SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Financial Statements

For the three month periods ended March 31, 2013 and 2012

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SUMMIT INDUSTRIAL INCOME REIT
UNAUDITED CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
As at March 31, 2013 and December 31, 2012
(In thousands of Canadian dollars)

	Note	March 31, 2013	December 31, 2012
Assets			
Non-current assets			
Investment properties	8	$ **250,281**	$ 75,674
		250,281	75,674
Current assets			
Investment properties held for sale	8	**5,349**	3,700
Accounts receivable	9	**339**	207
Prepaid expenses, deposits, and deferred financing costs	9	**597**	1,175
Cash		**887**	815
		7,172	5,897
Total assets		$ **257,453**	$ 81,571
Liabilities			
Non-current liabilities			
Loans and borrowings - non-current	10	$ **131,636**	$ 32,817
		131,636	32,817
Current liabilities			
Loans and borrowings - current	10	**3,634**	1,614
Loans and borrowings held for sale	10	**4,211**	2,743
Trade and other accrued liabilities		**2,499**	736
Other liabilities		**1,106**	1,097
Security deposits		**1,452**	375
Distribution payable		**735**	–
Preferred units payable	11	**1,125**	1,125
		14,762	7,690
Total liabilities		**146,398**	40,507
Unitholders' equity			
Unitholders' equity		**111,055**	41,064
		111,055	41,064
Total liabilities and equity		**$ 257,453**	$ 81,571

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Approved by the Board of Trustees on May 21, 2013

"Lou Maroun"
Lou Maroun
Trustee

"Jim Tadeson"
Jim Tadeson
Trustee

SUMMIT INDUSTRIAL INCOME REIT
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

For the three month periods ended March 31, 2013 and 2012
(In thousands of Canadian dollars, except per unit amounts)

	Note	2013	2012 *Restated
Rentals from investment properties	14	**$ 2,683**	$ 258
Property operating expenses		**574**	11
		2,109	247
Other income			
Other income	7	**–**	14
Finance income		**4**	–
		4	14
Other expenses			
General and administrative		**264**	59
Finance costs		**620**	125
		884	184
Income before fair value adjustments to investment properties		**1,229**	77
Fair value adjustments to investment properties		**–**	–
Net income and comprehensive income		**$ 1,229**	$ 77
Earnings per unit			
Basic	11	**$ 0.111**	$ 0.118
Diluted	11	**$ 0.111**	$ 0.118

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

* See Note 5

SUMMIT INDUSTRIAL INCOME REIT

UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN UNITHOLDERS' EQUITY

For the three month periods ended March 31, 2013 and 2012
(In thousands of Canadian dollars)

	Note	Trust units	Retained earnings Restated*	Unitholders' equity Restated*
Beginning balance, January 1, 2012		$ 21,645	$ (6,487)	$ 15,158
Comprehensive income		–	77	77
Distributions	12	–	(13,346)	(13,346)
Ending balance, March 31, 2012		$ 21,645	$ (19,756)	$ 1,889
Beginning balance, January 1, 2013		**$ 52,331**	**$ (11,267)**	**$ 41,064**
Comprehensive income		**–**	**1,229**	**1,229**
Distributions	12	**–**	**(735)**	**(735)**
Issuance of units under private offerings, net of costs		**69,497**	**–**	**69,497**
Ending balance, March 31, 2013		**$ 121,828**	**$ (10,773)**	**$ 111,055**

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

* See Note 5

SUMMIT INDUSTRIAL INCOME REIT
UNAUDITED CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
For the three month periods ended March 31, 2013 and 2012
(In thousands of Canadian dollars)

