



**QUARTERLY REPORT**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF RESULTS OF  
OPERATIONS AND FINANCIAL CONDITION**

**CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED IN CANADIAN DOLLARS)**

**FOR THE THREE MONTHS ENDED  
MARCH 31, 2016 AND 2015**

**DATED: MAY 11, 2016**

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## **PART I**

### **BASIS OF PRESENTATION**

Financial information included in this Management's Discussion and Analysis ("MD&A") includes material information up to May 11, 2016. The financial statements to which this MD&A relates were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

This MD&A has been reviewed and approved by management of Plaza Retail REIT (hereinafter referred to as "Plaza" or the "Trust") and the Audit Committee on behalf of the Board of Trustees.

### **FORWARD-LOOKING DISCLAIMER**

The MD&A of the Trust for the three months ended March 31, 2016 should be read in conjunction with the Trust's Condensed Interim Consolidated Financial Statements and the notes thereto for the three months ended March 31, 2016 and 2015, along with the MD&A of the Trust for the year ended December 31, 2015, including the section on "Risks and Uncertainties". Historical results, including trends which might appear, should not be taken as indicative of future operations or results.

Certain information contained in this MD&A contains forward-looking statements, based on the Trust's estimates and assumptions, which are subject to risks and uncertainties. This may cause the actual results and performance of the Trust to differ materially from the forward-looking statements contained in this MD&A. Such factors include, but are not limited to, economic, capital market, and competitive real estate conditions. These forward-looking statements are made as of May 11, 2016 and Plaza assumes no obligation to update or revise them to reflect new events or circumstances, except for forward-looking information disclosed in a prior MD&A which, in light of intervening events, requires further explanation to avoid being misleading.

### **OVERVIEW OF THE BUSINESS**

Headquartered in Fredericton, New Brunswick, Plaza is an unincorporated "open-ended" real estate investment trust (a "REIT") established pursuant to its declaration of trust dated as of November 1, 2013 (the "Declaration of Trust"). It trades on the Toronto Stock Exchange under the symbol "PLZ.UN".

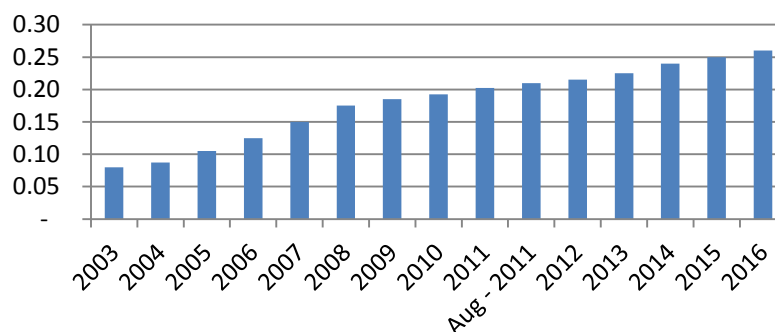
Plaza is a developer, owner and manager of retail real estate primarily in Atlantic Canada, Quebec and Ontario. Plaza offers a unique business strategy that differs from many of its peers in the real estate industry.

- Plaza has a 15 year history of accretive growth and value creation;
- Plaza's main business is driven by value-add opportunities to develop and redevelop, for its own account, unenclosed and enclosed retail real estate throughout Canada;
- Plaza has strong relationships with leading retailers;
- Plaza has a competitive advantage as a developer in Atlantic Canada;
- Plaza's entrepreneurial abilities allow it to adapt more easily to changing market conditions;
- Plaza is fully internalized and able to develop retail properties in-house;
- Plaza minimizes the amount of short-term debt that it obtains, therefore locking in returns for unitholders and minimizing financing risk;
- Insiders hold a significant position in Plaza; and
- Plaza is focused on cash flow per unit and per unit growth and conducts its business in order to maximize this and, accordingly, distributions for unitholders.

Plaza's growth is driven by value-add developments and redevelopments as well as organic growth from the existing portfolio as leases roll-over. Plaza's unique business strategy and focus on cash flow per unit has allowed it to increase its distribution every year since it began paying distributions in November 2002. Plaza is one of only two REITs in Canada to have increased its distribution every year for such a period of time and the only REIT in Canada to have more than tripled its distribution over that period of time. Plaza's distribution compounded annual growth rate is approximately 10%.

**Yearly Distribution/Dividend Growth**

2003	8.00¢	n/a
2004	8.75¢	9.4%
2005	10.50¢	20.0%
2006	12.50¢	19.0%
2007	15.00¢	20.0%
2008	17.50¢	16.7%
2009	18.50¢	5.7%
2010	19.25¢	4.1%
2011	20.25¢	5.2%
2011-Aug	21.00¢	3.7%
2012	21.50¢	2.4%
2013	22.50¢	4.7%
2014	24.00¢	6.7%
2015	25.00¢	4.2%
2016	26.00¢	4.0%

**Distributions/Dividends per unit**


The Trust's portfolio at March 31, 2016 includes interests in 302 properties totaling approximately 7.1 million square feet (which are predominantly occupied by national tenants) and additional lands held for development. These include properties indirectly held by Plaza through its subsidiaries and through joint arrangements.

**Summary of Properties**

	<b>Number of Properties March 31, 2016<sup>(1)</sup></b>	<b>Gross Leasable Area (sq. ft.) March 31, 2016<sup>(1) (2)</sup></b>	<b>Number of Properties March 31, 2015<sup>(1)</sup></b>	<b>Gross Leasable Area (sq. ft.) March 31, 2015<sup>(1) (2)</sup></b>
Alberta	11	50,829	11	50,829
Newfoundland and Labrador	12	645,565	10	641,403
New Brunswick	50	1,723,255	49	1,723,664
Nova Scotia	37	1,170,913	37	1,167,068
Manitoba	6	30,424	8	34,524
Ontario	78	947,470	84	720,100
Prince Edward Island	11	576,126	10	508,966
Quebec	97	1,960,672	97	1,835,613
<b>Total</b>	<b>302</b>	<b>7,105,254</b>	<b>306</b>	<b>6,682,167</b>

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

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

### BUSINESS ENVIRONMENT AND OUTLOOK

Plaza's entrepreneurial culture and adaptability, combined with its strong fully internalized platform, has allowed, and will continue to allow, Plaza to grow and take advantage of opportunities in the market place. Plaza has always had a focused strategy of growing the business through value-add developments and redevelopments and opportunistic acquisitions. Its properties are primarily leased to national retailers, with a focus on retailers in the consumer staples market segment – a segment that tends to withstand broader economic conditions or other retail trends, such as online sales. Plaza's execution of this strategy and its leasing efforts over the years have produced a portfolio that is dominated by national retailers, providing investors with a stable and growing cash flow. Barring unforeseen events, management believes it can continue to deliver growth and a solid performance in 2016.

While it continues to be tough for certain retailers, particularly those focused on fashion, retailers with a focus on consumer staple goods or value goods continue to perform well. These are exactly the retailers that dominate Plaza's portfolio and ongoing developments/redevelopments. As well, the principal regions in which Plaza operates generally exhibit stability in retailer demand for space and in consumer spending. Plaza's geography is focused in Central and Eastern Canada.

Government of Canada bond rates and overall interest rates continue to remain low for 2016. Long-term debt financing continues to be readily available from lenders, not only at historically competitive fixed rates, but with long amortization periods and long terms as well. Plaza believes that this will continue to be the case for the remainder of 2016. Plaza continues to look for early refinancing opportunities within its portfolio in order to take advantage of current borrowing conditions and current interest rates.

Plaza's development pipeline is robust and will continue to drive growth going forward. Plaza currently owns an interest in the following projects under development or redevelopment which, upon completion, are expected to be accretive to Plaza's earnings. The following properties are under construction, active development, or active planning and are anticipated to be completed at various points over the next three years as follows:

## Plaza Retail REIT

Properties under development/redevelopment	Property Type	Status	Square Footage <sup>(1)</sup>	Ownership	Occupied or Committed at March 31, 2016	Anticipated Completion Date
90 Blvd. Tache Ouest, Montmagny, QC	Strip Plaza	In Planning	6,000	50%	n/a	2017
Plaza de L'Ouest, Sherbrooke, QC – Phase III	Strip Plaza	In Planning	40,000	50%	n/a	2017 - 2018
Fairville Boulevard – Phase III, Saint John, NB	Strip Plaza Enclosed	In Planning	24,000	100%	n/a	2017
Grand Falls Shopping, Centre, Grand Falls, NB	Mall to Strip Plaza	In Construction	105,787	100%	83%	Q3 2016
St. Jerome, St. Jerome (Montreal), QC -Phase III <sup>(2)</sup>	Strip Plaza	In Planning	120,000	20%	n/a	2017 - 2018
960 Cole Harbour Rd, Dartmouth (Halifax), NS <sup>(3)</sup>	Single Use	In Development	3,455	100%	n/a	Q4 2016
9 James St., Antigonish, NS <sup>(3)</sup>	Single Use	In Development	3,000	100%	n/a	Q1 2017
Northside Plaza, Fredericton, NB	Strip Plaza	In Construction	32,616	100%	47%	Q2 2016
315 Bd. Ste. Anne, Beauport, QC <sup>(3)</sup>	Single Use	In Development	2,600	100%	100%	Q4 2016
3000 Bd. St. Charles Blvd, Kirkland, QC <sup>(3)</sup>	Single Use	In Development	2,554	100%	100%	Q1 2017
Buchanan Dr. – Phase II, Charlottetown, PE	Strip Plaza	In Construction	6,500	100%	100%	Q2 2016
905 37 <sup>th</sup> Street SW, Calgary, AB <sup>(3)</sup>	Single Use	In Construction	2,161	100%	100%	Q2 2016
Princess Auto, Charlottetown, PE	Single Use	In Construction	20,287	100%	100%	Q2 2016
600 JP Perrault, Sherbrooke, QC	Strip Plaza	In Planning	83,000	50%	n/a	2017
201 Chain Lake Dr, Halifax, NS <sup>(3)</sup>	Expansion Enclosed	In Construction	8,000	50%	100%	Q2 2016
Park Street Plaza, Kenora, ON	Mall to Strip Plaza Enclosed	In Construction	71,192	20%	84%	Q4 2016
Mountainview Plaza, Midland, ON	Mall to Strip Plaza	In Development	172,646	20%	95%	Q4 2016
466 Queen Street West, Toronto, ON <sup>(3)</sup>	Single Use	In Planning	9,600	100%	n/a	2017
5628 – 4th Street NW, Calgary, AB <sup>(3)</sup>	Expansion	In Development	3,000	100%	100%	2017
Bureau en Gros, Rimouski, QC <sup>(2)</sup>	Pad	In Development	5,000	50%	100%	Q1 2017
St. Anne Street, Bathurst, NB <sup>(3)</sup>	Expansion	In Planning	10,000	100%	100%	2017
Pleasant Street, Yarmouth, NS	Expansion	In Planning	5,000	100%	n/a	2017
Belvedere Plaza, Charlottetown, PE <sup>(3)</sup>	Strip Plaza	In Construction	77,459	100%	100%	Q3 2016
The Shoppes at Galway, St. John's, NL – Phase I	Strip Plaza	In Planning	265,000	50%	n/a	Q1 2018
The Shoppes at Galway, St. John's, NL – Phase II	Strip Plaza	In Planning	335,000	50%	n/a	2019
The Shoppes at Galway, St. John's, NL – Phase III	Strip Plaza	In Planning	100,000	50%	n/a	2019
<b>Total</b>			<b>1,513,857</b>			

<sup>(1)</sup> Approximate square footage upon completion or to be added on expansion.

<sup>(2)</sup> This is owned in a limited partnership that is part of the Trust's non-consolidated trusts and partnerships.

<sup>(3)</sup> This is an existing property being redeveloped.

There is excess density at existing properties that the Trust plans to develop in the short term which would represent approximately 30 thousand additional square feet at completion.

At March 31, 2016, there is land under purchase agreement and subject to due diligence or other conditions. This land purchase will represent an additional 13 thousand square feet of retail space at completion.

At March 31, 2016, there is a 50% interest in three properties, representing 270 thousand square feet (at Plaza's proportionate share) for redevelopment under purchase agreement and subject to due diligence or other conditions.

The total estimated costs for the developments and redevelopments (noted in the chart on the previous page) are between \$80 million and \$90 million, of which approximately \$43.7 million has already been spent (at Plaza's ownership percentage).

## **SIGNIFICANT EVENTS DURING 2016**

### **Equity Offering**

On March 31, 2016, the Trust closed a bought deal public offering of 5.0 million units at an issue price of \$4.60 per unit for gross proceeds of \$23.0 million. The proceeds have been used to redeem the \$9.2 million 8% Series B convertible debentures on April 29, 2016, with the balance used to reduce its operating line of credit and for general trust purposes.

