of June 30, 2021, the Company had entered into a letter of intent to acquire an investment property and believed that it was likely that the acquisition would be completed. Compensation expense and the related equity reserve of \$120,000 was reflected in the Company’s condensed interim financial statements at June 30, 2021.

VERDANT GROWTH PROPERTIES CORP.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

(unaudited)

For the three and six months ended June 30, 2021

5. RELATED PARTY TRANSACTIONS

In October 2020, Verdant engaged a financial and strategic advisor whose services will continue for a period of 24 months following the closing of the initial public offering of the REIT's Trust Units, to provide guidance with respect to capital raising strategy, and to provide corporate office space and administrative support following the closing of the initial public offering of the REIT's trust units. Two of the Company's directors are also associated with the advisor, and will participate financially from fees earned by the advisor as a result of successful private financings and capital markets transactions, including the initial public offering, and monthly work fee.

As of June 30, 2021, no fees had been earned under the terms of the agreement, and no fees were recorded in the Company's financial statements.

6. SUBSEQUENT EVENTS

FORMATION OF REIT

On July 27, 2021, Nova Net Lease REIT was formed to acquire the outstanding shares of common stock of Verdant under Section 7874 of the Internal Revenue Code. On September 1, 2021, all of the outstanding shares of Verdant were exchanged for shares in the REIT.

FORMATION OF THE OPERATING PARTNERSHIP

On July 21 2021, Nova Net Lease Operating LLC (the "Operating Partnership") was formed pursuant to the Delaware Act by the filing of a Certificate of Formation with the State of Delaware. At formation, the Operating Partnership was a single member LLC with Verdant owning 100% of the Class A Units.

ASSET ACQUISITIONS

In October 2021, the Operating Partnership entered into a contribution agreement with Cloud Cannabis ("Cloud") whereby Cloud would contribute the real estate related to a 70,000 square foot specialized industrial cannabis cultivation facility in Kalamazoo, Michigan to the Operating Partnership in exchange for units in the Operating Partnership valued at \$10.0 million. The Operating Partnership expects to complete due diligence procedures and close on the acquisition by November 2021, prior to the closing of the REIT's initial public offering, at which time the operator of the cultivation facility will enter into a triple-net lease with the Operating Partnership with an initial term of 15 years.

REDEMPTION OF COMMON STOCK

In August 2021, Verdant redeemed 91,200 shares of common stock for \$27,360.

Verdant Growth Properties Corp.

Management's Discussion and Analysis

As at June 30, 2021
And for the three and six month periods ended June 30, 2021
(Expressed in U.S. dollars)

Management's Discussion & Analysis

The following discussion of performance, financial condition and future prospects of Verdant Growth Properties Corp. should be read in conjunction with the unaudited condensed interim financial statements ("**Unaudited Financial Statements**") for the three and six month periods ended June 30, 2021 and the accompanying notes thereto.

This Management's Discussion and Analysis ("**MD&A**") has been prepared with an effective date of October 20, 2021. The Unaudited Financial Statements have been prepared by management in accordance with International Financial Reporting Standards ("**IFRS**") and with interpretation of the International Financial Reporting Interpretations Committee ("**IFRIC**"). The Company's financial information is expressed in United States dollars. In addition to reviewing this MD&A, readers are encouraged to read our public information that will be filed on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com in conjunction with the filing of the preliminary prospectus for Nova Net Lease REIT for its initial public offering of trust units on the Canadian Securities Exchange.

Cautionary Statement Regarding Forward-Looking Statements

This document may contain "forward-looking statements" (as defined under applicable securities laws). These forward-looking statements relate to future events or future performance including with respect to our objectives and priorities for fiscal year 2021 and beyond.

