Summit II REIT

Summit Industrial Income REIT

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and nine months ended September 30, 2014 and 2013

SUMMIT INDUSTRIAL INCOME REIT
For the three and nine month periods ended September 30, 2014 and 2013

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SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Balance Sheets

As at September 30, 2014 and December 31, 2013

(In thousands of Canadian dollars)

	Note	**September 30, 2014**	December 31, 2013
Assets			
Non-current			
Investment properties	5	**$ 311,158**	$ 307,651
Current			
Investment property held for sale	5	**710**	750
Accounts receivable	7	**451**	311
Prepaid expenses, deposits, and deferred financing costs	7	**1,171**	654
Cash		**52**	1,047
		2,384	2,762
Total assets		**$ 313,542**	$ 310,413
Liabilities			
Non-current			
Loans and borrowings	8	**$ 148,361**	$ 122,857
Security deposits		**1,835**	1,917
		150,196	124,774
Current			
Loans and borrowings	8	**13,646**	66,188
Trade and other accrued liabilities		**5,132**	4,414
Distributions payable	9	**980**	741
		19,758	71,343
Total liabilities		**169,954**	196,117
Unitholders' equity		**143,588**	114,296
Total liabilities and equity		**$ 313,542**	$ 310,413

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

Approved by the Board of Trustees on November 11, 2014.

"Lou Maroun"
Trustee

"Jim Tadeson"
Trustee

SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Statements of Income and Comprehensive Income

For the three and nine month periods ended September 30, 2014 and 2013

(In thousands of Canadian dollars, except per Unit amounts)

	Note	**Three month period ended September 30, 2014**	Three month period ended September 30, 2013	**Nine month period ended September 30, 2014**	Nine month period ended September 30, 2013
Revenue from investment properties		**$ 6,987**	$ 6,139	**$ 21,208**	$ 14,477
Property operating expenses		**1,736**	1,505	**5,453**	3,315
Net rental income		**5,251**	4,634	**15,755**	11,162
Other income					
Finance income		**2**	3	**5**	12
Gain on sale of investment properties		**-**	(1)	**-**	60
		2	2	**5**	72
Other expenses					
General and administrative		**344**	310	**1,940**	1,001
Finance costs		**1,684**	1,460	**5,393**	3,423
		2,028	1,770	**7,333**	4,424
Income before fair value adjustments to investment properties		**3,225**	2,866	**8,427**	6,810
Fair value adjustments to investment properties	5	**(68)**	162	**(109)**	172
Net income and comprehensive income		**$ 3,157**	$ 3,028	**$ 8,318**	$ 6,982
Net income per Unit					
Basic	9	**$ 0.135**	$ 0.167	**$ 0.407**	$ 0.443
Diluted	9	**$ 0.135**	$ 0.167	**$ 0.407**	$ 0.443

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

SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Statements of Changes in Unitholders' Equity

For the nine month periods ended September 30, 2014 and 2013

(In thousands of Units and Canadian dollars)

	Fund Units	Note	Unit equity	Deficit	Unitholders' equity
Beginning balance, January 1, 2013	6,889		$ 52,331	$ (11,267)	$ 41,064
Net income and comprehensive income	-		-	6,982	6,982
Distributions	-	9	-	(5,157)	(5,157)
Units issued through DRIP	92	9	533	-	533
Issuance of Units, net of costs	11,120	9	69,497	-	69,497
Unitholders' equity, September 30, 2013	18,101		$ 122,361	$ (9,442)	$ 112,919
Beginning balance, January 1, 2014	**18,157**		**$ 122,657**	**$ (8,361)**	**$ 114,296**
Net income and comprehensive income	-		-	**8,318**	**8,318**
Distributions	-	9	-	**(7,658)**	**(7,658)**
Units issued through DRIP	**214**	9	**1,224**	-	**1,224**
Issuance of Units, net of costs	**4,968**	9	**27,408**	-	**27,408**
Unitholders' equity, September 30, 2014	**23,339**		**$ 151,289**	**$ (7,701)**	**$ 143,588**