	Note	2013	2012
Operating activities			
Net income		**$ 1,229**	$ 77
Add (deduct): Items not affecting cash			
Net finance costs		**620**	124
Straight-line rent adjustment		**(68)**	–
Change in non-cash working capital items		**2,530**	(344)
Interest and finance fees paid		**(1,549)**	(167)
		2,762	(310)
Financing activities			
Repayment of loans and borrowings and other liabilities		**(126)**	(168)
Increase in loans and borrowings	10	**103,395**	179
Distribution paid	11	**–**	(13,346)
Net proceeds from private offerings	11	**69,497**	–
		172,766	(13,335)
Investing activities			
Proceeds from sale of investment properties and other assets		**–**	13,297
Acquisition of investment properties	6,8	**(176,256)**	(30)
Deposits on future acquisitions of investment properties		**800**	–
		(175,456)	13,267
Increase (decrease) in cash and equivalents		**72**	(378)
Cash, beginning of period		**815**	360
Cash, end of period		$ **887**	$ (18)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

1. Reporting entity

Effective October 3, 2012, Proventure Income Fund changed its name to Summit Industrial Income REIT ("Summit II" or the "REIT" or the "Trust"). Summit II is a mutual fund trust established under the laws of the Province of Ontario and is domiciled in Canada. The registered office of the Trust is situated at 15 Allstate Parkway, Suite 609, Markham, Ontario, L3R 5B4. The Trust is primarily involved in the commercial leasing of real estate property with 17 property locations in Ontario, 7 properties across Western Canada and one property in Atlantic Canada. The Trust's units are listed on the TSX Venture Exchange and trade under the symbol "SMU.UN".

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These interim financial statements are presented in accordance with IAS 34, "Interim Financial Reporting". The condensed consolidated interim financial information should be read in conjunction with the annual financial statements prepared for the year ended December 31, 2012.

The Board of Directors authorized the issue of these condensed consolidated interim financial statements on May 21, 2013.

(b) Basis of measurement

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for investment properties which are recorded at fair value in accordance with the REIT's accounting policies set forth in Note 3 to the consolidated financial statements as at and for the year ended December 31, 2012.

The condensed consolidated interim financial statements are presented in Canadian dollars which is the functional currency of the REIT and its subsidiaries.

(c) Estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the REIT's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2012.

3. New and amended IFRS

Certain new or amended standards or interpretations have been issued by the IASB that are not required to be adopted in the current period. None of these changes in standards or interpretations will have a material effect on the condensed consolidated interim financial statements or note disclosures as currently presented.

4. Significant accounting policies

The accounting policies applied are consistent with those of the annual financial statements prepared as at and for the year ended December 31, 2102 and as described in Note 3 of those financial statements.

5. Comparative information

(a) Restatement

The Trust changed its accounting policy with respect to the subsequent measurement of investment property from the cost model to the fair value model, with the changes in fair value recognized in profit or loss. The change in accounting policy was applied retrospectively. During the three month period ending March 31, 2012 depreciation of $85 thousand was reversed. In addition, the gain on sale of investment properties of $1.09 million was reversed since the investment properties were valued at the sale price as at December 31, 2011, resulting in no gain or loss on sale for the three month period ending March 31, 2012. No fair value adjustments were required for the three month period ended March 31, 2012.

(b) Reclassification

Certain of the amounts presented in the Statement of Income and Comprehensive Income for the three month period ended March 31, 2012 have been reclassified in the comparative period in the Statement of Income and Comprehensive Income for reporting purposes. Operating expenses in the amount of $59 thousand for the three month periods ended March 31, 2012 were reclassified to general and administrative due to the nature of the expenses.

6. Acquisitions

Acquisitions of income properties completed during the three month period ended March 31, 2013 are the following:

Property	Property type	Ownership interest	Date acquired	Acquisition cost (1) (in $ thousands)
5880 56th Avenue, Edmonton, AB	Industrial	100%	28-Feb-13	$ 6,305
3703 98th Street, Edmonton, AB	Industrial	100%	28-Feb-13	7,015
40 Dynamic Drive, Scarborough, ON	Industrial	100%	4-Mar-13	6,135
50 Dynamic Drive, Scarborough, ON	Industrial	100%	4-Mar-13	3,531
125 Nashdene Road, Scarborough, ON	Industrial	100%	4-Mar-13	13,060
200 Vandorf Sideroad, Aurora, ON	Industrial	100%	6-Mar-13	28,163
290 Frenette Ave East, Moncton, NB	Industrial	100%	11-Mar-13	20,911
292-294 Walker Drive, Brampton, ON	Industrial	100%	13-Mar-13	8,903
296-300 Walker Drive, Brampton, ON	Industrial	100%	13-Mar-13	8,329
155-161 Orenda Road, Brampton, ON	Industrial	100%	13-Mar-13	24,298
8705 Torbram Road, Brampton, ON	Industrial	100%	13-Mar-13	21,991
165 Orenda Road, Brampton, ON	Industrial	100%	13-Mar-13	4,397
1075 Clark Boulevard, Brampton, ON	Industrial	100%	13-Mar-13	4,458
40 Summerlea Road, Brampton, ON	Industrial	100%	13-Mar-13	9,790
6 Shaftsbury Lane, Brampton, ON	Industrial	100%	13-Mar-13	8,970
Investment properties acquired				$ 176,256

(1) Acquisition costs includes acquisition-related expenses

6. Acquisitions (continued)

(In $ thousands)		Cash [1]		Mortgage financing		Total
5880 56th Avenue, Edmonton, AB	$	2,255	$	4,050	$	6,305
3703 98th Street, Edmonton, AB		2,515		4,500		7,015
40 Dynamic Drive, Scarborough, ON		2,086		4,049		6,135
50 Dynamic Drive, Scarborough, ON		1,200		2,331		3,531
125 Nashdene Road, Scarborough, ON		4,440		8,620		13,060
200 Vandorf Sideroad, Aurora, ON		28,163		-		28,163
290 Frenette Avenue East, Moncton, NB		7,895		13,016		20,911
292-294 Walker Drive, Brampton, ON		4,145		4,758		8,903
296-300 Walker Drive, Brampton, ON		3,667		4,662		8,329
155-161 Orenda Road, Brampton, ON		9,607		14,691		24,298
8705 Torbram Road, Brampton, ON		8,078		13,913		21,991
165 Orenda Road, Brampton, ON		1,738		2,659		4,397
1075 Clark Boulevard, Brampton, ON		1,574		2,884		4,458
40 Summerlea Road, Brampton, ON		3,651		6,139		9,790
6 Shaftsbury Lane, Brampton, ON		4,676		4,294		8,970
Investment properties acquired	$	85,690	$	90,566	$	176,256

(1) Cash includes cash and/or cash drawn from the bank credit facility and is inclusive of acquisition-related expenses.

7. Other income

Other income comprised of guarantee fees of $nil for the three month period ended March 31, 2013 (2012 - $14 thousand).

8. Investment properties

The Trust's investment properties in Saskatoon and Moosomin, Saskatchewan, have been made available for sale and are recorded at their fair value less cost to sell at March 31, 2013 and classified in investment properties held for sale. The following table presents investment properties as at March 31, 2013 and December 31, 2012.

			2013			2012
(In $ thousands)	**Investment properties**	**Investment properties held for sale**	**Total**	Investment properties	Investment properties held for sale	Total
Balance at beginning of period	**$ 75,674**	**$ 3,700**	**$ 79,374**	$ 11,956	$ 26,327	$ 38,283
Additions:						
Acquisition of investment properties	**176,256**	**–**	**176,256**	61,620	–	61,620
Transfer from investment properties to investment properties held for sale	**(1,649)**	**1,649**	**–**	(3,700)	3,700	–
Additions to investment properties	**-**	**–**	**-**	-	–	-
Dispositions	-	**-**	**-**	(1,863)	(26,327)	(28,190)
Fair value gains (losses)	-	**–**	**-**	7,661	-	7,661
Balance at end of period	**$ 250,281**	**$ 5,349**	**$ 255,630**	$ 75,674	$ 3,700	$ 79,374