Such forward-looking statements reflect management's current beliefs and are based on information currently available to management. In some cases, forward-looking statements can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue", "target", "intend", "could" or the negative of these terms or other comparable terminology. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and many factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating forward-looking statements, readers should specifically consider various factors that may cause actual results to differ materially from any forward-looking statement. These factors include, but are not limited to, market and general economic conditions and the risks and uncertainties discussed in the section entitled "Risk Factors" in our initial public offering prospectus dated November 26, 2021 (the "**Prospectus**").

The forward-looking statements contained in this MD&A are presented for the purpose of assisting investors in understanding business and strategic priorities and objectives of the Company as at the periods indicated and may not be appropriate for other purposes. Forward-looking statements contained in this MD&A are not guarantees of future performance and, while forward-looking statements are based on certain assumptions that we consider reasonable, actual events and results could differ materially from those expressed or implied by forward-looking statements made by us. Readers are cautioned to consider these and other factors carefully when making decisions with respect to the Company and not place undue reliance on forward looking statements. Circumstances affecting us may change rapidly. Except as may be expressly required by applicable law, the Company does not undertake any obligation to update publicly or revise any such forward-looking statements, whether as a result of new information, future events or otherwise.

Nature of Activities

Verdant Growth Properties Corp. (“**Verdant**” or the “**Company**”), a Delaware corporation, was formed on October 27, 2020 for the purpose of owning and leasing, on a triple-net basis, cannabis-related real estate assets in the United States. At June 30, 2021, Verdant owned no investment assets and had no operations.

Nova Net Lease REIT (the “**REIT**”, “**we**”, “**our**” or “**us**”) was formed on July 27, 2021 as a newly created, open-ended real estate investment trust established pursuant to the Declaration of Trust under the laws of the Province of Ontario, for the purpose of acquiring specialized industrial and retail properties leased to experienced, licensed operators in the legal U.S. cannabis industry. The REIT intends to acquire properties through sale-leaseback transactions and lease such properties on a triple-net basis. The Declaration of Trust of the REIT will be filed on SEDAR at www.sedar.com in conjunction with the filing of the preliminary prospectus for the REIT’s initial public offering of trust units on the Canadian Securities Exchange (the “**CSE**”). The REIT’s registered office is located at 181 Bay Street, Suite 1030, Toronto, Ontario, M5J 2T3, Canada.

On September 1, 2021, all of the outstanding shares of Verdant were exchanged for shares in the REIT. The REIT will be classified as a U.S. corporation for U.S. federal income tax purposes pursuant to section 7874 of the United States Internal Revenue Code of 1986, as amended (the “**Code**”). As a result, it will be permitted to elect to be treated as a real estate investment trust under the Code, notwithstanding it is organized as a Canadian entity.

The MD&A included herein is that of Verdant as at June 30, 2021, and for the three and six month periods ended June 30, 2021.

Selected Financial Information

Verdant was established on October 27, 2020, and from formation through June 30, 2021, the only activities carried out by the Company were to issue 268,232 shares of stock to the founding shareholders and members of management, to engage legal counsel to begin the process of planning for an initial public offering, and to start building a pipeline of potential acquisition targets for purposes of identifying the Company’s initial investment asset. The following table summarizes the relevant financial data for our business as at, and for the six month period ended, June 30, 2021, and should be read with the Unaudited Financial Statements.

| | |
|--|-------------|
| Cash and Other Assets | \$750,207 |
| Accounts Payable and Accrued Liabilities | \$195,886 |
| Shareholders’ Equity | \$554,321 |
| Net Loss and Comprehensive Loss | \$(322,464) |

Results of Operations

Three and six months ended June 30, 2021

Verdant had no operations for the three and six months ended June 30, 2021, and its only activities were to raise capital from the founding shareholders and certain members of management, begin the planning related to a future initial public offering and listing on the CSE and start building a pipeline of potential acquisition targets for purposes of identifying the Company's initial investment asset.

Legal expenses were \$131,251 and \$142,379 for the three and six months ended June 30, 2021, respectively, and were related to Company formation and setup matters, and activities for the REIT's initial listing of Trust Units on the CSE. The Company also incurred accounting fees of \$9,850 during the three and six months ended June 30, 2021.