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

SUMMIT INDUSTRIAL INCOME REIT

Unaudited Condensed Consolidated Interim Statements of Cash Flows

For the nine month periods ended September 30, 2014 and 2013

(In thousands of Canadian dollars)

	Note	2014	2013
Operating activities			
Net income and comprehensive income		**$ 8,318**	$ 6,982
Add (deduct):			
Finance costs		**5,393**	3,423
Gain on sale of investment properties		**-**	(60)
Straight-line rent adjustment		**(558)**	(369)
Fair value adjustments to investment properties		**109**	(172)
Change in non-cash working capital items		**3,006**	379
Interest and finance fees paid		**(5,740)**	(4,429)
		10,528	5,754
Financing activities			
Repayment of loans and borrowings		**(56,032)**	(5,514)
Repayment of other liabilities		**-**	(1,097)
Repayment of preferred units payable		**-**	(1,125)
Increase in loans and borrowings		**29,200**	130,631
Distributions paid	9	**(6,195)**	(3,885)
Net proceeds from Units issued		**27,408**	69,497
		(5,619)	188,507
Investing activities			
Additions to investment properties		**(5,681)**	(211)
Proceeds from sale of investment properties		**25,294**	5,406
Acquisition of investment properties		**(25,517)**	(194,189)
Increase in deposits on future acquisitions of investment properties		**-**	(4,580)
		(5,904)	(193,574)
Increase in cash		**(995)**	687
Cash, beginning of period		**1,047**	815
Cash, end of period		**$ 52**	$ 1,502

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

1. Reporting entity

Summit Industrial Income REIT ("Summit II" or the "Trust") 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 294 Walker Drive, Brampton, Ontario, L6T 4Z2. The Trust is primarily involved in the commercial leasing of real estate property with 23 property locations in Ontario, 5 properties across Western Canada, 5 properties in Montreal, and 1 property in Atlantic Canada. The Trust's Units are listed on the TSX and trade under the symbol "SMU.UN".

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements are presented in accordance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board ("IASB"). The condensed consolidated interim financial information does not include all the information and disclosures required in annual financial statements and should be read in conjunction with the annual financial statements prepared for the year ended December 31, 2013.

The Board of Trustees authorized the issue of these unaudited condensed consolidated interim financial statements on November 11, 2014.

(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 Trust's accounting policies set forth in Note 4.

The condensed consolidated interim financial statements are presented in thousands of Canadian dollars which is the functional currency of the Trust 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 expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Trust's accounting policies and the key sources of estimation uncertainty were the same as those that applied in Note 5 to the consolidated financial statements as at and for the year ended December 31, 2013. In addition, a judgement was made in the application of IFRIC Interpretation 21- Levies as disclosed in Note 3, and in the application of IFRS 11 – Joint Arrangements as disclosed in Note 4.

3. Application of new and revised International Financial Reporting Standards (IFRSs)

In the current year, the Trust has applied new and revised IFRSs issued by the IASB that are effective for an annual period that begins on or after January 1, 2014.

IFRIC Interpretation 21 - Levies ("IFRIC 21")

In May 2013, the IASB issued IFRIC 21, which is an interpretation of IAS 37 - Provisions, Contingent Liabilities and Contingent Assets. IFRIC 21 clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. IFRIC 21 must be applied retrospectively. The Trust has concluded that there is no impact on the unaudited condensed consolidated interim financial statements as a result of this interpretation.

IAS 32 - Offsetting Financial Assets and Financial Liabilities ("IAS 32")

Amendments have been made to IAS 32 which clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The Trust has concluded that the application of these amendments to IAS 32 did not have any impact on the Trust's condensed consolidated interim financial statements as the Trust does not have any financial assets and financial liabilities that qualify for offset.