**SUMMARY OF SELECTED YEAR TO DATE INFORMATION**

	3 Months Ended March 31, 2016 (unaudited)	3 Months Ended March 31, 2015 (unaudited)
<b>(000s, except square footage and as otherwise noted)</b>		
Property rental revenue	\$ 24,466	\$ 23,902
Total revenue	\$ 25,873	\$ 27,458
NOI <sup>(1)</sup>	\$ 15,304	\$ 14,878
Same-asset NOI <sup>(1)</sup>	\$ 13,915	\$ 13,885
FFO <sup>(1)</sup>	\$ 7,491	\$ 7,489
AFFO <sup>(1)</sup>	\$ 7,722	\$ 7,385
EBITDA <sup>(1)</sup>	\$ 14,236	\$ 13,977
Total assets	\$ 1,014,932	\$ 978,129
Total mortgages, mortgage bonds, notes payable, bank credit facilities	\$ 482,643	\$ 465,034
Total debentures	\$ 65,217	\$ 65,582
<b>Weighted average units outstanding <sup>(2)</sup></b>	<b>94,213</b>	<b>93,916</b>
<b>Amounts on a Per Unit Basis</b>		
FFO <sup>(1)</sup>	\$ 0.080	\$ 0.080
AFFO <sup>(1)</sup>	\$ 0.082	\$ 0.079
Distributions	\$ 0.065	\$ 0.0625
<b>Financial Ratios</b>		
Weighted average interest rate – fixed rate mortgages	4.58%	4.75%
Debt to gross assets (excluding converts)	47.7%	47.7%
Debt to gross assets (including converts)	53.6%	53.9%
Interest coverage ratio <sup>(1)</sup>	2.07x	2.04x
Debt coverage ratio <sup>(1)</sup>	1.51x	1.55x
Distributions as a % of FFO	83.2%	78.4%
Distributions as a % of AFFO	80.8%	79.5%
<b>Leasing Information</b>		
Square footage leased during the period (total portfolio)	269,148	217,143
Committed occupancy	95.9%	96.3%
Same-asset committed occupancy	96.5%	96.6%
<b>Mix of Tenancy Based on Square Footage</b>		
National	90.5%	90.4%
Regional	4.1%	4.1%
Local	4.3%	4.2%
Non retail	1.1%	1.3%
<b>Other</b>		
Average term to maturity - mortgages	6.3 Years	6.4 years
Average term to maturity - leases	6.4 Years	6.6 years
IFRS capitalization rate	7.04%	7.06%

Property Type Breakdown	Number of Properties March 31, 2016	Square Footage (000s)	Number of Properties March 31, 2015	Square Footage (000s)
Strip	97	4,568	95	4,368
Enclosed	6	1,121	4	897
Single Use – Quick Service Restaurant	136	385	144	365
Single Use – Retail	63	1,031	63	1,052
Total	302	7,105	306	6,682

<sup>(1)</sup> Refer to “Non-IFRS Measures” and “Additional IFRS Measures” for further explanations.

<sup>(2)</sup> Includes Class B exchangeable LP units.



### EXPLANATION OF NON-IFRS MEASURES USED IN THIS DOCUMENT

**Funds From Operations (FFO)** is not an IFRS financial measure. FFO is an industry term and its calculation is prescribed in publications of the Real Property Association of Canada (REALpac). FFO as calculated by Plaza may not be comparable to similar titled measures reported by other entities. FFO is an industry standard widely used for measuring operating performance and is exclusive of unrealized changes in the fair value of investment properties, deferred income taxes and gains or losses on property dispositions (see reconciliation to profit for the period attributable to unitholders on page 11). Plaza considers FFO a meaningful additional measure as it adjusts for certain non-cash items that do not necessarily provide an appropriate picture of a Trust's recurring performance. It more reliably shows the impact on operations of trends in occupancy levels, rental rates, net property operating income and interest costs compared to profit determined in accordance with IFRS. As well, FFO allows some comparability amongst different real estate entities that have adopted different accounting with respect to investment properties (some entities use the cost model and some entities use the fair value model to account for investment properties).

**FFO per unit** is not an IFRS financial measure. Plaza calculates FFO per unit as FFO divided by the weighted average number of units outstanding.

**Adjusted Funds From Operations (AFFO)** is an industry term used to help evaluate dividend or distribution capacity. AFFO as calculated by Plaza may not be comparable to similar titled measures reported by other entities. AFFO primarily adjusts FFO for other non-cash revenues and expenses and operating capital and leasing requirements that must be made merely to preserve the existing rental stream (see reconciliation to FFO on page 13). Most of these expenditures would normally be considered investing activities in the statement of cash flows. Capital expenditures which generate a new investment or revenue stream, such as the development of a new property or the construction of a new retail pad during property expansion or intensification would not be included in determining AFFO. AFFO excludes the impact of working capital changes as they are viewed as short term cash requirements or surpluses and are deemed financing activities. AFFO also excludes salaries and other costs related to development activities that should otherwise form part of the costs of its development projects and that management views as capital in nature and, therefore, not indicative of regular income producing activities. In addition, non-recurring costs that impact operating cash flow may be adjusted (see reconciliation to operating cash flow on page 14).

**AFFO per unit** is not an IFRS financial measure. Plaza calculates AFFO per unit as AFFO divided by the weighted average number of units outstanding.

**Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA)** is not an IFRS financial measure. EBITDA, as calculated by Plaza, may not be comparable to similarly titled measures reported by other entities. EBITDA is used in calculations that measure the Trust's ability to service debt. Its calculation is profit before finance costs, income tax expense, gains/losses on property dispositions, unrealized changes from fair value adjustments, transaction costs expensed as a result of the purchase of a business or properties, and net revaluation of interest rate swaps (see reconciliation to profit for the period on page 15).

FFO, AFFO and EBITDA are not defined by IFRS, and therefore should not be considered as alternatives to profit or net income calculated in accordance with IFRS.

### EXPLANATION OF ADDITIONAL IFRS MEASURES USED IN THIS DOCUMENT

**Net Property Operating Income (NOI)** is an industry term in widespread use. The Trust includes NOI as an additional IFRS measure in its consolidated statement of comprehensive income. NOI as calculated by Plaza may not be comparable to similar titled measures reported by other entities. Plaza considers NOI a meaningful additional measure of operating performance of property assets, prior to financing considerations. Its calculation is total revenues less total operating expenses as shown in the consolidated statements of comprehensive income (property revenues less total property operating costs, including operating ground rents).

## **PART II**

### **STRATEGY**

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

The Trust strives to:

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

The Trust invests in the following property types:

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

Management intends to achieve Plaza's goals by:

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

## **KEY PERFORMANCE DRIVERS AND INDICATORS**

There are numerous performance drivers, many beyond management's control, that affect Plaza's ability to achieve its above-stated goals. These key drivers can be divided into internal and external factors.

Management believes that the key internal performance drivers are:

- occupancy rates;
- rental rates;
- tenant service; and
- maintaining competitive operating costs.

Management believes that the key external performance drivers are:

- the availability of new properties for acquisition and development;
- the availability and cost of equity and debt capital; and
- a stable retail market.

The key performance indicators by which management measures Plaza's performance are as follows:

- FFO;
- AFFO;
- FFO/AFFO payout ratios;
- debt service ratios;
- debt to gross assets;
- "same-asset" NOI;
- weighted average effective cost of debt; and
- occupancy levels.

The key performance indicators discussed throughout the MD&A are summarized in the table that follows. Management believes that its key performance indicators allow it to track progress towards the achievement of Plaza's primary goal of providing a steady and increasing cash flow to unitholders. The following chart discusses the key performance indicators for the three months ended March 31, 2016 compared to the three months ended March 31, 2015.

## Plaza Retail REIT

Funds from Operations <sup>(1)</sup>		YTD Q1 2016	YTD Q1 2015
	FFO	\$7,491	\$7,489
	FFO per unit	\$0.080	\$0.080
	The principal factors influencing FFO were:		
	<ul style="list-style-type: none"> <li>➤ An increase in NOI of \$576 thousand from developments/redevelopments/acquisitions;</li> <li>➤ A decrease in NOI of \$124 thousand due to property sales;</li> <li>➤ A decrease in other income of \$205 thousand mainly due to insurance proceeds received on various properties in the prior year; and</li> <li>➤ An increase in finance costs of \$287 thousand mainly due to the new Series X mortgage bonds issued in June 2015, higher development and operating line balances and early mortgage discharge fees paid of \$148 thousand for properties sold in the quarter.</li> </ul>		
Adjusted Funds from Operations <sup>(1)</sup>		YTD Q1 2016	YTD Q1 2015
	AFFO	\$7,722	\$7,385
	AFFO per unit	\$0.082	\$0.079
	The principal factors influencing AFFO were:		
	<ul style="list-style-type: none"> <li>➤ Net growth in NOI from developments/redevelopments/acquisitions; and</li> <li>➤ A decrease in maintenance capital expenditures.</li> </ul>		
FFO/AFFO Payout Ratios		YTD Q1 2016	YTD Q1 2015
	Distributions as a % of FFO	83.2%	78.4%
	Distributions as a % of AFFO	80.8%	79.5%
	<ul style="list-style-type: none"> <li>➤ Plaza maintains very good payout ratios by industry standards and retains sufficient cash to operate the business.</li> </ul>		
Debt Service Ratios <sup>(1)</sup>		YTD Q1 2016	YTD Q1 2015
	Interest coverage ratio	2.07x	2.04x
	Debt coverage ratio	1.51x	1.55x
	<ul style="list-style-type: none"> <li>➤ Debt service ratios were relatively consistent with the prior year.</li> </ul>		
Debt to Gross Assets		YTD Q1 2016	YTD Q1 2015
	Debt to gross assets (excluding converts)	47.7%	47.7%
	Debt to gross assets (including converts)	53.6%	53.9%
	<ul style="list-style-type: none"> <li>➤ Debt to gross assets ratios are generally within Plaza's general leverage philosophy of 50% excluding converts and 55% including converts.</li> </ul>		
Same-Asset Net Property Operating Income <sup>(1)</sup>		YTD Q1 2016	YTD Q1 2015
	Same-asset NOI	\$13,915	\$13,885
	<ul style="list-style-type: none"> <li>➤ Decreases in non-recoverable snow removal costs due to a milder winter this year, were offset by a decrease in occupancy.</li> </ul>		
Weighted Average Interest Rate – Fixed Rate Mortgages		YTD Q1 2016	YTD Q1 2015
	Weighted average interest rate – fixed rate mortgages	4.58%	4.75%
	<ul style="list-style-type: none"> <li>➤ The decrease was a result of continued financings and refinancings at historically low interest rates.</li> </ul>		
Occupancy Levels		YTD Q1 2016	YTD Q1 2015
	Committed occupancy	95.9%	96.3%
	Same-asset committed occupancy	96.5%	96.6%

<sup>(1)</sup> Refer to “Non-IFRS Measures” and “Additional IFRS Measures” for further explanations.

**PROPERTY AND CORPORATE PERFORMANCE 2016 AND 2015**
**Funds from Operations (FFO)**

Plaza's summary of FFO for the three months ended March 31, 2016, compared to the three months ended March 31, 2015 is presented below:

(000s – except per unit amounts)	3 Months Ended March 31, 2016 (unaudited)	3 Months Ended March 31, 2015 (unaudited)
<b>Profit for the period attributable to unitholders</b>	<b>\$ 4,387</b>	<b>\$ 16,103</b>
Add (deduct):		
Incremental leasing costs included in administrative expenses	299	249
Distributions on Class B exchangeable LP units included in finance costs	86	82
Deferred income taxes	344	326
Fair value adjustment to restricted share units	-	12
Fair value adjustment to investment properties	1,990	(7,330)
Fair value adjustment to investments	(464)	(2,595)
Fair value adjustment to Class B exchangeable LP units	(26)	396
Fair value adjustment to convertible debentures	722	68
Fair value adjustment to interest rate swap and bond forward	166	-
Equity accounting adjustment	6	115
Non-controlling interest adjustment	(19)	63
<b>Basic and diluted FFO</b>	<b>\$ 7,491</b>	<b>\$ 7,489</b>
Basic Weighted Average Units Outstanding <sup>(1)</sup>	94,213	93,916
Diluted Weighted Average Units Outstanding <sup>(1)</sup>	94,213	93,916
<b>Basic and diluted FFO per unit</b>	<b>\$ 0.080</b>	<b>\$ 0.080</b>

<sup>(1)</sup> Includes Class B exchangeable LP units.

Basic FFO and FFO per unit for the three months ended March 31, 2016 were consistent with the same period in the prior year.