In April 2021, the Company issued a letter to certain members of Verdant management agreeing to compensate them upon the completion of the first investment property acquisition. Payment would be in shares of the Company's stock valued at a total of \$120,000. As of June 30, 2021, the Company had entered into a letter of intent to acquire an investment property and believed that it was likely that the acquisition would be completed. Compensation expense of \$120,000 was reflected on the statement of loss and comprehensive loss for the three and six months periods ended June 30, 2021.

In April 2021, the Company entered into a one year consulting agreement with an individual to lead the Company's property acquisition program. Under terms of the agreement, the consultant would earn commission of 1.5% on the purchase of any properties, payable at closing, two-thirds in cash and one-third in the Company's common stock. During the first 90 days of the agreement, the consultant was guaranteed a monthly payment of \$15,000 against commission. Because the payment was guaranteed, consulting fees and expenses totaling \$46,676 for April, May and June 2021, representing the first 90 days of the agreement, were expensed as consulting fees in the Company's statement of loss and comprehensive loss for the three and six month periods ended June 30, 2021. During the same time period, the Company incurred consulting fees of \$1,000 for a part-time analyst.

Liquidity and Capital Resources

In April 2021, Verdant issued 48,231 shares of common stock for proceeds of \$143,538, net of issuance costs.

As at June 30, 2021, Verdant had cash of \$710,947 which was available to fund the Company's working capital requirements, including continued costs related to the preparation for our initial public offering.

To the extent that we may require funding for general ongoing expenses or in connection with the acquisition of an investment property before the completion of our initial public offering, we would endeavor to issue additional shares of the Company's common stock to the founders or other qualified investors.

For the three and six month periods ended June 30, 2021, Verdant did not own investment assets and had not commenced real estate operations. Liquidity was provided by the initial investment in shares of the Company's common stock by the founders and certain members of management. The intention of management is to raise funds through an initial public offering of the REIT's trust units, and use those funds to acquire investment assets. The Company's Unaudited Financial Statements have been prepared on a going concern basis, which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

As at June 30, 2021, the Company did not have any commitments for capital expenditures.

Off-Balance Sheet Arrangements

The Company had no off-balance sheet arrangements.

Transactions between Related Parties

In October 2020, Verdant engaged a financial and strategic advisor whose services will continue for a period of 24 months following the closing of the initial public offering of the REIT's Trust Units, to provide guidance with respect to capital

raising strategy, and to provide corporate office space and administrative support following the closing of the initial public offering of the REIT's trust units. Two of the Company's directors are also associated with the advisor, and will participate financially from fees earned by the advisor as a result of successful private financings and capital markets transactions, including the initial public offering, and monthly work fee. As of June 30, 2021, no fees had been earned under the terms of the agreement, and no fees were recorded in the Company's Unaudited Financial Statements.

Proposed Transactions

See Subsequent Events – Asset Acquisitions.

Significant Accounting Policies and Critical Accounting Estimates

For further information about the accounting policies used by the Company, please refer to the Unaudited Financial Statements and notes thereto, which have been prepared in accordance with IFRS and with interpretation of the IFRIC.

The preparation of Unaudited Financial Statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Unaudited Financial Statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

For the three and six month periods ended June 30, 2021, the Company used judgement in determining the allocation of legal fees to expense, additional paid-in capital and deferred share issuance costs.

Financial Instruments

Financial instruments are classified as amortized cost, fair value through profit or loss or fair value through other comprehensive income. The Company has assessed the classification and measurement of its financial instruments as follows:

| | |
|--|----------------|
| Cash | Amortized Cost |
| Accounts Payable and Accrued Liabilities | Amortized Cost |

As at June 30, 2021, the Company held cash of \$710,947 and accounts payable and accrued liabilities of \$195,886, and the carrying amounts of these balances approximates the fair value due to the short-term nature of the instruments.