4. Significant accounting policies

With the exception of the application of new IFRSs, as described in Note 3, and the application of IFRS 11 – *Joint Arrangements*, as described below, the accounting policies applied are consistent with those of the annual financial statements prepared as at and for the year ended December 31, 2013 as described in Note 4 of those financial statements.

During the second quarter, on May 6, 2014, the Trust sold a 75% interest in a property (Note 6) and concurrently entered into a joint arrangement with a major Canadian institution. Under IFRS 11, a joint arrangement is an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control whereby decisions about relevant activities require unanimous consent of the parties sharing control. A joint arrangement is classified as a joint operation when the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities related to the arrangement. A joint arrangement is classified as a joint venture when the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A party to a joint operation records its share of the assets, liabilities, revenue and expenses of the joint operation. As at September 30, 2014, the Trust had an interest in a joint arrangement that was classified as a joint operation (Note 6).

4. Significant accounting policies (continued)

Future Accounting Policy Changes

The IASB has issued the following new standard that is expected to be relevant to the Trust in preparing its consolidated financial statements in future periods.

IFRS 9 - Financial Instruments ("IFRS 9")

In July 2014, the IASB issued the final version of the IFRS 9 – *Financial Instruments* ("IFRS 9"). Under IFRS 9, financial assets are classified and measured at either fair value or amortized cost based on the business model under which they are managed and the contractual cash flow characterises of the financial assets. Financial liabilities classified and measured at fair value will have fair value changes resulting from changes in the entity's own credit risk recognized and presented in Other Comprehensive Income, unless this would create an accounting mismatch.

The measurement of impairment of financial assets is based on an expected credit loss model, and it is no longer necessary for a triggering event to have occurred before credit losses are recognized.

Lastly, the new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

IFRS 9 will be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Trust is assessing the potential impact of this standard.

5. Investment properties

The following table presents the changes in investment properties for the nine months ended September 30, 2014 and the year ended December 31, 2013:

(In $ thousands)			**2014**			2013
	Investment properties	**Investment property held for sale**	**Total**	Investment properties	Investment property held for sale	Total
Balance, beginning of period	**$ 307,651**	**$ 750**	**$ 308,401**	$ 75,732	$ 3,700	$ 79,432
Additions:						
Acquisition of investment properties	**26,195**	**-**	**26,195**	231,342	-	231,342
Additions to investment properties	**2,590**	**85**	**2,675**	2,436	-	2,436
Transfer from investment properties to investment property held for sale	**-**	**-**	**-**	(750)	750	-
Dispositions	**(25,294)**	**-**	**(25,294)**	(1,647)	(3,700)	(5,347)
Fair value (losses) gains	**16**	**(125)**	**(109)**	538	-	538
Balance, end of period	**$ 311,158**	**$ 710**	**$ 311,868**	$ 307,651	$ 750	$ 308,401

5. Investment properties (continued)

Acquisitions of income properties completed during the nine month period ended September 30, 2014 are as follows:

(in $ thousands)

Property	Property type	Ownership interest	Date acquired	Cash and other[1]	Mortgage financing	Acquisition cost[2]
21 Finchdene Square, Scarborough, ON	Industrial	100%	06-Jun-14	$ 4,006	$ 7,250	$ 11,256
1 Rimini Mews, Mississauga, ON	Industrial	100%	06-Jun-14	1,592	2,750	4,342
977 Century Drive, Burlington, ON	Industrial	100%	06-Jun-14	1,162	2,200	3,362
30 Struck Court, Cambridge, ON	Industrial	100%	30-Sep-14	7,235	-	7,235
				$13,995	$ 12,200	$ 26,195

(1) Cash and other includes cash, cash drawn from the bank credit facility and assumption of security deposits.
(2) Acquisition costs includes acquisition-related expenses.

The Trust's investment property in Red Deer, Alberta, is held for sale and recorded at its fair value of $0.7 million at September 30, 2014.

Approximately $309.7 million of investment properties are used for security under loans and borrowings (Note 8).