Impacting FFO was:

- (i) growth in NOI of \$576 thousand from developments/redevelopments/acquisitions (refer to page 17);
- (ii) a decrease in NOI of \$124 thousand due to the sale of properties (refer to page 17);
- (iii) a decrease in other income of \$205 thousand mainly due to insurance proceeds received on various properties in the prior year; and
- (iv) an increase in finance costs of \$287 thousand mainly due to the new Series X mortgage bonds issued in June 2015, higher outstanding balances on development and operating lines and early mortgage discharge fees paid of \$148 thousand for properties sold in the quarter. (refer to page 20).

## Plaza Retail REIT

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Excluding non-recurring items, Plaza's FFO and per unit FFO for the three months ended March 31, 2016 is represented in the following table.

	<b>3 Months Ended March 31, 2016 (unaudited)</b>	<b>3 Months Ended March 31, 2015 (unaudited)</b>
<b>(000s – except per unit amounts)</b>		
<b>Basic and diluted FFO</b>	<b>\$ 7,491</b>	<b>\$ 7,489</b>
Add (deduct):		
Early mortgage discharge fees paid	<b>148</b>	<b>-</b>
Insurance proceeds	<b>(37)</b>	<b>(213)</b>
	<hr/>	<hr/>
<b>Basic and diluted FFO excluding above-noted items</b>	<b>\$ 7,602</b>	<b>\$ 7,276</b>
	<hr/>	<hr/>
<b>Basic and diluted FFO excluding above-noted items per unit</b>	<b>\$ 0.081</b>	<b>\$ 0.077</b>

Excluding non-recurring items, FFO increased for the three months ended March 31, 2016, despite a reduction in NOI from assets sold. Propelling the increase was net development/redevelopment activity.

**Adjusted Funds from Operations (AFFO)**

Plaza's summary of AFFO for the three months ended March 31, 2016, compared to the three months ended March 31, 2015 is presented below:

	<b>3 Months Ended March 31, 2016 (unaudited)</b>	<b>3 Months Ended March 31, 2015 (unaudited)</b>
<b>(000s, except per unit amounts and percentage data)</b>		
Basic FFO <sup>(1)</sup>	<b>\$ 7,491</b>	<b>\$ 7,489</b>
Add (deduct):		
Amortization of loan placement fees, included in finance costs	<b>179</b>	305
Early mortgage discharge fees paid	<b>148</b>	-
Principal repayment of tenant loans	<b>34</b>	36
Non-controlling interest adjustment	<b>3</b>	14
Development/redevelopment costs included in administrative expenses <sup>(2)</sup>	<b>294</b>	268
Non-cash revenue – straight-line rent	<b>(39)</b>	(46)
Amortization of mark-to-market on debt assumed included in finance costs	<b>(108)</b>	(210)
Equity accounting adjustment	<b>(50)</b>	(15)
Maintenance capital expenditures – existing properties	<b>(49)</b>	(269)
Leasing costs – existing properties	<b>(122)</b>	(138)
Mortgage placement fees – existing properties	<b>(59)</b>	(49)
<b>Basic and diluted AFFO</b>	<b>\$ 7,722</b>	<b>\$ 7,385</b>
<b>Basic and diluted AFFO per unit</b>	<b>\$ 0.082</b>	<b>\$ 0.079</b>
Gross distributions to unitholders <sup>(3)</sup>	<b>6,234</b>	5,870
<b>AFFO after distributions</b>	<b>\$ 1,488</b>	<b>\$ 1,515</b>
<b>Distributions as a percentage of basic AFFO</b>	<b>80.8%</b>	79.5%
<b>Distributions as a percentage of basic FFO</b>	<b>83.2%</b>	78.4%

<sup>(1)</sup> See reconciliation of Basic FFO to profit attributable to unitholders in the FFO section of the MD&A above.

<sup>(2)</sup> Represents salaries and other costs not capitalized for accounting purposes but are related to development activities, that in management's view, form part of the cost of development projects. The amount excludes the salaries and other costs of the leasing department as these amounts are already added back in the derivation of FFO.

<sup>(3)</sup> Includes distributions on Class B exchangeable LP units.

For the three months ended March 31, 2016, AFFO increased by \$337 thousand, or 4.6% over the prior year, and AFFO per unit increased by 3.8% over the prior year. The increase in AFFO and AFFO per unit was mainly due to net growth in NOI mainly from developments/redevelopments/acquisitions, and a decrease in maintenance capital expenditures.

Plaza maintains very good payout ratios by industry standards and retains sufficient cash to operate the business.

**Plaza Retail REIT**

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A reconciliation of AFFO to operating cash flow is presented below:

	<b>3 Months Ended March 31, 2016 (unaudited)</b>	<b>3 Months Ended March 31, 2015 (unaudited)</b>
<b>(000s)</b>		
Operating cash flow	<b>\$ 9,965</b>	<b>\$ 9,006</b>
Add (deduct):		
Non-controlling interest adjustment	<b>(89)</b>	<b>(70)</b>
Equity accounting adjustment	<b>398</b>	<b>424</b>
Distributions from equity accounted investments	<b>(584)</b>	<b>(171)</b>
Principal repayment of tenant loans	<b>34</b>	<b>36</b>
Change in interest accrual	<b>(884)</b>	<b>(959)</b>
Change in income tax accrual	<b>14</b>	<b>11</b>
Change in non-cash working capital	<b>(1,635)</b>	<b>(1,076)</b>
Development/redevelopment costs included in administrative expenses	<b>294</b>	<b>268</b>
Maintenance capital expenditures – existing properties	<b>(49)</b>	<b>(269)</b>
Incremental leasing costs included in administrative expenses	<b>299</b>	<b>249</b>
Fair value adjustment to restricted share units	<b>-</b>	<b>12</b>
Leasing commissions included in operating cash flow	<b>140</b>	<b>111</b>
Leasing costs – existing properties	<b>(122)</b>	<b>(138)</b>
Mortgage placement fees – existing properties	<b>(59)</b>	<b>(49)</b>
<b>Basic and diluted AFFO</b>	<b>\$ 7,722</b>	<b>\$ 7,385</b>



## Plaza Retail REIT

### Debt Service Ratios

Plaza's summary of EBITDA and debt service ratios for the three months ended March 31, 2016, compared to the three months ended March 31, 2015 is presented below:

	3 Months Ended March 31, 2016 (unaudited)	3 Months Ended March 31, 2015 (unaudited)
<b>(000s – except debt service ratios)</b>		
<b>Profit for the period</b>	<b>\$ 4,460</b>	<b>\$ 16,250</b>
Add (deduct):		
Income taxes	374	362
Finance costs	7,008	6,721
Fair value adjustment to investment properties	1,990	(7,330)
Fair value adjustment to investments	(464)	(2,595)
Fair value adjustment to convertible debentures	722	68
Fair value adjustment to Class B exchangeable LP units	(26)	396
Fair value adjustment to restricted share units	-	12
Fair value adjustment to interest rate swap and bond forward	166	-
Equity accounting adjustment	6	93
<b>EBITDA</b>	<b>\$ 14,236</b>	<b>\$ 13,977</b>
Finance costs <sup>(1)</sup>	\$ 6,882	\$ 6,849
Periodic mortgage principal repayments	2,546	2,145
<b>Total debt service</b>	<b>\$ 9,428</b>	<b>\$ 8,994</b>
<b>Debt service ratios</b>		
Interest coverage ratio	2.07 times	2.04 times
Debt coverage ratio	1.51 times	1.55 times

<sup>(1)</sup> Excludes mark-to-market adjustments, loan defeasance and early discharge fees and distributions on Class B exchangeable LP units recorded in finance costs.

For the three months ended March 31, 2016, the interest and debt coverage ratios were relatively consistent with the prior year. The debt coverage and interest coverage ratios exceed the requirements under borrowing arrangements and overall leverage is at the Trust's targeted leverage.

**Same-Asset Net Property Operating Income**

Same-asset categorization refers to those properties which were owned and operated by Plaza for the three months ended March 31, 2016 and the entire year ended December 31, 2015 and excludes partial year results from certain assets due to timing of acquisition, development, redevelopment or disposition.

Significant portions of the Trust's leases have common cost recoveries from tenants linked to the consumer price index (CPI). At March 31, 2016, approximately 49.0% of the Trust's leased area is tied to a CPI cost recovery formula. As well, certain anchor tenant leases may restrict recovery of common costs. As a result, certain costs such as snow removal and utility costs may not be completely offset by cost recoveries in a period, or recovery revenues may exceed costs. Municipal taxes are generally net and fully recoverable from all tenants. Most tenants in strip plazas and single use properties are responsible for their own utilities, and changes to these costs do not materially impact NOI.

	<b>3 Months Ended March 31, 2016 (unaudited)</b>	<b>3 Months Ended March 31, 2015 (unaudited)</b>
<b>(000s)</b>		
Same-asset rental revenue	\$ 21,914	\$ 22,034
Same-asset operating expenses	3,962	4,230
Same-asset realty tax expense	4,037	3,919
<b>Same-asset net property operating income</b>	<b>\$ 13,915</b>	<b>\$ 13,885</b>

As noted in the chart above, the NOI for the same-asset pool for the three months ended March 31, 2016 increased by \$30 thousand or 0.2% over the same period in the prior year. Decreases in non-recoverable snow removal costs due to a milder winter this year were offset by a slight decrease in occupancy.

The following table shows a breakdown of same-asset NOI by province.

	<b>3 Months Ended March 31, 2016 (unaudited)</b>	<b>3 Months Ended March 31, 2015 (unaudited)</b>
<b>(000s except percentage data)</b>		
New Brunswick	\$ 3,016	\$ 2,911
Nova Scotia	2,694	2,751
Quebec	3,031	2,997
Alberta	225	217
Manitoba	181	188
Ontario	2,329	2,340
Newfoundland and Labrador	1,107	1,203
Prince Edward Island	1,332	1,278
<b>Same-asset net property operating income</b>	<b>\$ 13,915</b>	<b>\$ 13,885</b>
<b>Percentage increase over prior period</b>	<b>0.2%</b>	

## Plaza Retail REIT

### Net Property Operating Income

The following table shows the breakdown of total NOI and relevant variances from the prior year.

	3 Months Ended March 31, 2016 (unaudited)	3 Months Ended March 31, 2015 (unaudited)
<b>(000s)</b>		
Same-asset net property operating income	\$ 13,915	\$ 13,885
Developments transferred to income producing in 2015	342	137
Developments and redevelopments transferred to income producing in 2016 (\$1.4 million annualized NOI)	295	182
Properties acquired	85	-
NOI from properties currently under redevelopment	617	444
Property disposals	47	171
Property tax settlements	-	54
Other	3	5
<b>Total net property operating income</b>	<b>\$ 15,304</b>	<b>\$ 14,878</b>

### Leasing and Occupancy

The following table represents leases expiring for the next 5 years and thereafter for Plaza's property portfolio at March 31, 2016 (excluding developments/redevelopments and non-consolidated investments).

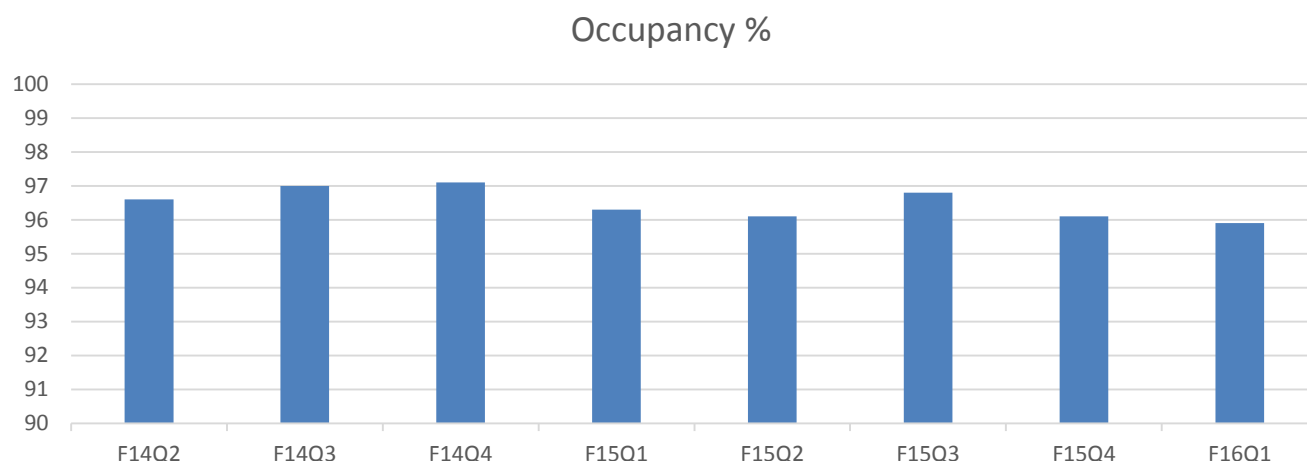
Year	Strip Plazas		Enclosed Malls		Single-User Retail		Single-User QSR <sup>(2)</sup>		Total	
	Sq Ft <sup>(1)</sup>	%	Sq Ft <sup>(1)</sup>	%	Sq Ft <sup>(1)</sup>	%	Sq Ft <sup>(1)</sup>	%	Sq Ft <sup>(1)</sup>	%
Remainder of 2016	253,062	7.5	21,143	3.2	2,989	0.3	18,537	5.9	295,731	5.7
2017	233,464	6.9	64,819	9.8	44,543	5.2	24,548	7.8	367,374	7.0
2018	232,537	6.9	131,555	20.0	24,999	2.9	201,076	64.2	590,167	11.3
2019	271,872	8.0	138,859	21.1	19,504	2.3	-	-	430,235	8.3
2020	499,765	14.8	91,437	13.9	109,776	12.7	9,731	3.2	710,709	13.6
2021	376,653	11.1	24,028	3.7	52,537	6.1	-	-	453,218	8.7
Thereafter	1,511,353	44.8	186,276	28.3	607,600	70.5	59,285	18.9	2,364,514	45.4
Subtotal	3,378,706	100.0	658,117	100.0	861,948	100.0	313,177	100.0	5,211,948	100.0
Vacant	161,843		57,385		-		3,180		222,409	
<b>Total</b>	<b>3,540,549</b>		<b>715,502</b>		<b>861,948</b>		<b>316,357</b>		<b>5,434,357</b>	
<b>Weighted average lease</b>	<b>6.7 years</b>		<b>3.8 years</b>		<b>8.4 years</b>		<b>3.6 years</b>		<b>6.4 years</b>	

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

<sup>(2)</sup> QSR refers to quick service restaurants.