Future Accounting Changes

There are no future accounting changes that are expected to impact the financial statements of the Company.

Subsequent Events

FORMATION OF THE REIT

On July 27, 2021, the REIT was formed to acquire the outstanding shares of common stock of Verdant under Section 7874 of the Code. On September 1, 2021, all of the outstanding shares of Verdant were exchanged for shares in the REIT.

FORMATION OF THE OPERATING PARTNERSHIP

On July 21 2021, Nova Net Lease Operating LLC (the "OP") was formed pursuant to the Delaware Act by the filing of a Certificate of Formation with the State of Delaware. At formation, the OP was a single member LLC with Verdant owning 100% of the Class A Units.

ASSET ACQUISITIONS

In October 2021, the OP entered into a contribution agreement with Cloud Cannabis ("Cloud") whereby Cloud would contribute the real estate related to a 70,000 square foot specialized industrial cannabis cultivation facility in Kalamazoo, Michigan to the OP in exchange for units in the OP valued at \$10.0 million. The Operating Partnership expects to complete due diligence procedures and close on the acquisition by November 2021, prior to the closing of the REIT's initial public offering, at which time the operator of the cultivation facility will enter into a triple-net lease with the Operating Partnership with an initial term of 15 years.

REDEMPTION OF COMMON STOCK

In August 2021, Verdant redeemed 9,120 shares of common stock for \$27,360.

Outstanding Units

As of the date of this MD&A, Verdant had 259,081 shares of common stock issued and outstanding, all held by the REIT.

Controls and Procedures

The Chief Executive Officer and the Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.

Managing Risk

Except as otherwise disclosed in this MD&A and in the Unaudited Financial Statements, there have been no significant changes to the nature and scope of the risks faced by the Company as described in the Prospectus, which will be available on the REIT's profile on SEDAR at www.sedar.com.

**APPENDIX A
NOVA NET LEASE REIT
CHARTER OF THE AUDIT COMMITTEE**

(the “Charter”)

General

Purpose

The Audit Committee (the “**Committee**”) is a committee of the Board of Trustees (the “**Board**”) of Nova Net Lease REIT (the “**REIT**”). The members of the Committee and the chair of the Committee (the “**Chair**”) are appointed by the Board on an annual basis (or until their successors are duly appointed) for the purpose of overseeing the REIT’s financial controls and reporting and monitoring whether the REIT complies with financial covenants and legal and regulatory requirements governing financial disclosure matters and financial risk management.

Composition

The Committee should be comprised of a minimum of three trustees and a maximum of five trustees.

- (a) The Committee must be constituted as required under National Instrument 52-110 – *Audit Committees*, as it may be amended or replaced from time to time (“**NI 52-110**”).
- (b) All members of the Committee must (except to the extent permitted by NI 52-110) be independent (as defined by NI 52-110), and free from any relationship that, in the view of the Board, could be reasonably expected to interfere with the exercise of his or her independent judgment as a member of the Committee.
- (c) No members of the Committee shall receive, other than for service on the Board or the Committee or other committees of the Board, any consulting, advisory, or other compensatory fee from the REIT or any of its related parties or subsidiaries.
- (d) All members of the Committee must (except to the extent permitted by NI 52-110) be financially literate (which is defined as the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the REIT’s financial statements).
- (e) Any member of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee on ceasing to be a trustee. The Board may fill vacancies on the Committee by election from among the Board. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all powers of the Committee so long as a quorum remains.

Limitations on Committee’s Duties

In contributing to the Committee’s discharge of its duties under this Charter, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended or may be construed as imposing on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which any member of the Board may be otherwise subject.