Approximately $1.8 million in additions to investment properties relate to the redevelopment of the property at 501 Palladium Drive, Ottawa, ON, from a single tenant to a multi-tenant building. The remaining $0.8 million in additions to investment property relate to first year capital outlays, tenant leasing costs, capitalization of free rent receivable and net straight-line rent receivables arising from the recognition of rental revenues on a straight-line basis over the lease term in accordance with IAS 17, “Leases” and Standing Interpretations Committee (“SIC”) 15, “Operating Leases - Incentives”. The total straight-line rent receivable is $1.2 million (December 31, 2013 - $636,000).

The Trust values investment properties using Level 3 inputs. Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets. Level 2 inputs are inputs other than quoted prices that are observable for the asset either directly or indirectly. Valuations that require the significant use of unobservable inputs are considered Level 3. There have been no transfers during the period between levels.

Investment properties were valued using a combination of the discounted cash flow method, the direct capitalization method, and the direct comparison method. These methods require certain key assumptions, including rental income, market rents, operating expenses, vacancies, inflation rates, discount rates, and capitalization rates to be made. The discount rate and capitalization rate is determined for each property based on available market information related to the sale of similar buildings within the same geographic locations. Fair value losses for the three and nine months ended September 30, 2014 were $68,000 (2013 gains of $162,000) and $109,000 (2013 gains of $172,000).

5. Investment properties (continued)

Significant assumptions made to determine the fair value of the investment properties are set out as follows:

			2014			2013
(In $ thousands)	**Capitalization rate**	**Discount rate**	**Price per square foot**	Capitalization rate	Discount rate	Price per square foot
Maximum	**10.00%**	**10.00%**	**$ 220.00**	10.00%	10.00%	$ 220.00
Minimum	**6.00%**	**6.50%**	**$ 50.00**	6.00%	6.50%	$ 50.00
Weighted average	**6.74%**	**7.40%**	**$ 98.87**	6.65%	7.25%	$ 102.30

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 $22.1 million and a 0.50% decrease would increase fair value by $25.8 million.

6. Co-owned property interests

On May 6, 2014, the Trust sold a 75% interest in 501 Palladium Drive, an Ottawa property, to a major Canadian institution (the "Purchaser") for proceeds of approximately $25.3 million (Note 5). Approximately $18 million of the proceeds of the sale were used to reduce the Trust's floating-rate revolving operating facility.

Concurrent with the sale, the Trust entered into a co-ownership agreement with the Purchaser which, among other things, requires unanimous consent of the Trust and Purchaser with respect to major decisions. The Trust has determined the arrangement meets the definition of a joint operation under IFRS 11 – Joint Arrangements, and has accounted for its remaining 25% interest in 501 Palladium Drive, in accordance with the policy described in Note 4.

As part of the sale, the Trust is obligated, under an income support agreement, to cover an agreed-upon amount of base rent and additional rent related to vacant space, and free-rent periods under current signed lease agreements for the period between from May 6, 2014 to April 30, 2017. The total amount committed under the agreement is $6 million. In the event that the Trust leases the vacant space prior to April 30, 2017, it will be released from the related obligation.

The Trust has estimated that of the total commitment, it will ultimately be required to pay $4.4 million. The Trust paid $4 million in escrow, and has recorded a provision within trade and other accrued liabilities for the remaining obligation of $0.4 million.

Also, the Trust agreed to certain obligations which included covering all leasing costs, including any landlord's work required under two new tenant leases. A provision has been recorded within trade and other accrued liabilities related to this obligation.

Any change in the estimated provisions will be recorded within the statement of income and other comprehensive income in the period of the change.