Acquisitions during three month period ended March 31, 2013 were valued using the acquisition cost including acquisition related expenses. In 2012, approximately $59.3 million of the $79.4 million or 75% of the properties were appraised by third party valuation professionals. The fair value of the remaining investment properties was determined internally by the Trust using similar assumptions and valuation principals as used by the external appraisers. The properties were valued primarily using the "Direct Capitalization" method. This method requires certain key assumptions, including rental income, operating expenses, vacancies and inflation rates to be made with respect to the Trust's investment properties. The capitalization rate is determined for each property based on available market information related to the sale of similar buildings within the same geographic locations

The key valuation metrics for investment properties are as follows:

			2013			2012
	Maximum	**Minimum**	**Weighted Average**	Maximum	Minimum	Weighted Average
Capitalization rate	**12.00%**	**5.55%**	**6.72%**	12.00%	5.99%	7.01%

Fair values are most sensitive to change in capitalization rates. A 0.50% increase in the weighted average capitalization rate for income properties would decrease fair value by $17.39 million and a 0.50% decrease would increase fair value by $20.19 million.

9. Accounts receivable, prepaid expenses and deferred financing costs

The components of amounts receivable, prepaid expenses and deferred financing costs are as follows:

(In $ thousands)	**March 31, 2013**	December 31, 2012
Tenant receivables	**$ 34**	$ 88
Other receivables	**305**	119
	$ 339	$ 207
Prepaid expenses and deposits	**$ 402**	$ 956
Deferred financing costs	**195**	219
	$ 597	$ 1,175

10. Loans and borrowings

(In $ thousands)	**March 31, 2013**	December 31, 2012
Canadian Western Bank, extended to July 1, 2013, mortgage with blended monthly installments of $11 thousand including interest at the rate of 4.12% per annum.	**$ 1,374**	$ 1,393
FCC, due March 8, 2016, mortgage with blended monthly installments of $41 thousand including interest at FCC's variable mortgage rate which is currently 4% per annum	**3,572**	3,657
FCC, due January 8, 2016, mortgage with monthly installments of interest at FCC's variable mortgage rate, which is currently 4% per annum	**640**	640
CMLS Financial Ltd., due January 1, 2018, mortgage with blended monthly installments of $28 thousand including interest at the rate of 3.75% per annum	**5,383**	5,405
CMLS Financial Ltd., due March 1, 2018, mortgage with blended monthly installments of $41 thousand including interest at the rate of 3.22% per annum	**8,550**	--
Citizen's Bank, due April 1, 2018, mortgage with blended monthly installments of $76 thousand including interest at the rate of 3.61% per annum	**15,000**	--
Montrose Mortgage, due May 1, 2017, mortgage with blended monthly installments of $79 thousand including interest at the rate of 3.7% per annum	**13,016**	--
CIBC Mortgages Inc., due April 1, 2020, mortgages with blended monthly installments of $275 thousand including interest at the rate of 3.68% per annum	**54,000**	--
Term mortgages (a)	**$ 101,535**	$ 11,095
Deferred financing costs	**(954)**	-
Revolving operating facility (b)	**38,900**	26,079
	$ 139,481	$ 37,174
Loans and borrowings held for sale	**$ 4,211**	$ 2,743
Current	**3,634**	1,614
Non-current	**131,636**	32,817
	$ 139,481	$ 37,174

10. Loans and borrowings (continued)

(a) Term mortgages

As indicated under Note 6, during the three month period ended March 31, 2013, approximately $90.6 million in new mortgage financing was obtained at a weighted average interest rate of 3.63%.

Term mortgages bear interest at a weighted average stated rate of 3.66%. The term mortgages are secured by first registered mortgages over specific properties and first general assignments of leases, insurance and registered chattel mortgages.

Principal repayment requirements for term mortgages are as follows:

(In $ thousands)	
2014	$ 8,002
2015	2,652
2016	2,748
2017	2,852
2018	25,398
Thereafter	59,883

(b) Revolving operating facility

The revolving operating facility with $38.9 million outstanding is interest bearing at a variable interest rate based on bank prime plus 1% or banker's acceptance rates plus 2%, is secured by first charges over specific investment properties and first general assignment of leases and insurance and expires on September 27, 2014. On February 20, 2013, the credit facility was increased to $38 million and on March 11, 2013 it was increased to $55 million with the addition of an acquisition property in Aurora, Ontario, as security.