Members of the Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, (iii) representations made by management of the REIT (“**Management**”) as to the non-audit services provided to the REIT by the external auditor, (iv) financial statements of the REIT represented to them by a member of Management or in a written report of the external auditors to present fairly the financial position of the REIT in accordance with applicable generally accepted accounting principles, and (v) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

Meetings

The Committee should meet not less than four times annually. The Committee should meet within 45 days following the end of the first three financial quarters of the REIT and shall meet within 90 days following the end of the fiscal year of the REIT. A quorum for the transaction of business at any meeting of the Committee shall be a majority of the members of the Committee or such greater number as the Committee shall by resolution determine. The Committee shall keep minutes of each meeting of the Committee. A copy of the minutes shall be provided to each member of the Committee.

Meetings of the Committee shall be held from time to time and at such place as any member of the Committee shall determine upon two days' prior notice to each of the other Committee members. The members of the Committee may waive the requirement for notice. In addition, each of the Chief Executive Officer, the Chief Financial Officer and the external auditor shall be entitled to request that the Chair call a meeting.

The Committee may ask members of Management and employees of the REIT (including, for greater certainty, its affiliates and subsidiaries) or others (including the external auditor) to attend meetings and provide such information as the Committee requests. Members of the Committee shall have full access to information of the REIT (including, for greater certainty, its affiliates, subsidiaries and their respective operations) and shall be permitted to discuss such information and any other matters relating to the results of operations and financial position of the REIT with Management, employees, the external auditor and others as they consider appropriate.

The Committee or its Chair should meet at least once per year with Management and the external auditor in separate sessions to discuss any matters that the Committee or either of these groups desires to discuss privately. In addition, the Committee or its Chair should meet with Management quarterly in connection with the REIT's interim financial statements.

The Committee shall determine any desired agenda items.

Committee Activities

As part of its function in assisting the Board in fulfilling its oversight responsibilities (and without limiting the generality of the Committee's role), the Committee will have the power and authority to:

Financial Disclosure

- (a) Review, approve and recommend for Board approval the REIT's interim financial statements, including any certification, report, opinion or review rendered by the external auditor and the related management's discussion & analysis and press release.
- (b) Review, approve and recommend for Board approval the REIT's annual financial statements, including any certification, report, opinion or review rendered by the external auditor, the annual information form, and the related management's discussion & analysis and press release.
- (c) Review and approve any other press releases that contain financial information and such other financial information of the REIT provided to the public or any governmental body as the Committee requires.
- (d) Satisfy itself that adequate procedures have been put in place by Management for the review of the REIT's public disclosure of financial information extracted or derived from the REIT's financial statements and the related management's discussion & analysis.
- (e) Review any litigation, claim or other contingency and any regulatory or accounting initiatives that could have a material effect upon the financial position or operating results of the REIT and the appropriateness of the disclosure thereof in the documents reviewed by the Committee.
- (f) Receive periodically Management reports assessing the adequacy and effectiveness of the REIT's disclosure controls and procedures.

Internal Control

- (a) Review Management's process to identify and manage the significant risks associated with the activities of the REIT.
- (b) Review the effectiveness of the internal control systems for monitoring compliance with laws and regulations.
- (c) Have the authority to communicate directly with the internal auditor, if one is present.
- (d) Receive periodical Management reports assessing the adequacy and effectiveness of the REIT's internal control systems.
- (e) Assess the overall effectiveness of the internal control and risk management frameworks through discussions with Management and the external auditors and assess whether recommendations made by the external auditors have been implemented by Management.