7. Accounts receivable, prepaid expenses, deposits and deferred financing costs

(In $ thousands)		**September 30, 2014**		December 31, 2013
Tenant receivables (net of allowance of $5)	**$**	**223**	$	159
Other receivables		**228**		152
	$	**451**	$	311
Prepaid expense and deposits	**$**	**832**	$	457
Deferred financing costs		**339**		197
	$	**1,171**	$	654

8. Loans and borrowings

(In $ thousands)		**September 30, 2014**		December 31, 2013
Term mortgages	**$**	**152,493**	$	126,200
Revolving operating facility		**9,514**		62,845
Total		**162,007**		189,045
Less: Current debt		**13,646**		66,188
Non-Current debt	**$**	**148,361**	$	122,857

(a) Term mortgages

During the three month period ended September 30, 2014, an additional $17 million in new mortgage financing was obtained, at a stated interest rate of 3.65% and a term to maturity of 7 years. The mortgage was for a property that was previously used as security on the revolving operating facility and the funds were used to pay down the facility.

Term mortgages bear interest at a weighted average effective interest rate of 3.68% (2013 - 3.68%) and stated interest rate of 3.73% (2013 - 3.75%). The term mortgages are secured by first registered mortgages over specific properties and first general assignments of leases, insurance and registered chattel mortgages.

Included in mortgages payable is $82,000 (2013 - $130,000) of unamortized mark-to-market premiums related to a mortgage assumed on acquisition, and $1.3 million (2013 - $1.1 million) of unamortized deferred financing charges.

8. Loans and borrowings (continued)

Principal repayment requirements for term mortgages are as follows:

(In $ thousands)	
2014 (remainder)	$ 1,083
2015	4,430
2016	10,380
2017	15,039
2018	51,214
2019	2,512
Thereafter	69,001
Principal amount	153,659
Premium on debt	82
Deferred financing charges	(1,248)
Total term mortgages	$ 152,493

(b) Revolving operating facility

As at September 30, 2014, approximately $9.5 million (2013 - $62.8 million) was drawn from the revolving operating facility.

Upon the sale of 75% interest in 501 Palladium Drive, as indicated in Note 6, and the completion of the June offering, as indicated in Note 9, the revolving credit facility was amended. The maximum available borrowing amount was reduced from $68 million to $44 million and the maturity was extended to September 27, 2015. The new mortgage financing of $17 million during the quarter was for a property that was previously used as security on the facility and as a result, the maximum available borrowing amount has been temporarily reduced to $22.9 million.

The amended operating facility is interest bearing at a variable interest rate based on bank prime plus 1% for prime rate loans or banker's acceptance rates plus 2% for banker's acceptances.

The revolving operating facility is secured by first charges over specific investment properties, with a fair value of $51.0 million (2013 - $103.2 million), and first general assignment of leases and insurance and expires on September 27, 2015.

9. Unitholders' equity

(a) Authorized

The Trust is authorized to issue an unlimited number of Units. Each Unit, which has no par value, represents a single vote at any meeting of Unitholders and entitles the Unitholder to receive a pro rata share of all distributions. Each Unitholder shall be entitled to require the Trust to redeem at any time from time to time at the demand of the Unitholder all or any part of the Units registered in the name of the Unitholder at the prices determined and payable in accordance with the conditions hereinafter provided. A maximum amount of $25,000 may be redeemed in cash in any one month unless otherwise waived by the Board of Trustees. Any redemption in excess of $25,000 will be settled by way of the issuance by the

9. Unitholders' equity (continued)

Trust a promissory note in a principal amount equal to the redemption price determined in accordance with the Declaration of Trust.

(b) Issued and outstanding

The following is a continuity of the Trust's issued and outstanding Units:

(In thousands)	Number of Units		Carrying amount
Balance January 1, 2013	6,889	$	52,331
Issuance of Units on February 26, 2013	11,120		69,497
Units issued under the DRIP	92		533
Balance September 30, 2013	18,101	$	122,361
Balance January 1, 2014	**18,157**	**$**	**122,657**
Issuance of Units on June 5, 2014	**4,968**		**27,408**
Units issued under the DRIP	**214**		**1,224**
Balance September 30, 2014	**23,339**	**$**	**151,289**

On June 5, 2014, the Trust completed a public offering of 4,968,000 Units at a price of $5.80 per Unit for gross proceeds of $28.8 million. The offering incurred issue costs of $1.4 million for net proceeds of $27.4 million. Offering proceeds were used to repay outstanding debt under the revolving credit facility.