11. Preferred units payable

(In $ thousands)	**2013**	2012
225 Class C preferred units, distribution of 8% per annum, non-convertible and redeemable.	**1,125**	1,125

During the three month period ended March 31, 2013 the Trust recorded $23 thousand (2011 - $23 thousand) of interest expense related to the Class C preferred units.

12. Unitholders' equity

(a) Authorized

The Trust is authorized to issue an unlimited number of units. Each unit represents a single vote at any meeting of unitholders and entitles the unitholder to receive a pro rata share of all distributions.

(b) Issued and outstanding

In January 2013, the REIT consolidated all of its issued and outstanding units on the basis of one post consolidation unit for every twelve pre-consolidations unit (the "Consolidation") held as of the record date for the Consolidation. Following the Consolidation, the number of outstanding units was reduced from 82,717,645 to approximately 6,893,110 units. The following is a continuity of the Trust's issued and outstanding units

(In thousands)	Number of units		Carrying amount
Balance January 1, 2012	654	$	21,645
Balance March 31, 2012	654	$	21,645

(In thousands)	Number of units		Carrying amount
Balance January 1, 2013 (after Consolidation)	6,893	$	52,331
Issuance of units February 26, 2013	11,120		69,497
Balance March 31, 2013	18,013	$	121,828

On February 26, 2013 the Trust completed a public offering of 11,120,000 units at a price of $6.75 per unit for gross proceeds of $75.1 million. The offering incurred issue costs of $5.6 million for net proceeds of $69.5 million.

(c) Distributions

The Trust declared the following distributions during the three month periods ended March 31, 2013 and 2012:

(In $ thousands, except per unit amounts)		**2013**		2012
$0.0408 per unit in March 2013 (payable April 15, 2013)	**$**	**735**	$	-
$1.70 per unit in January 2012		**--**		13,346
Distributions recorded in equity	**$**	**735**	$	13,346

12. Unitholders' equity (continued)

(d) Per unit amounts

The weighted average number of units for the three month periods ended are as follows:

(In thousands of units)	**2013[1]**	2012[1]
Issued units, beginning of period ([1] after "Consolidation")	**6,893**	654
Issuance of units February 26, 2013	**11,120**	–
Total weighted average number of units outstanding	**11,094**	654

As at March 31, 2013 and 2012, the Trust has no units or instruments outstanding that would have a dilutive effect on earnings per unit.

(e) Distribution reinvestment plan

The Trust announced on March 15, 2013 that it has implemented a Distribution Reinvestment Plan ("DRIP") whereby registered or beneficial holders of the Trust's units who are residents in Canada can acquire additional Trust units by reinvesting all or a portion of their monthly cash distributions without paying brokerage commissions. In addition, Unitholders who elect to participate in the DRIP will receive a further distribution of Trust units equal to 5% of each distribution that was reinvested by them. During the three months ended March 31, 2013, there were nil units issued under this plan.

13. Related party transactions

(a) Management agreement

Pursuant to the terms of the Management Agreement with Sigma Asset Management Limited (formerly Founders Asset Management) ("Sigma" or the "Manager"), Sigma provides Summit II with the services necessary to manage its day-to-day operations. The Management Agreement has an initial term of ten years, subject to earlier termination in certain circumstances, and will be automatically renewed for successive five-year terms.

The Management Agreement sets out the fees payable to the Manager for the services provided, such fees being: A base annual management fee equal to 0.25% of the gross value of Summit II's assets; an incentive fee for the fiscal year ending December 31, 2013 and onward, equal to 15% of Summit II's AFFO per unit, in excess of a $0.04 hurdle amount, such hurdle amount to be increased by 1.5% each year; an acquisition fee for the purchase price paid by Summit II on the acquisition of a property equal to 1% of the first $50 million of the purchase price, 0.75% of the next $50 million of the purchase price, and 0.50% of any portion of the purchase price in excess of $100 million, payable so long as the gross book value of the properties owned by Summit II does not exceed $1 billion; a development fee in an amount to be negotiated between Summit II and the Manager, not to exceed the fair market value for comparable services; a property management fee equal to 3.5% of the gross rental income from each multi-tenant property, and 2.5% of the gross rental income from each single-tenant property; a leasing fee equal to $1.00 per rentable square foot only for those properties where the Manager provides leasing services; and a capital expenditures fee equal to 5% of all hard construction costs incurred on any capital project of Summit II, where the Manager is the project manager for the project and the hard construction costs of the project are in excess of $200 thousand.