Relationship with the External Auditor

- (a) Recommend to the Board the selection of the external auditor and the fees and other compensation to be paid to the external auditor.
- (b) Have the authority to communicate directly with the external auditor and arrange for the external auditor to be available to the Committee and the Board as needed.
- (c) Advise the external auditor that it is required to report to the Committee, and not to Management.
- (d) Monitor the relationship between Management and the external auditor, including reviewing any Management letters or other reports of the external auditor, discussing any material differences of opinion between Management and the external auditor and resolving disagreements between the external auditor and Management.
- (e) If considered appropriate, establish separate systems of reporting to the Committee by each of management and the external auditor.
- (f) Review and discuss on an annual basis with the external auditor all significant relationships they have with the REIT, Management or employees that might interfere with the independence of the external auditor.
- (g) Pre-approve all non-audit services (or delegate such pre-approval, as the Committee may determine and as permitted by applicable securities laws) to be provided by the external auditor.
- (h) Review the performance of the external auditor and recommend any discharge of the external auditor when the Committee determines that circumstances warrant.
- (i) Periodically consult with the external auditor out of the presence of Management about (a) any significant risks or exposures facing the REIT, (b) internal controls and other steps that Management has taken to control such risks, and (c) the fullness and accuracy of the financial statements of the REIT, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.
- (j) Review and approve any proposed hiring of current or former partners or employees of the current (and any former) external auditor of the REIT.

Audit Process

- (a) Review the scope, plan and results of the external auditor's audit and reviews, including the auditor's engagement letter, the post-audit management letter, if any, and the form of the audit report. The Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed desirable.

- (b) Following completion of the annual audit and quarterly reviews, review separately with each of Management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.
- (c) Review any significant disagreements among Management and the external auditor in connection with the preparation of the financial statements.
- (d) Where there are significant unsettled issues between Management and the external auditor that do not affect the audited financial statements, the Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.
- (e) Review with the external auditor and Management significant findings and the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.
- (f) Review the system in place to seek to ensure that the financial statements, management's discussion & analysis and other financial information disseminated to regulatory authorities and the public satisfy applicable requirements.

Financial Reporting Processes

- (a) Review the integrity of the REIT's financial reporting processes, both internal and external, in consultation with the external auditor.
- (b) Periodically consider the need for an internal audit function, if not present.
- (c) Review all material balance sheet issues, material contingent obligations and material related party transactions.
- (d) Review with Management and the external auditor the REIT's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with Management, the ramification of their use and the external auditor's preferred treatment and any other material communications with Management with respect thereto. Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financial reporting.

General

- (a) Inform the Board of matters that may significantly impact on the financial condition or affairs of the business.
- (b) Respond to requests by the Board with respect to the functions and activities that the Board requests the Committee to perform.
- (c) Periodically review this Charter and, if the Committee deems appropriate, recommend to the Board changes to this Charter.
- (d) Review the public disclosure regarding the Committee required from time to time by NI 52-110.
- (e) The Committee may at its discretion retain independent counsel, accountants and other professionals to assist it in the conduct of its activities and to set and pay (as an expense of the REIT) the compensation for any such advisors.
- (f) Review in advance, and approve, the hiring and appointment of the REIT's Chief Financial Officer and any other senior officers responsible for financial reporting.
- (g) Perform any other activities as the Committee or the Board deems necessary or appropriate.

Complaint Procedures

- (a) Anyone may submit a complaint regarding conduct by the REIT or its employees or agents (including its external auditor) reasonably believed to involve questionable accounting, internal accounting controls, auditing or other matters. The Chair will have the power and authority to oversee treatment of such complaints.
- (b) Complaints are to be directed to the attention of the Chair.
- (c) The Committee should endeavour to keep the identity of the complainant confidential.
- (d) The Chair will have the power and authority to lead the review and investigation of a complaint. The Committee should retain a record of all complaints received. Corrective action may be taken when and as warranted.

CERTIFICATE OF THE REIT

Dated: November 26, 2021

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada (except Quebec).

(Signed) “Richard Michaeloff”

Chief Executive Officer

(Signed) “Stacy Riffe”

Chief Financial Officer

On behalf of the Board of Trustees

(Signed) “Steve Dawson”

Trustee

(Signed) “Andrew Shapack”

Trustee

CERTIFICATE OF THE AGENT

Dated: November 26, 2021

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces and territories of Canada, other than Québec.

CANACCORD GENUITY CORP.

By: (Signed) "Dan Sheremeto"