At March 31, 2016, overall committed occupancy for the portfolio (excluding properties under development/redevelopment and non-consolidated investments) was 95.9% compared to 96.3% at March 31, 2015. Same-asset committed occupancy was 96.5% at March 31, 2016, compared to 96.6% at March 31, 2015.

Committed occupancy for the portfolio has remained relatively stable over the last eight quarters.



The weighted average contractual base rent per square foot on renewals/new leasing in 2016 versus expiries (excluding developments/redevelopments and non-consolidated investments) is outlined in the following table:

	Strip Plazas	Enclosed Malls	Single-User Retail	Single-User QSR
<b><u>2016 – Q1</u></b>				
Leasing renewals (sq. ft.)	101,011	53,297	14,000	1,657
Weighted average rent (\$/sq. ft.)	\$13.13	\$15.03	\$7.86	\$42.85
Expiries that renewed (sq. ft.)	101,011	53,297	14,000	1,657
Weighted average rent (\$/sq. ft.)	\$10.85	\$15.25	\$7.86	\$42.72
New leasing (sq. ft.)	31,929	7,783	2,146	-
Weighted average rent (\$/sq. ft.)	\$14.50	\$11.00	\$24.31	-
Expiries not renewed (sq. ft.)	41,136	5,522	-	1,982
Weighted average rent (\$/sq. ft.)	\$15.28	\$12.13	-	\$22.00
<b><u>2016 – Remainder of Year</u></b>				
Expiries (sq. ft.)	253,062	21,143	2,989	18,537
Weighted average rent (\$/sq. ft.)	\$11.67	\$16.21	\$16.44	\$23.83

In addition, for the three months ended March 31, 2016, the Trust completed 12 thousand square feet of new leasing deals on developments and redevelopments at market rates and 46 thousand square feet of new and renewal leasing deals at market rates at non-consolidated investments.

On average, Plaza's embedded or contractual gross rents expiring in 2016 would be at or below current market rates. Plaza's financial exposure to vacancies and lease roll-overs differs among the different retail asset types, as gross rental rates differ by asset class.

- Occupancy in the strip plazas was 95.4% at March 31, 2016, compared to 95.1% at March 31, 2015.
- Average occupancy for enclosed malls was 92.0% at March 31, 2016, compared to 96.2% at March 31, 2015.
- Occupancy for single use assets was 99.7% at March 31, 2016, compared to 99.6% at March 31, 2015.
- Pre-leased space in properties in the development phase and in the construction phase is 85.5% at March 31, 2016.

## Plaza Retail REIT

Plaza has built a portfolio with a high quality revenue stream. Plaza's ten largest tenants based upon current monthly base rents at March 31, 2016 represent approximately 58.5% of total base rent revenues in place.

	% of Base Rent Revenue		% of Base Rent Revenue
1. Shoppers Drug Mart	24.8	6. Canadian Tire Group <sup>(3)</sup>	3.0
2. KFC <sup>(1)</sup>	10.2	7. TJX Group <sup>(4)</sup>	2.8
3. Dollarama	4.7	8. Rexall Pharma Plus	2.2
4. Sobeys Group <sup>(2)</sup>	3.7	9. Bulk Barn	1.8
5. Staples	3.5	10. Best Buy	1.8

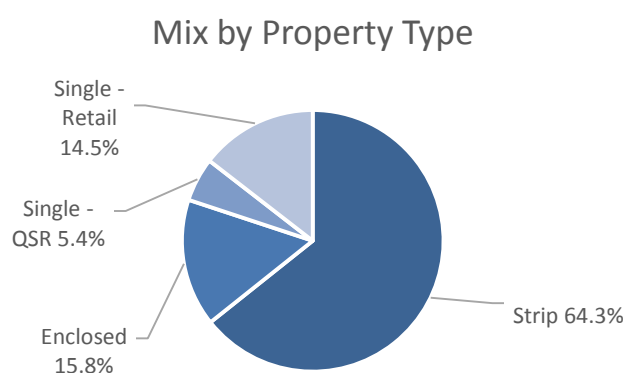
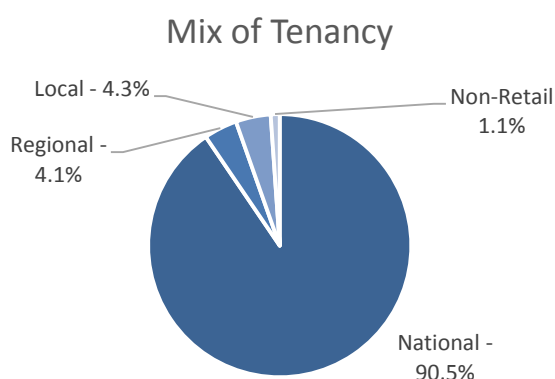
(1) Represented by 6 tenants.

(2) Sobeys Group represents the following stores: Sobeys, IGA, Sobeys Fast Fuel and Lawtons.

(3) Canadian Tire Group represents the following stores: Canadian Tire, Mark's Work Wearhouse and Sport Chek.

(4) TJX Group represents the following stores: Winners, HomeSense, and Marshalls.

The Trust's mix of tenancies, based on square footage, is primarily made up of national tenants. The portfolio is well positioned to resist downturns in its markets and provide stability to cash flows from which it funds operations and distributions.



## Profit and Total Comprehensive Income for the Period

The Trust recorded profit and total comprehensive income for the three months ended March 31, 2016 of \$4.5 million compared to \$16.3 million for the same period in the prior year. Profit was impacted by the same factors mentioned in the discussion of FFO previously, as well as:

- (i) the recording of a fair value loss on interest rate swaps and bond forwards of \$166 thousand;
- (ii) a decrease in the share of profit of associates of \$2.0 million mainly due to the non-cash fair value adjustment to the underlying investment properties;
- (iii) a net loss from the non-cash fair value adjustment to convertible debentures of \$722 thousand compared to a net loss of \$68 thousand in the prior year; and
- (iv) a net loss from non-cash fair value adjustments to investment properties of \$2.0 million in the current quarter, compared to a net gain of \$7.3 million in the prior year.

## Plaza Retail REIT

### Share of Profit of Associates

Share of profit of associates consists of income from equity and cost-accounted investments as well as fair value changes in the underlying investment properties included within equity-accounted investments and other changes to the equity position of the equity-accounted investments that would impact the residual returns on wind-up (such as debt financing incurred). The following schedule shows Plaza's ownership position, rates of preferred returns on investment and Plaza's interest in cash on capital appreciation beyond the preferred returns.

	Ownership Position	Preferred Return	Residual Return
<b>Equity Accounted Investments<sup>(1)</sup></b>			
Centennial Plaza Limited Partnership	10%	10%	20%
Trois Rivières Limited Partnership	15%	10%	30%
Plazacorp – Shediac Limited Partnership	10%	8%	50%
Plazacorp Ontario1 Limited Partnership	25%	4%	25%
Plazacorp Ontario2 Limited Partnership	50%	n/a	n/a
Plazacorp Ontario3 Limited Partnership	50%	n/a	n/a
Plazacorp Ontario4 Limited Partnership	50%	n/a	n/a
RBEG Limited Partnership	50%	n/a	n/a
CPRDL Limited Partnership	50%	n/a	n/a
Fundy Retail Ltd.	50%	n/a	n/a
VGH Limited Partnership <sup>(2)</sup>	20%	8%	27%
Ste. Hyacinthe Limited Partnership	25%	n/a	n/a
The Shoppes at Galway Limited Partnership <sup>(2)</sup>	50%	n/a	n/a
<b>Fair Value Accounted Investments<sup>(1)</sup></b>			
Northwest Plaza Commercial Trust	10%	n/a	n/a

<sup>(1)</sup> Equity and fair value accounted investments consist of the following properties: 3550 Sources, Centennial Plaza, Place Du Marche and BPK Levis (Centennial Plaza Limited Partnership); Plaza des Recollets (Trois Rivières Limited Partnership); Shediac West (Plazacorp – Shediac Limited Partnership); Ottawa Street Almonte, Hastings Street Bancroft and Main Street Alexandria (Plazacorp Ontario1 Limited Partnership); Amherstview and Scugog Street Port Perry (Plazacorp Ontario2 Limited Partnership); King & Mill (Plazacorp Ontario3 Limited Partnership); Manotick (Plazacorp Ontario4 Limited Partnership); Bureau en Gros (RBEG Limited Partnership); CPRDL (CPRDL Limited Partnership); Gateway Mall (Fundy Retail Ltd.); St. Jerome (VGH Limited Partnership); 5400 Laurier Ouest (Ste. Hyacinthe Limited Partnership); the Shoppes at Galway (The Shoppes at Galway Limited Partnership) and Northwest Centre (Northwest Plaza Commercial Trust).

<sup>(2)</sup> The land within this partnership is currently in development.

Share of profit of associates for the three months ended March 31, 2016 includes Plaza's share of NOI of approximately \$851 thousand. Share of profit of associates decreased by \$2.0 million for the three months ended March 31, 2016 compared to the three months ended March 31, 2015. The decrease was mainly due to the decrease in the non-cash fair value adjustment of the underlying investment properties.

Distributions received from associates for the three months ended March 31, 2016 were \$584 thousand compared to \$171 thousand for the three months ended March 31, 2015.

### Finance Costs

Finance costs for the three months ended March 31, 2016 were \$7.0 million, compared to \$6.7 million for the same period in the prior year. Finance costs for the current quarter were impacted by:

- (i) higher interest expense on new mortgages obtained;
- (ii) higher interest expense on the Series X mortgage bonds issued on June 25, 2015;
- (iii) higher interest on development and operating lines of credit as a result of a higher balance outstanding;
- (iv) early mortgage discharge fees of \$148 thousand from the sale of five properties; and
- (v) lower amortization of the mark-to-market adjustment on KEYreit mortgages due to sales of the related properties and refinancings of those mortgages.

These were partly offset by lower interest and amortization on interim bridge financing which was paid in full in Q1 2015 with new mortgage financing.

### **Change in Fair Value of Investment Properties**

The Trust recorded a fair value decrease to investment properties of \$2.0 million for the three months ended March 31, 2016 compared to a fair value increase of \$7.3 million for the three months ended March 31, 2015. The weighted average capitalization rate at March 31, 2016 was 7.04% which is 2 basis points lower than March 31, 2015 and is consistent with December 31, 2015. The change in fair value was mainly impacted by occupancy and NOI at particular properties, partly offset by an increase in fair value on acquisitions. At March 31, 2016 a decrease of 0.25% in the capitalization rates used to determine the fair value of investment properties would have resulted in an increase in investment properties of approximately \$33.9 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately \$31.5 million.

### **Change in Fair Value of Convertible Debentures**

The convertible debentures are publicly traded and their fair values are based on their traded prices.

The net loss from the fair value adjustment to convertible debentures for the three months ended March 31, 2016 was \$722 thousand, compared to a net loss of \$68 thousand, in the prior year.