The Trust has 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 receive a further distribution of Trust Units equal to 5% of each distribution that was reinvested by them. During the nine months ended September 30, 2014, there were 213,482 Units issued under this plan for total proceeds of $1.2 million, representing 16.5% of the related distributions.

(c) Distributions

The Trust recorded the following activities relating to distributions during the nine month periods ended September 30:

(In $ thousands, except per Unit amounts)		**2014**		2013
Paid in cash	**$**	**6,195**	$	3,885
Reinvested by Unitholders under the DRIP		**1,224**		533
$0.0408 per Unit payable at December 31 (paid January 2014)		**(741)**		-
$0.0420 per Unit payable at September 30		**980**		739
Distributions recorded in equity	**$**	**7,658**	$	5,157

9. Unitholders' equity (continued)

On May 6, 2014, the Board of Trustees approved a cash distribution increase to $0.042 per Unit per month or $0.504 per Unit on an annualized basis, representing a 3% annualized increase over the current distribution. This increase applied to the Unitholders of record on May 30, 2014.

(d) Per Unit amounts

The weighted average number of Units for the three and nine month periods ended September 30 are as follows:

(In thousands of Units)	**3 months 2014**	3 months 2013	**9 months 2014**	9 months 2013
Issued Units, beginning of period	**18,157**	6,889	**18,157**	6,889
Issuance of Units February 26, 2013	**-**	11,120	**-**	8,839
Issuance of Units June 5, 2014	**4,968**	-	**2,147**	-
Issuance of Units under the DRIP	**183**	74	**117**	31
Total weighted average number of Units outstanding	**23,308**	18,083	**20,421**	15,759

As at September 30, 2014 and 2013, the Trust has no Units or instruments outstanding that would have a dilutive effect on earnings per Unit.

10. Related party transactions

Management agreement

Under the terms of the management agreement with Sigma Asset Management Limited ("Sigma" or the "Manager), the Trust has incurred the following fees for the three and nine month periods ended September 30, 2014 and 2013:

(In $ thousands)	**3 months 2014**	3 months 2013	**9 months 2014**	9 months 2013
Acquisition fees (capitalized to investment properties)	**$ 70**	$ 374	**$ 252**	$ 1,989
Asset management fees	**189**	165	**562**	392
Incentive fee	**19**	-	**778**	-
Leasing fees (capitalized to investment properties)	**-**	62	**-**	62
Property management services	**306**	354	**934**	603
	$ 584	$ 955	**$ 2,526**	$ 3,046

Included in trade and other accrued liabilities at September 30, 2014 is an amount of $1.0 million (December 31, 2013 - $182,000) due to Sigma. The incentive fee is due primarily to the sale of 75% of Palladium Drive. The incentive fee is calculated annually and any amounts due are payable upon the completion of the annual audited financial statements.

10. Related party transactions (continued)

Also, during the nine month period ended September 30, 2014, Sigma paid $24,800 to the Trust (December 31, 2013 - $18,000) for office space located at 294 Walker Drive, Brampton, Ontario, under a five year lease commencing June 1, 2013.

11. 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 has been recorded.

The Canadian Income Tax Act contains rules (the “SIFT Rules”) applicable to specified investment flow-through (“SIFT”) trusts, which generally tax the SIFT trust 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 Canadian 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 (the “REIT Exemption”). The Trust qualifies as a REIT for 2014 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 consolidated financial statements.

12. Subsequent events

(a) Distribution

On October 15, 2014, a distribution in the amount of $0.042 per Unit for Unitholders of record on October 31, 2014, was declared and will be paid on November 14, 2014.

(b) Dispositions

On October 20, 2014, an 8,000 square foot non-core property located in Red Deer, Alberta was sold for a sale price of $710,000. Proceeds were applied to the revolving operating facility.