13. Related party transactions (continued)

The Manager can elect to take all (or any percentage of all) fees payable to it under the Management Agreement (and any property management agreement) in the form of units, rather than in cash. Any such units issued will be issued at a price per unit equal to the greater of (a) 95% of the weighted average closing price of the units for the five previous days on the exchange on which the units are most actively traded during that period, and (b) such price stipulated by such stock exchange, to a maximum of the weighted closing price of the units for the five previous days on the exchange on which the units are most actively traded during that period.

Under the terms of the Management Agreement the Trust has incurred the following fees for the three month periods ended March 31, 2013 and 2012:

(In $ thousands)		**2013**		2012
Acquisition fees (capitalized to investment properties)	**$**	**1,615**	$	–
Asset management fees		**72**		–
Property management		**75**		–
	$	**1,762**	$	–

Included in trade and other accrued liabilities at March 31, 2013 is an amount of $49 thousand (2012 – $nil) which is due to Sigma.

During the three month period ended March 31, 2013, the Manager used the acquisition fee proceeds to acquire 240,444 Trust units from the offering of 11,120,000 units as described in Note 12.

14. Revenues from income producing properties

Revenues recognized from income producing properties for the three months ended March 31, 2013 and 2012 were $2.7 million and $0.3 million respectively. The Trust leases commercial properties under operating leases with lease terms of between one and ten years.

As at March 31, 2013 the Trust is entitled under its non-cancellable tenant operating leases to the following minimum future receipts:

	Within 12 months	2 to 5 years	Beyond 5 years
Operating lease revenue	$ 15,886,000	$ 47,371,000	$ 40,703,000

15. Risk management

In the normal course of business, the REIT is exposed to a number of risks that can materially affect its operating performance.

(a) Interest rate risk

The REIT is exposed to interest rate risk when funds are drawn under the revolving operating facility and variable rate mortgages, which have a floating rate of interest. An increase in interest rates would increase the interest cost of the REIT's loans and have an adverse effect on the REIT's net income and comprehensive income and earnings per unit.

At March 31, 2013, the Trust has $43.1 million (December 31, 2012 - $30.4 million) of variable rate loans and borrowings. A change of 100 basis points in interest rates would have increased or decreased net income and comprehensive income for the year ended December 31, 2012 by approximately $431 thousand (December 31, 2012 - $304 thousand). The REIT intends to structure its fixed rate financing so as to stagger the maturities of its mortgages, thereby minimizing exposure to future interest rate fluctuations.

(b) Credit risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The REIT attempts to mitigate this risk by conducting credit assessments on new lessees, by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. The maximum credit risk exposure at March 31, 2013 and December 31, 2012 relates to the carrying value of the accounts receivable balance without taking into account any collateral held or other credit enhancements. Collateral held on certain leases are letters of credit or security deposits from the tenants. Refer to Note 9 for details of accounts receivable.

(c) Liquidity risk

Liquidity risk arises from the possibility of not having sufficient debt and equity capital available to the REIT to fund future growth, refinance debts as they mature or meet the REIT's payment obligations as they arise. Furthermore, liquidity risk also arises from the REIT not being able to obtain financing or refinancing on favourable terms.