### **Change in Fair Value of Class B Exchangeable LP Units**

The Class B exchangeable LP units were issued effective January 1, 2015 in connection with the purchase by Plaza of the interests of certain equity partners in eight properties located in New Brunswick and Prince Edward Island. Distributions paid on these exchangeable units are based on the distributions paid to Plaza unitholders. The exchangeable LP units are exchangeable on a one-for-one basis into Plaza units at the option of the holders. The fair value of these exchangeable LP units is based on the trading price of Plaza's units.

The fair value adjustment to Class B exchangeable LP units for the three months ended March 31, 2016 was a net gain of \$26 thousand, compared to a net loss of \$396 thousand, in the prior year.

### **Administrative Expenses**

	<b>3 Months Ended March 31, 2016 (unaudited)</b>	<b>3 Months Ended March 31, 2015 (unaudited)</b>
<b>(000s)</b>		
Salaries and other costs relating to development/redevelopment activities	\$ 432	\$ 530
Other salaries and administrative expenses	1,585	1,437
<b>Total administrative expenses</b>	<b>\$ 2,017</b>	<b>\$ 1,967</b>

Administrative expenses for the three months ended March 31, 2016 remained relatively consistent with the prior year, increasing by \$50 thousand, mainly reflecting the impact of regular salary increases.

Plaza maintains a fully internalized structure and therefore incurs costs related to development and redevelopment activities. These costs are viewed by management as capital in nature and, therefore, not indicative of regular income producing activities. Plaza carries close to \$2.0 million per year, or \$0.020 per unit per year, in these development/redevelopment costs included in administrative expenses and not otherwise capitalized for accounting purposes. Other real estate entities that are not development-oriented or not fully internalized for their development activities, would not incur this level of expenses or might otherwise be able to capitalize these costs for accounting purposes.

**Acquisitions/Dispositions**

During the three months ended March 31, 2016, the Trust acquired an additional 5.5% ownership interest in the Village Shopping Centre in St. John's, NL for \$2.7 million. The Trust now has a 50.0% interest in this property.

During the three months ended March 31, 2016, the Trust disposed of income producing properties for net proceeds of \$6.0 million in Toronto, ON and Mississauga, ON. As well, the Trust disposed of income producing properties in Toronto, ON and Windsor, ON for net proceeds of \$1.8 million, which were recorded as investment properties held for sale at December 31, 2015.

**PART III**
**SUMMARY OF SELECTED QUARTERLY INFORMATION**

Plaza's summary of selected quarterly information for the last eight quarters is presented below:

<b>(000s except per unit and percentage data) (unaudited)</b>	<b>Q1'16</b>	<b>Q4'15</b>	<b>Q3'15</b>	<b>Q2'15</b>	<b>Q1'15</b>	<b>Q4'14</b>	<b>Q3'14</b>	<b>Q2'14</b>
Total revenue <sup>(1)</sup>	<b>\$25,873</b>	\$24,079	\$25,434	\$24,883	\$27,458	\$25,844	\$24,922	\$23,518
Profit (loss) and total comprehensive income (loss)	<b>\$4,460</b>	\$5,036	\$9,092	\$8,217	\$16,250	\$14,248	\$9,906	\$(4,273)
Distributions per unit	<b>6.50¢</b>	6.25¢	6.25¢	6.25¢	6.25¢	6.00¢	6.00¢	6.00¢
Funds from operations per unit – basic and diluted	<b>8.0¢</b>	9.3¢	8.5¢	7.5¢	8.0¢	7.7¢	9.3¢	8.0¢
Adjusted funds from operations per unit – basic and diluted	<b>8.2¢</b>	8.8¢	8.0¢	7.1¢	7.9¢	7.0¢	7.3¢	7.6¢
Distributions as a percentage of basic FFO	<b>83.2%</b>	67.0%	73.7%	83.1%	78.4%	81.8%	67.4%	74.8%
Distributions as a percentage of basic AFFO	<b>80.8%</b>	70.8%	78.1%	88.0%	79.5%	85.9%	81.7%	79.1%
<b>Gross Leasable Area (000s of sq. ft.) (at 100% and excluding non-consolidated investments and properties under development/redevelopment)</b>								
Total income producing properties	<b>5,434</b>	5,415	5,286	5,295	5,193	5,103	5,130	5,158
<b>Occupancy % (at 100% and excluding non-consolidated investments and properties under development/redevelopment)</b>								
Total income producing properties	<b>95.9%</b>	96.1%	96.8%	96.1%	96.3%	97.1%	97.0%	96.6%

<sup>(1)</sup> Includes investment income, other income and share of profit of associates.

During the last eight quarters occupancy has remained high which contributes to stability of cash flow. Significant fluctuations in profit and loss are mainly due to non-cash fair value adjustments on the Trust's investment properties and debt instruments. Fair value adjustments are based on market parameters for which the Trust has no control or ability to predict.

Some of Plaza's leases have common cost recoveries from tenants linked to the consumer price index (CPI) or otherwise have caps on operating costs. At March 31, 2016, approximately 49.0% of the Trust's leased area is tied to a CPI cost recovery formula. As well, anchor tenant leases may restrict common area maintenance (CAM) cost recoveries. As a result of all of these factors, seasonal fluctuations in NOI, FFO and AFFO occur primarily due to winter costs as well as yearly repair and maintenance activities which typically occur in spring and early summer which may create inconsistencies in quarterly recovery revenues compared with quarterly expenses.



## PART IV

### OPERATING LIQUIDITY AND WORKING CAPITAL

Cash flow, in the form of recurring rent generated from the portfolio, represents the primary source of liquidity to service debt including recurring monthly amortization of mortgage debt, to pay operating, leasing and property tax costs, and to fund distributions. Costs of development activities, which form a large portion of accounts payable and accrued liabilities, are funded by a combination of debt, equity and operating cash flow.

Cash flow from operations is dependent upon occupancy levels of properties owned, rental rates achieved, effective collection of rents, and efficiencies in operations as well as other factors.

Plaza maintains a relatively conservative cash distribution policy, in order to retain sufficient funds to manage the business, including ongoing maintenance capital expenditures. New debt or equity capital raised is generally directed to acquisitions or continuing development activities, which are discretionary, based on the availability of such capital.

In accordance with National Policy 41-201 – *Income Trusts and Other Indirect Offerings*, the Trust is required to provide the following additional disclosure relating to cash distributions.

	<b>3 Months Ended March 31, 2016 (unaudited)</b>	<b>3 Months Ended March 31, 2015 (unaudited)</b>
<b>(000s)</b>		
Cash provided by operating activities <sup>(1)</sup>	<b>\$ 9,965</b>	\$ 9,006
Total distributions <sup>(2)</sup>	<b>6,234</b>	5,870
Excess of cash provided by operating activities over total distributions	<b>\$ 3,731</b>	\$ 3,136

<sup>(1)</sup> Cash provided by operating activities is presented net of interest paid, but excludes distributions paid on Class B exchangeable LP units classified as finance costs.

<sup>(2)</sup> Total distributions include cash distributions paid and payable to unitholders, unit distributions under the Distribution Reinvestment Plan (DRIP) and distributions on Class B exchangeable LP units classified as finance costs.

Plaza believes its current distributions are sustainable based on historical results and cash flows.

**CAPITAL RESOURCES, EQUITY AND DEBT ACTIVITIES****Operating and Development Facilities**

<b>(000s)</b>	<b>\$30.0 Million Operating</b>	<b>\$20.0 Million Development</b>	<b>\$15.0 Million Development</b>
December 31, 2015 <sup>(1)</sup>	\$ 26,486	\$ 3,503	\$ 7,899
Net Change	(26,486)	848	4,016
March 31, 2016 <sup>(1)</sup>	\$ -	\$ 4,351	\$ 11,915
Interest rate	Prime + 1.00% or BA + 2.25%	Prime + 1.00% or BA + 2.75%	Prime + 1.00% or BA + 2.25%
Maturity	July 31, 2016	July 31, 2016	July 31, 2016
Security	First charges on pledged properties	First charges on applicable pledged development property	First charges on applicable pledged development property
Other terms	Debt service, maximum leverage, occupancy & equity maintenance covenants	Debt service, occupancy & leverage covenants	Debt service, maximum leverage, occupancy & equity maintenance covenants
Line reservations available for letters-of-credit	\$2.0 million	\$1.5 million	\$500 thousand
Issued and outstanding	\$532 thousand	-	-

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

Funding is secured by first mortgage charges on properties or development properties as applicable. The Trust must maintain certain financial ratios to comply with the facilities. As of March 31, 2016, all debt covenants in respect of the above facilities have been maintained.

**Debentures and Mortgage Bonds**

Mortgage bonds are secured by either property or cash.

In February 2016, Series VI mortgage bonds matured and were repaid.

Convertible debentures are recorded at fair value and changes in the fair value are recorded quarterly in profit and loss.

On April 29, 2016, the Trust redeemed the \$9.2 million outstanding 8% Series B convertible debentures.

**Mortgages**

During 2016 the Trust obtained new long-term financing in the amount of \$6.3 million (at Plaza's consolidated share) with a weighted average term of 8.3 years and a weighted average interest rate of 3.51%.

The Trust acquired an additional \$1.1 million in long-term financing as part of the acquisition of an additional 5.5% interest in the Village Shopping Centre.

The Trust has a \$2.2 million variable rate secured construction loan/credit facility on one of its redevelopment projects. The loan bears interest at prime plus 1.25% or BAs plus 2.50% and matures in August 2017. At March 31, 2016, \$1.6 million has been drawn on the loan.

The Trust also has a \$907 thousand variable rate secured construction loan/credit facility on one of its redevelopment projects. The loan bears interest at prime plus 1.00% or BAs plus 2.50% and matures in December 2017. At March 31, 2016, \$467 thousand has been drawn on the loan.

## Plaza Retail REIT

In July 2015, the Trust entered into a bond forward with a Canadian chartered bank in order to partially hedge interest rate risk for two development properties. The bond forward effectively fixes the 10-year Government of Canada bond rate for the two properties on their future long-term mortgages, anticipated to be obtained in the second quarter of 2016. The bond forward is for a twelve month term and is for a notional amount of \$6.0 million. The Government of Canada bond rate under the bond forward is 1.715%. The bond forward does not qualify for hedge accounting under IFRS, and therefore, changes in the fair value of the bond forward (based on estimated future cash flows based on observable yield curves) are recognized in profit and loss in the reporting period.

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

As a conservative interest rate risk management practice, the Trust's use of floating-rate debt is generally limited to its operating line (to fund ongoing operations and acquisitions) and its development lines/construction loans.

The following is a maturity chart by year:

(000s, except percentage data)	Remainder 2016	Year 1 2017	Year 2 2018	Year 3 2019	Year 4 2020	Year 5 2021	After 5 Years	Total
Long-term mortgages due at maturity	\$22,825	\$29,217	\$15,973	\$50,678	\$62,023	\$25,421	\$160,895	\$367,032
Construction loans	-	2,099	-	-	-	-	-	2,099
Development lines of credit	16,266	-	-	-	-	-	-	16,266
Bank operating facility	-	-	-	-	-	-	-	-
Total	\$39,091	\$31,316	\$15,973	\$50,678	\$62,023	\$25,421	\$160,895	\$385,397
As a percentage	10.1%	8.1%	4.1%	13.2%	16.1%	6.6%	41.8%	100.0%
Weighted average expiring rate on long-term mortgages	5.36%	5.26%	4.84%	3.80%	4.82%	5.00%	4.41%	

The weighted average term to maturity for the long-term mortgages is 6.3 years. The average remaining repayment (amortization) period on long-term mortgage debt is 24.4 years.

The ratio of debt to gross book assets at March 31, 2016 (excluding convertible debentures) is 47.7% compared to 47.7% at March 31, 2015. Including convertible debentures at cost, Plaza's debt to gross assets at March 31, 2016 is 53.6% compared to 53.9% at March 31, 2015. The Trust's general philosophy is to maintain its leverage at no more than approximately 50% excluding convertible debentures and approximately 55% including convertible debentures. By its Declaration of Trust, Plaza is limited to an overall indebtedness ratio of 60% excluding convertible debentures and 65% including convertible debentures.

## Plaza Retail REIT

### Units Outstanding

If all rights to convert units under the provisions of convertible debt were exercised and exchangeable LP units were exchanged, the impact on units outstanding would be as follows:

At May 11, 2016 (000s)	Units
Current outstanding units	97,955
Class B exchangeable LP units	1,319
Series C convertible debentures	3,215
Series D convertible debentures	5,913
<b>Total adjusted units outstanding</b>	<b>108,402</b>

### Land Leases

Return on invested cash or equity is a measure Plaza uses to evaluate development and strategic acquisitions. Investing in a project subject to a land lease reduces the cash equity required for an individual project and increases the number of projects which can be undertaken with available capital. This spreads risk and enhances overall unitholder return. In some instances use of a land lease will enhance project feasibility where a project might not otherwise be undertaken without use of a land lease. Currently Plaza has 26 long-term land leases (affecting 25 properties) with total annual rent of \$3.2 million. One of the land leases relates to shared parking facilities. The other properties under land lease represent approximately 9.5% of the Trust's fair value of investment properties and investments. Land leases expire (excluding any non-automatic renewal periods) on dates ranging from 2017 to 2084 with an average life of 40 years, with some of the leases also containing non-automatic renewal options, extending the average life of the leases to 65 years including these non-automatic renewal options. Of the 26 land leases, 10 of the land leases have options to purchase, generally at fair market value.

### Gross Capital Additions Including Leasing Fees:

(000s)	3 Months Ended March 31, 2016 (unaudited)	3 Months Ended March 31, 2015 (unaudited)
Leasing fees – existing properties	\$ 13	\$ 25
Leasing fees – redevelopment properties	-	-
Leasing fees – new developments	127	86
<b>Total leasing fees</b>	<b>140</b>	<b>111</b>
Capital additions – existing properties	158	382
Capital additions – redevelopment properties	4,044	3,415
Capital additions – new developments	3,664	6,151
<b>Total capital additions</b>	<b>7,866</b>	<b>9,948</b>
<b>Total gross additions</b>	<b>\$ 8,006</b>	<b>\$ 10,059</b>

### COMMITMENTS AND CONTINGENT LIABILITIES

The Trust has \$3.6 million in short-term commitments in respect of development activities. Management believes that Plaza has sufficient unused bank line availability, and/or mortgage bond deployment potential, to fund these commitments. The Trust has contingent liabilities as original borrower on three mortgages partially assumed by the purchasers of properties where a 75% interest in each was sold in 2009. These commitments are subject to indemnity agreements. These sales did not relieve the Trust's obligations as original borrower in respect of these mortgages. The debt subject to such guarantees at March 31, 2016 totals \$5.7 million with a weighted average remaining term of 6.8 years.

The Trust guarantees mortgage debt in excess of its pro-rata position in joint ventures and non-consolidated subsidiaries in the amount of \$18.5 million. As well, the Trust has a guarantee in excess of its ownership percentage to the mortgagee on one property in the amount of \$564 thousand. This amount is subject to cross-guarantees by the other co-owners.

## **PART V**

### **RISKS AND UNCERTAINTIES**

All property investments are subject to a degree of risk and uncertainty. Property investments are affected by various factors including general economic conditions and local market circumstances. Local business conditions such as oversupply of space or a reduction in demand for space particularly affect property investments. Management attempts to manage these risks through geographic and retail asset class diversification in the portfolio. At March 31, 2016, the Trust held interests in 302 properties spread geographically across Canada. Some of the more important risks are outlined below. See Financial Risk Management Note 25 to the December 31, 2015 Consolidated Financial Statements of the Trust for further details. Also see the Trust's Annual Information Form dated March 23, 2016 for a complete list of risks and uncertainties.

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

Management attempts to lock in cash returns on assets for the longest period possible, consistent with exposure to debt maturing and leases expiring in any given year.

The Trust mitigates interest rate risk by maintaining the majority of its debt at fixed rates. Floating rate debt is typically used on its operating line of credit and for development or redevelopment projects as interim financing, until the projects are completed and are then able to attract the appropriate long-term financing. The Trust mitigates its exposure to fixed-rate interest risk by staggering maturities in order to avoid excessive amounts of debt maturing in any one year. If market conditions warrant, the Trust may attempt to renegotiate its existing debt to take advantage of lower interest rates. At existing financing rates, the Trust is able to obtain positive returns from debt financing. The quality of the Trust's projects and properties makes management believe it can obtain suitable long-term financing for those projects on completion of development as well as those properties with maturing existing debt. The Trust has an ongoing requirement to access the debt markets and there is a risk that lenders will not refinance such maturing debt on terms and conditions acceptable to the Trust or on any terms at all. Management believes that all debts maturing in 2016 or properties needing long term financing in 2016 will be able to be financed or refinanced as they come due.

From time to time Plaza may enter into derivative instruments to hedge the cash flow variability on future interest payments on anticipated mortgage financings from changes in interest rates until the time the mortgage interest rate is set.

#### **Credit Risk**

Credit risk mainly arises from the possibility that tenants may be unable to fulfill their lease commitments. Management mitigates this risk by ensuring that Plaza's tenant mix is diversified and heavily weighted to national tenants. Plaza also maintains a portfolio that is diversified geographically so that exposure to local business is lessened.

Currently one tenant, Shoppers Drug Mart, represents 24.8% of current monthly base rents in place. The top 10 tenants collectively represent approximately 58.5% of current monthly base rents in place. National and regional tenants represent 94.6% of the in-place tenant base.

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

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

Management attempts to stagger the lease expiry profile so that Plaza is not faced with a disproportionate amount of square footage of leases expiring in any one year. Management further mitigates this risk by maintaining a diversified portfolio mix both by retail asset type and geographic location and ensuring that the Trust maintains a well-staffed and highly skilled leasing department to deal with all leasing issues.

One of Plaza's performance drivers is related to occupancy levels. The majority of Plaza's leases in place are referred to as "net leases", meaning tenants reimburse Plaza fully for their share of property operating costs (subject to consumer price index adjustments in many cases) and realty taxes. Many of Plaza's operating costs and realty taxes are not reduced by vacancy. Certain costs such as utilities and janitorial costs would not decline with a decline in occupancy.

The hypothetical impact to NOI of a change in occupancy of 1% would be approximately \$645 thousand per annum. The analysis does not identify a particular cause of such changing occupancy and as a result, it does not reflect the actions management may take in relation to the changes. Plaza's principal management of occupancy risk is the skewing of tenancies towards national tenants, the signing of longer term leases and significant pre-leasing of development space.

### **Development and Acquisition Risk**

Plaza's external growth prospects will depend in large part on identifying suitable development, redevelopment and acquisition opportunities, pursuing such opportunities, conducting necessary due diligence, consummating acquisitions (including obtaining necessary consents) and effectively operating the properties acquired or developed by the Trust. If Plaza is unable to manage its growth and integrate its acquisitions and developments effectively, its business, operating results and financial condition could be adversely affected. Developments and acquisitions may not meet operational or financial expectations due to unexpected costs or market conditions, which could impact the Trust's performance.

### **Environmental Risk**

Plaza is subject to various laws relating to the environment which deal primarily with the costs of removal and remediation of hazardous substances such as asbestos or petroleum products. Environmental risk is relevant to Plaza's ability to sell or finance affected assets and could potentially result in liabilities for the costs of removal and remediation of hazardous substances or claims against Plaza. Management is not aware of any material non-compliance with environmental laws or regulations with regard to Plaza's portfolio, or of any material pending or threatened actions, investigations or claims against Plaza relating to environmental matters. Plaza manages environmental exposures in a proactive manner during every aspect of the property life cycle including extensive due diligence in respect of environmental risk before purchase or development.

### **Status of the REIT**

Plaza is required to comply with specific restrictions regarding its activities and the investments held by it in order to maintain its mutual fund trust status. Should Plaza cease to qualify as a mutual fund trust, the consequences could be material and adverse. As well, Plaza conducts its affairs in order to qualify as a REIT under applicable tax statutes so that it retains its status as a flow-through vehicle for the particular year. Should Plaza not meet the conditions to qualify as a REIT in a particular year, it may be subject to tax similar to a corporation, which may have an adverse impact on it and its unitholders, on the value of the units and on its ability to undertake financings and acquisitions, and its distributable cash may be materially reduced. Management believes that it complies with both the mutual fund trust rules and the REIT rules.

**PART VI****RELATED PARTY TRANSACTIONS****Notes Payable to Related Parties**

The following non-interest bearing notes existed at the time of acquisition of properties in September 2000. Certain of the notes are owed to parties controlled directly or indirectly by Michael Zakuta. The notes are repayable on sale or refinancing of the related asset.

(000s)	March 31, 2016	March 31, 2015
<b>Non-interest bearing notes:</b>		
Entities owned (directly or indirectly), controlled or significantly influenced by Michael Zakuta, President, Chief Executive Officer and Trustee of the Trust	\$ 261	\$ 261

**Bonds and Debentures Held**

The Trustees directly or indirectly held mortgage bonds or debentures of the Trust as follows (stated at face value):

(000s)	March 31, 2016	March 31, 2015
Earl Brewer	\$ 155	\$ 219
Edouard Babineau	250	250
Michael Zakuta	100	250
<b>Total</b>	<b>\$ 505</b>	<b>\$ 719</b>

Other key management personnel own \$35 thousand in mortgage bonds of the Trust at March 31, 2016 (March 31, 2015 - \$45 thousand).

**Other Related Party Transactions**

Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in the Gateway Mall, Sussex, NB. A subsidiary of the Trust manages the mall. At March 31, 2016 there is \$120 thousand owed by the Gateway Mall to all of the owners of the mall. The pro rata amount owed to the Trust is \$30 thousand. As well, there is a \$5 thousand accounts receivable balance owing to the Trust for property management fees. For the three months ended March 31, 2016, property management and leasing fees of \$22 thousand were earned by a subsidiary of the Trust from this property.

TC Land LP, an entity controlled by Michael Zakuta and Earl Brewer, leases nine parcels of land to Plaza at a total annual rent of \$1.1 million. The land leases expire at various times from October 2043 to November 2047, subject to options to renew. All of these land leases have options to purchase, of which one is at a fixed price and the others are at fair market value. The business purpose of the leases was to enhance levered equity returns on the affected assets.

Earl Brewer and Michael Zakuta hold interests in common with the Trust's 10% interest in Northwest Plaza Commercial Trust, the owner of Northwest Centre, Moncton, NB. A subsidiary of the Trust manages the centre. For the three months ended March 31, 2016, property management, leasing and development fees of \$31 thousand were earned by a subsidiary of the Trust from this property.

**DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

Disclosure controls and procedures ("DC&P") are intended to provide reasonable assurance that material information is gathered and reported to senior management to permit timely decisions regarding public disclosure. Internal controls over financial reporting ("ICFR") are intended to provide reasonable assurance regarding the reliability of financial reporting and

the preparation of financial statements for external purposes in accordance with IFRS. The Trust maintains appropriate DC&P and ICFR to ensure that information disclosed externally is complete, reliable and timely.

A control system, no matter how well conceived and operated, can provide only reasonable and not absolute assurance that the objectives of the control system are met. As a result of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, have been detected. These inherent limitations include, amongst other items: (i) that management's assumptions and judgments could ultimately prove to be incorrect under varying conditions and circumstances; or (ii) the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based, in part, upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

The Trust's Chief Executive Officer and Chief Financial Officer evaluated, or under their supervision caused to be evaluated, the design of the Trust's DC&P and ICFR at March 31, 2016. Based on that evaluation they determined that the Trust's DC&P and ICFR were appropriately designed based on the criteria established in the *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

During the three months ended March 31, 2016, there were no changes in the Trust's ICFR that occurred that have materially affected, or are reasonably likely to materially affect, the Trust's ICFR.

## CRITICAL ACCOUNTING POLICIES

### Critical Accounting Estimates

The preparation of the Trust's Condensed Interim Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the reported amounts of certain assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. The significant estimates and judgments include the assessment of fair values, the discount rates used in the valuation of the Trust's assets and liabilities, capitalization rates, the relative credit worthiness of the Trust to its counterparties, the ability to use tax losses and other tax measurements, the determination of the accounting basis for investments and joint arrangements, the amount of borrowing costs to capitalize to properties under development and the selection of accounting policies.

#### (i) Investment properties

One significant judgment and key estimate that affects the reported amounts of assets at the date of the Condensed Interim Consolidated Financial Statements and the reported amounts of profit or loss during the period, relates to property valuations. Investment properties, which are carried on the consolidated statements of financial position at fair value, are valued either by the Trust or by external valuers. The valuation of investment properties is one of the principal estimates and uncertainties of the financial statements. The valuations are based on a number of assumptions, such as appropriate discount rates and capitalization rates and estimates of future rental income, operating expenses and capital expenditures. These investment properties are sensitive to fluctuations in capitalization and discount rates.

## FUTURE ACCOUNTING POLICY CHANGES

A number of new standards, and amendments to standards and interpretations under IFRS, are not yet effective for the year ended December 31, 2016, and have not been applied in preparing the Condensed Interim Consolidated Financial Statements. Please see Note 3 to the Consolidated Financial Statements for the year ended December 31, 2015 for further details about future accounting policy changes.

## ADDITIONAL INFORMATION

Additional information relating to Plaza including the Management Information Circular, Material Change reports and all other continuous disclosure documents required by the securities regulators, are filed on the System for Electronic Document Analysis and Retrieval (SEDAR) and can be accessed electronically at [www.sedar.com](http://www.sedar.com) or on Plaza's website at [www.plaza.ca](http://www.plaza.ca).