For the three month ended March 31, 2013 the REIT's main liquidity requirements arise from ongoing working capital requirements, debt servicing and repayment obligations, capital and leasing expenditures on existing properties, property acquisitions and distributions to unitholders. All of the aforementioned liquidity requirements, except for debt repayment obligations at maturity and property acquisitions, are generally funded from cash flows from operations or from drawing on the REIT's revolving operating facility. Debt repayment obligations (Note 10) are generally funded from refinancing the related debt and property acquisitions are generally funded from equity raises as well as obtaining debt financing on the related property. Between capital raises, the REIT may use its revolving operating facility to fund the equity portion of property acquisitions.

The REIT's financial condition and results of operations would be adversely affected if it were unable to obtain financing/refinancing or cost-effective financing/refinancing, or if it were unable to meet its other liquidity requirements from ongoing operating cash flows.

The REIT intends to mitigate its liquidity risk by staggering the maturities of its debt. As well, the REIT's distributions are made at the discretion of the REIT's Trustees. Finally, the REIT does not enter into property acquisitions unless it has secured or is confident that it can secure the appropriate capital (debt and equity) to fund the particular acquisition.

16. Capital management

The Trust's objective when managing its capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide adequate returns for unitholders and to ensure access to sufficient funds for acquisitions. The Trust manages the capital structure and makes adjustments to it in light of changes in economic conditions and the financial requirements of the underlying real estate assets. In order to maintain or adjust the capital structure, the Trust may issue trust units to facilitate business combinations and/or retire financings or may adjust the amount of distributions paid to the unitholders.

The revolving operating facility agreement requires the Trust to maintain a debt to aggregate assets ratio no greater than 65%; debt service coverage ratio not less than 1.50 times and minimum adjusted unitholders' equity not less than (i) $20 million plus (ii) 75% of the net proceeds from each offering of equity interests subsequent to September 27, 2012. In addition, the debt agreement with Farm Credit Canada requires the Trust to maintain the total debt to adjusted equity ratio of no greater than 3.5:1. The debt to aggregate assets ratio is also limited to a maximum of 65.0% as per the Declaration of Trust.

These covenants are required to be calculated based on Canadian generally accepted accounting principles ("GAAP"), which is IFRS. As at March 31, 2013, the Trust is in compliance with its financial covenants.

17. Income tax

The Trust is taxed as a mutual fund trust for Canadian income tax purposes. The Trust expects to distribute all of its taxable income to its unitholders, which enables it to deduct such distributions for income tax purposes. As the income tax obligations relating to the distributions are those of the individual unitholder, no provision for income taxes is required on such amounts.

The Canadian Income Tax Act contains rules (i.e. the SIFT Rules) applicable to SIFTS, which generally tax the SIFT on its income from business carried on in Canada and on income (other than taxable dividends) or capital gains from non-portfolio properties (as defined in the Income Tax Act) and the distribution of such income to Unitholders is generally treated as dividends received from a taxable Canadian corporation. If the income is not distributed, the Trust will be taxed on its income. In general, distributions paid as returns of capital will not be subject to this tax.

Income taxes have not been recorded during the period. The SIFT Rules are not applicable to real estate investment trusts ("REITs") that meet certain specified criteria relating to the nature of its revenue and investments (i.e. the REIT Exemption). The Trust qualifies as a REIT for 2013 and expects to continue to distribute its taxable income and to qualify as a REIT for the foreseeable future. As such, deferred taxes have not been recorded in the condensed consolidated interim financial statements.

18. Subsequent events

(a) Property Dispositions

On April 29, 2013, Summit II announced the sale of two non-core industrial properties. The first is a 24,298 square foot vacant property located in Saskatoon, Saskatchewan. The second is a 30,000 square foot property in Moosomin, Saskatchewan. The total sale price for the two properties was approximately $5.4 million with mortgages totaling $4.2 million being repaid. The net cash proceeds of $1.2 million from the property sales were applied to other liabilities.

(b) Distribution

On April 15, 2013, a distribution in the amount of $0.0408 per Unit for Unitholders of record on April 30, 2013 was declared and was paid on May 15, 2013. Also, on May 15, 2013, a distribution in the amount of $0.0408 per Unit for Unitholders of record on May 31, 2013, was declared and will be paid on June 14, 2013.