**PROPERTIES OF THE TRUST**

A chart listing the Trust's properties at March 31, 2016 can be accessed on Plaza's website at [www.plaza.ca](http://www.plaza.ca).

**Plaza Retail REIT**  
**Condensed Interim Consolidated Statements of Financial Position**

(unaudited)

(in thousands of Canadian dollars)

**March 31,  
2016**

**December 31,  
2015**

**Assets**

**Non-Current Assets**

Investment properties (Note 5)	\$ 941,219	\$ 945,757
Investments	41,071	40,599
Tenant loans	1,364	1,798
Deferred income tax asset	112	237
	<b>983,766</b>	<b>988,391</b>

**Current Assets**

Cash	8,174	2,744
Receivables	6,055	3,458
Prepaid expenses and deposits	2,279	3,560
Investments	7,642	19,211
Income taxes receivable	53	39
Notes receivable	4,513	4,684
Investment properties held for sale (Note 5)	2,450	1,800
	<b>31,166</b>	<b>35,496</b>
	<b>\$ 1,014,932</b>	<b>\$ 1,023,887</b>

**Liabilities and Unitholders' Equity**

**Non-Current Liabilities**

Debentures payable (Note 6)	\$ 56,056	\$ 55,242
Mortgage bonds payable (Note 7)	8,900	8,887
Mortgages payable (Note 8)	402,295	407,420
Class B exchangeable LP units (Note 10)	6,173	6,199
Deferred income tax liability	6,295	6,076
	<b>479,719</b>	<b>483,824</b>

**Current Liabilities**

Current portion of debentures payable (Note 6)	9,161	9,248
Bank indebtedness (Note 9)	-	26,486
Current portion of mortgage bonds payable (Note 7)	4,982	5,874
Current portion of mortgages payable (Note 8)	64,645	63,882
Accounts payable and accrued liabilities	14,786	13,106
Notes payable	1,175	1,175
Mortgages payable on investment properties held for sale (Note 8)	646	742
	<b>95,395</b>	<b>120,513</b>
	<b>575,114</b>	<b>604,337</b>

Unitholders' equity	435,903	415,665
Non-controlling interests	3,915	3,885
	<b>439,818</b>	<b>419,550</b>
	<b>\$ 1,014,932</b>	<b>\$ 1,023,887</b>

Subsequent events – see Note 14



Barbara Trenholm, Trustee



Earl Brewer, Trustee

The notes on pages 36 to 48 are an integral part of these condensed interim consolidated financial statements.

**Plaza Retail REIT****Condensed Interim Consolidated Statements of Comprehensive Income**

(unaudited)

(in thousands of Canadian dollars)

**3 Months  
Ended  
March 31,  
2016**
**3 Months  
Ended  
March 31,  
2015**

Revenues	<b>\$ 24,466</b>	\$ 23,902
Operating expenses	<b>(9,162)</b>	(9,024)
<b>Net property operating income</b>	<b>15,304</b>	14,878
Share of profit of associates	<b>906</b>	2,919
Administrative expenses	<b>(2,017)</b>	(1,967)
Investment income	<b>148</b>	79
Other income	<b>353</b>	558
<b>Income before finance costs, fair value adjustments and income taxes</b>	<b>14,694</b>	16,467
Finance costs	<b>(7,008)</b>	(6,721)
Finance costs – net change in fair value of convertible debentures	<b>(722)</b>	(68)
Finance costs – net change in fair value of Class B exchangeable LP units	<b>26</b>	(396)
Finance costs – net change in fair value of interest rate swap and bond forward (Note 8)	<b>(166)</b>	-
Net change in fair value of investment properties (Note 5)	<b>(1,990)</b>	7,330
<b>Profit before income tax</b>	<b>4,834</b>	16,612
Income tax expense		
- Current	<b>(30)</b>	(36)
- Deferred	<b>(344)</b>	(326)
	<b>(374)</b>	(362)
<b>Profit and total comprehensive income for the period</b>	<b>\$ 4,460</b>	\$ 16,250
<b>Profit and total comprehensive income for the period attributable to:</b>		
- Unitholders	<b>\$ 4,387</b>	\$ 16,103
- Non-controlling interests	<b>73</b>	147
	<b>\$ 4,460</b>	\$ 16,250

The notes on pages 36 to 48 are an integral part of these condensed interim consolidated financial statements.

**Plaza Retail REIT**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
**(unaudited)**  
(in thousands of Canadian dollars)

	Trust Units (Note 10)	Retained Earnings	Total Attributable to Unitholders	Non- Controlling Interests	Total Equity
<b>Balance as at December 31, 2014</b>	\$ 231,974	\$ 164,269	\$ 396,243	\$ 11,143	\$ 407,386
Acquisition of non-controlling interests (Note 4)	-	3,295	3,295	(7,626)	(4,331)
Profit and total comprehensive income for the period	-	16,103	16,103	147	16,250
Transactions with unitholders, recorded directly in equity:					
- Contributions by unitholders – DRIP and RSU plan	272	-	272	-	272
- Distributions to unitholders	-	(5,788)	(5,788)	-	(5,788)
- Distributions to non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	(37)	(37)
<b>Balance as at March 31, 2015</b>	\$ 232,246	\$ 177,879	\$ 410,125	\$ 3,627	\$ 413,752
<b>Balance as at December 31, 2015</b>	\$ 233,224	\$ 182,441	\$ 415,665	\$ 3,885	\$ 419,550
Profit and total comprehensive income for the period	-	4,387	4,387	73	4,460
Transactions with unitholders, recorded directly in equity:					
- Contributions by unitholders - DRIP and RSU plan	308	-	308	-	308
- Contributions by unitholders – bought deal equity raise, net of issue costs	21,691	-	21,691	-	21,691
- Distributions to unitholders	-	(6,148)	(6,148)	-	(6,148)
- Distributions to non-controlling interests and changes in ownership interests in subsidiaries that do not result in loss of control	-	-	-	(43)	(43)
<b>Balance as at March 31, 2016</b>	<b>\$ 255,223</b>	<b>\$ 180,680</b>	<b>\$ 435,903</b>	<b>\$ 3,915</b>	<b>\$ 439,818</b>

The notes on pages 36 to 48 are an integral part of these condensed interim consolidated financial statements.

**Plaza Retail REIT**
**Condensed Interim Consolidated Statements of Cash Flows**

(unaudited)

(in thousands of Canadian dollars)

**3 Months  
Ended  
March 31,  
2016**
**3 Months  
Ended  
March 31,  
2015**
**Cash obtained from (used for):**
**Operating activities**

Profit and total comprehensive income for the period	\$ 4,460	\$ 16,250
Finance costs	7,008	6,721
Items not affecting cash:		
Share of profit of associates	(906)	(2,919)
Net change in fair value of investment properties	1,990	(7,330)
Net change in fair value of convertible debentures	722	68
Net change in fair value of Class B exchangeable LP units	(26)	396
Net change in fair value of interest rate swap and bond forward (Note 8)	166	-
Current and deferred income taxes	374	362
Straight-line rent revenue	(39)	(46)
Interest paid	(5,819)	(5,585)
Income taxes paid	(44)	(47)
Distributions from equity accounted investments	584	171
Leasing commissions	(140)	(111)
Change in non-cash working capital (Note 11)	1,635	1,076
	<b>9,965</b>	<b>9,006</b>

**Financing activities**

Issuance of units from bought deal equity raise, net of issue costs	21,691	-
Distributions paid to unitholders	(6,148)	(5,788)
Distributions paid to Class B exchangeable LP unitholders	(86)	(82)
Distribution reinvestment proceeds (Note 10)	308	270
Cash received on acquisition (Note 4)	-	840
Redemption/repayment of mortgage bonds and debentures	(900)	-
Gross mortgage proceeds	12,322	33,487
Fees incurred for placement of mortgages	(76)	(268)
Loan defeasance expenses and early mortgage discharge fees paid	(148)	-
Mortgages repaid	(14,368)	(9,634)
Bridge facility repayments	-	(27,600)
Periodic mortgage principal repayments	(2,546)	(2,145)
	<b>10,049</b>	<b>(10,920)</b>

**Investing activities**

Acquisitions, developments and redevelopments	(7,866)	(9,948)
Net proceeds from disposal of investment properties and land (Note 5(f))	6,039	902
Net proceeds from disposal of investment properties and land on properties previously classified as held for sale (Note 5(g))	1,800	550
Redemptions of bonds purchased for mortgage defeasances	11,569	1,176
Advances to equity accounted investments for developments	(150)	-
Contributions paid by subsidiaries to non-controlling interests	(43)	(37)
Increase in deposits for acquisitions and financings	(52)	(23)
Decrease (increase) in notes receivable	171	(910)
Repayment of tenant loans	434	436
	<b>11,902</b>	<b>(7,854)</b>

**Net increase (decrease) in cash**

Cash less bank indebtedness, beginning of the period	(23,742)	215
<b>Cash less bank indebtedness, end of the period</b>	<b>\$ 8,174</b>	<b>\$ (9,553)</b>

The notes on pages 36 to 48 are an integral part of these condensed interim consolidated financial statements

## Plaza Retail REIT

### Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2016 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

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#### 1. Reporting Entity

Plaza Retail REIT (the “Trust”) is an unincorporated “open-ended” real estate investment trust established pursuant to its declaration of trust dated as of November 1, 2013 (the “Declaration of Trust”) and governed by the laws of the Province of Ontario. The address of the Trust’s head office is 98 Main Street, Fredericton, New Brunswick. The Trust operates a retail real estate ownership and development business in Canada.

#### 2. Basis of Preparation

##### *Statement of Compliance*

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), and in particular International Accounting Standard (“IAS”) 34, “Interim financial reporting” on a basis consistent with the accounting policies disclosed in Note 3 of the December 31, 2015 consolidated financial statements of the Trust.

The condensed interim consolidated financial statements do not include all the information required for full annual financial statements. The condensed interim consolidated financial statements should be read in conjunction with the 2015 annual financial statements of the Trust.

The condensed interim consolidated financial statements were authorized for issue by the Audit Committee on behalf of the Board of Trustees of the Trust on May 11, 2016.

#### 3. Summary of Significant Accounting Policies

##### *Changes in Accounting Policies*

##### (i) Annual Improvements to IFRS

Narrow-scope amendments were made to clarify the following in their respective standards: changes in method for disposal under IFRS 5, “Non-current assets held for sale and discontinued operations”; and disclosure of information ‘elsewhere in the interim financial report’ under IAS 34, “Interim financial reporting”. The amendments became effective on January 1, 2016. The adoption of these changes did not have a significant impact on the Trust’s financial statements.

##### (ii) Business Combination Accounting for Interests in a Joint Operation

On May 16, 2014 the IASB issued “Accounting for Acquisitions of Interests in Joint Operations” (amendments to IFRS 11). The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitute a business. The amendments apply prospectively for annual periods beginning on or after January 1, 2016. The adoption of these changes did not have an impact on the Trust’s financial statements.

##### (iii) Presentation of Financial Statements

The Trust implemented the amendments to IAS 1, “Presentation of financial statements” effective January 1, 2016. The adoption of these changes did not have a significant impact on the Trust’s financial statements.

## Plaza Retail REIT

### Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2016 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

#### 4. Acquisition of Equity Partners' Interests

Effective January 1, 2015, the Trust acquired the non-controlling interests of four entities that together own seven properties located in New Brunswick and Prince Edward Island. In addition, the Trust acquired a 43% interest in a property located in Prince Edward Island, in which the Trust already owned an interest. The Trust owned interests in each of the entities/property before and after the transactions, as follows:

	December 31, 2014	January 1, 2015
Spring Park Plaza Inc.	85%	100%
Exhibition Plaza Inc.	55%	90%
Granville Street Properties Limited Partnership	60%	90%
Wildan Properties Limited Partnership	60%	90%
University Plaza	43%	86%

The net purchase price, after the assumption of debt, was \$6.1 million, which was satisfied through the issuance of 1,319,000 Class B exchangeable LP units (Note 10) of a subsidiary LP at \$4.60 per unit, which are exchangeable at any time into units of the Trust on a one-for-one basis. On the closing date, the market price of the Trust's units was \$4.09 and the difference between the amount by which non-controlling interests are adjusted and the fair value of consideration paid is recognized in equity, as follows:

Fair value of non-controlling interests acquired	\$ 8,007
Less: issuance of 1,152,000 Class B exchangeable LP units	(4,712)
Increase in retained earnings on January 1, 2015	\$ 3,295

With respect to University Plaza, it was previously accounted for as a joint operation and the Trust's 43% interest was proportionately consolidated. Following the acquisition, the Trust consolidates University Plaza with a 14% non-controlling interest. The purchase of the 43% interest in University Plaza has been accounted for as an acquisition of assets, as follows:

Fair value of net assets acquired:	
Investment property	\$ 3,299
Cash	840
Receivables	13
Prepaid expenses and deposits	2
Mortgage payable	(2,248)
Notes payable	(97)
Accounts payable and accrued liabilities	(623)
Non-controlling interest	(503)
Total net assets acquired on January 1, 2015	\$ 683
Purchase price satisfied by:	
Issuance of 167,000 Class B exchangeable LP units on January 1, 2015	\$ 683

# Plaza Retail REIT

## Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2016 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

### 5. Investment Properties

	March 31, 2016	December 31, 2015
Balance, beginning of the period:	\$ 945,757	\$ 889,291
Additions (deductions):		
Additions to investment properties	3,208	32,832
Acquisition of controlling interest of University Plaza (Note 4)	-	3,299
Additions – acquisitions of investment properties and land	2,731	31,962
Disposals	(6,039)	(19,504)
Investment properties held for sale	(2,450)	(1,800)
Straight line rent receivable change	2	85
Fair value adjustment	(1,990)	9,592
Balance, end of the period:	\$ 941,219	\$ 945,757

The majority of the Trust's investment properties have been pledged as security under various debt agreements.

Investment properties are stated at fair value using the following methods, estimates and key assumptions:

#### (i) External appraisals

Independent appraisals are obtained in the normal course of business as refinancing activities require them, and as applicable, the fair value of various investment properties are based on these external appraisals. Of the total fair value in the chart above, \$227 million of investment properties were based on such external appraisals (December 31, 2015 - \$164 million).

#### (ii) Internal approach - direct capitalization income approach

Under this approach the Trust determines the fair value based upon capitalization rates applied to normalized net operating income (property revenue less property operating expenses). The key assumption is the capitalization rate for each specific property. The Trust receives quarterly capitalization rate matrices from an external independent appraiser. The capitalization rate matrices provide a range of rates for various geographic regions and for various types and qualities of properties within each region. The Trust utilizes capitalization rates within the range of rates provided. To the extent that the externally provided capitalization rate ranges change from one reporting period to the next or should another rate within the provided ranges be more appropriate than the rate previously used, the fair value of the investment properties would increase or decrease accordingly.

As at March 31, 2016 the Trust has utilized the following range of capitalization rates:

	Number of Properties <sup>(1)</sup>	Weighted average capitalization rates	Primary Market	Secondary Market
Freestanding or Mini Box	68	6.45%	5.50% - 8.50%	6.00% - 9.00%
Quick Service Restaurant	130	7.21%	5.50% - 9.00%	6.00% - 11.00%
Anchored Strip – Class A	15	7.05%	6.00% - 8.25%	6.50% - 9.00%
Anchored Strip – Class B	25	6.90%	6.25% - 8.50%	7.00% - 10.00%
Unanchored Strip	36	7.87%	6.00% - 9.00%	6.50% - 10.00%
Enclosed Malls – Community	5	7.85%	7.50% - 9.50%	7.50% - 11.00%
	279	7.04%		

<sup>(1)</sup> Excludes properties under development recorded at cost and non-consolidated trusts and partnerships.

Freestanding or Mini Box - defined as a freestanding retail, non-restaurant use such as a pharmacy or equivalent national box retailer. May include nominal additional gross leasable area ("GLA") if the additional GLA is 15% or less than the total GLA or gross revenue.

Quick Service Restaurant – defined as freestanding retail space for food.



## Plaza Retail REIT

### Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2016 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

Anchored Strip – Class A - defined as a food or equivalent-anchored retail strip, 20,000-125,000 square feet and where the anchor tenant(s) represents 70% or more of GLA or gross revenue.

Anchored Strip – Class B - defined as a food or equivalent-anchored retail strip, 20,000-200,000 square feet and where the anchor tenant(s) represents less than 70% of GLA or gross revenue.

Unanchored Strip - defined as an unanchored retail strip less than 75,000 square feet.

Enclosed Malls - Community - defined as an enclosed community mall with food or department/junior department store or equivalent anchors.

At March 31, 2016 a decrease of 0.25% in the capitalization rates used to determine the fair value of investment properties would have resulted in an increase in investment properties of approximately \$33.9 million. An increase of 0.25% in the capitalization rates used would have resulted in a decrease in investment properties of approximately \$31.5 million.

As at December 31, 2015 the Trust utilized the following range of capitalization rates:

	Number of Properties <sup>(1)</sup>	Weighted average capitalization rates	Primary Market	Secondary Market
Freestanding or Mini Box	67	6.45%	5.50% - 8.00%	5.75% - 9.00%
Quick Service Restaurant	136	7.15%	5.50% - 9.00%	6.00% - 11.00%
Anchored Strip – Class A	16	7.04%	6.00% - 8.25%	6.50% - 9.00%
Anchored Strip – Class B	26	6.92%	6.25% - 8.50%	7.00% - 10.00%
Unanchored Strip	35	7.90%	6.00% - 9.00%	6.50% - 10.00%
Enclosed Malls – Community	5	7.85%	7.50% - 9.50%	7.50% - 11.00%
	285	7.04%		

<sup>(1)</sup> Excludes properties under development recorded at cost and non-consolidated trusts and partnerships.

#### (a) *Straight-line Rent*

Included in investment properties at March 31, 2016 is \$11.9 million (December 31, 2015 - \$11.9 million) of straight line rents receivable arising from the recognition of rental revenue on a straight line basis over the lease terms in accordance with IAS 17, "Leases".

#### (b) *Surplus Land*

Included in investment properties at March 31, 2016 is \$4.0 million of surplus lands at fair value (December 31, 2015 - \$4.0 million).

#### (c) *Properties Under Development*

Included in investment properties at March 31, 2016 is \$29.7 million of properties under development/redevelopment (December 31, 2015 - \$39.0 million).

#### (d) *Borrowing Costs*

The total amount of borrowing costs capitalized for the three months ended March 31, 2016 is \$73 thousand (for the three months ended March 31, 2015 - \$53 thousand).

#### (e) *Acquisitions*

During the three months ended March 31, 2016, the Trust acquired an additional 5.5% interest in the Village Shopping Centre in St. John's, NL for \$2.7 million. The Trust now owns 50.0% of this property.

## Plaza Retail REIT

### Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2016 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

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During the year ended December 31, 2015, the Trust acquired land and building for re-development in Kenora, ON and in Midland, ON for \$16.3 million. On September 30, 2015, the Trust sold an 80% interest in these two properties (see Note 5(f)). The Trust also acquired land and building in Moncton, NB for \$4.0 million, Charlottetown, PE for \$5.1 million, and in Sherbrooke, QC for \$4.4 million. Land for development was acquired in Corner Brook, NL for \$1.0 million and in Charlottetown, PE for \$1.1 million.

#### (f) Disposals

During the three months ended March 31, 2016, the Trust disposed of income producing properties for net proceeds of \$6.0 million in Toronto, ON and Mississauga, ON. As well, the Trust disposed of income producing properties in Toronto, ON and Windsor, ON for net proceeds of \$1.8 million, which were recorded as investment properties held for sale at December 31, 2015 (see Note 5(g) below).

During the year ended December 31, 2015, the Trust disposed of income producing properties for net proceeds of \$5.3 million in Selkirk, MB, Windsor, NS, Oshawa, ON, Toronto, ON, Whitby, ON and Mont-Laurier, QC. The Trust also disposed of land in Brandon, MB for net proceeds of \$125 thousand and land in Sherbrooke, QC for \$1.0 million. On September 30, 2015, the Trust sold an 80% interest in two income producing properties, one in Kenora, ON and the other in Midland, ON for \$13.0 million. The 20% retained interest is accounted for on a proportionate consolidation basis. Each of the Trust and its partner will earn a preferred return on capital invested in the properties, with the balance of cash flows from the properties being split 50%/50% to each partner. As well, the Trust disposed of an income producing property in Drayton Valley, AB for net proceeds of \$550 thousand, which was recorded as an investment property held for sale at December 31, 2014.

#### (g) Investment Properties Held For Sale

The Trust has segregated investment properties held for sale of \$2.5 million for properties located in Aurora, ON and Toronto, ON (December 31, 2015 - \$1.8 million in Toronto, ON and Windsor, ON).

## Plaza Retail REIT

### Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2016 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

#### 6. Debentures Payable

Debentures payable consist of the following:

	Maturity Date	Interest Rate	March 31, 2016	December 31, 2015
Convertible <sup>(1)</sup>				
Series B	December 31, 2016	8.00%	\$ 9,161	\$ 9,248
Series C	December 31, 2017	7.00%	17,217	17,598
Series D	December 31, 2018	5.75%	34,850	33,660
Total convertible debentures			61,228	60,506
Non-convertible <sup>(2) (3)</sup>	Various (see below)	5.00%	3,989	3,984
Total debentures payable			65,217	64,490
Less: current portion of debentures payable			(9,161)	(9,248)
Debentures payable – long-term portion			\$ 56,056	\$ 55,242

<sup>(1)</sup> Recorded at fair value based on closing market trading prices of debentures; the fair value change during 2016 was a loss of \$722 thousand (for the three months ended March 31, 2015 – loss of \$68 thousand)

<sup>(2)</sup> Recorded at amortized cost

<sup>(3)</sup> Net of unamortized finance charges of \$11 thousand (December 31, 2015 - \$16 thousand)

Convertible and non-convertible debentures are subordinate and unsecured.

Convertible debenture terms are as follows:

	Series B	Series C	Series D
Conversion price	see below	see below	\$5.75
Trust's first redemption date	December 31, 2014	December 31, 2015	December 31, 2016
Par call date	December 31, 2015	December 31, 2016	December 31, 2017
Maturity date	December 31, 2016	December 31, 2017	December 31, 2018
Face value outstanding	\$9,155	\$16,921	\$34,000
Publicly listed	yes	yes	yes

Non-convertible debenture maturities are as follows:

	Tranche A	Tranche B	Tranche C	Total
Face value outstanding	\$1,600	\$2,300	\$100	\$4,000
Maturity date	February 26, 2018	April 15, 2018	May 2, 2018	

Series B and C convertible debentures were assumed on the acquisition of KEYreit. As a result of the change of control of KEYreit, and pursuant to the respective trust indentures as supplemented and amended, upon the change of control, each \$1,000 principal amount of the Series B debentures is convertible into \$99.76 in cash and 169 units of the Trust and each \$1,000 principal amount of the Series C debentures is convertible into \$112.76 in cash and 190 units of the Trust.

On March 24, 2016, the Trust issued a redemption notice for Series B convertible debentures. The \$9.2 million outstanding Series B convertible debentures were redeemed on April 29, 2016.

## Plaza Retail REIT

### Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2016 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

#### 7. Mortgage Bonds Payable

Mortgage bonds payable are secured by the following properties:

					March 31, 2016	December 31, 2015
	Series V	Series VII	Series IX	Series X	Total	Total
Boulevard Hebert Plaza, Edmundston, NB, 1 <sup>st</sup> mortgage	\$ 1,185	\$ -	\$ -	\$ -	\$ 1,185	\$ 1,185
Fairville Boulevard (ANBL), Saint John, NB, 1 <sup>st</sup> mortgage	-	-	-	-	-	900
Lansdowne redevelopment lands, Saint John, NB, 1 <sup>st</sup> mortgage	-	3,860	-	-	3,860	3,860
Various properties, 1 <sup>st</sup> mortgage	-	-	3,000	-	3,000	3,000
Champlain II, Dieppe, NB, 1 <sup>st</sup> mortgage	-	-	-	6,000	6,000	6,000
Gross mortgage bonds payable	1,185	3,860	3,000	6,000	14,045	14,945
Less: unamortized finance charges					(163)	(184)
Less: current portion of mortgage bonds payable					(4,982)	(5,874)
Net mortgage bonds payable – long-term portion					\$ 8,900	\$ 8,887

	Series V	Series VII	Series IX	Series X
Interest Rate	8.00%	6.00%	5.50%	5.00%
Maturity Date	June 4, 2016	August 15, 2016	July 15, 2017	June 25, 2020
Amount	\$1,185	\$3,860	\$3,000	\$6,000

The Trust has no right to redeem any of the Series V, VII and IX mortgage bonds prior to their maturity date.

In February 2016, the \$900 thousand Series VI mortgage bonds matured and were repaid.

## Plaza Retail REIT

### Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2016 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

#### 8. Mortgages Payable

	Interest Rate Range	Weighted Average Effective Interest Rate	Maturity Dates	March 31, 2016	December 31, 2015
Fixed rate loans:	2.769% - 7.29%	4.74%	Up to June 2034	\$ 451,051	\$ 460,506
Fair value of interest rate swap				504	440
Fair value of bond forward for future long-term mortgage				233	131
Revaluation of loans upon acquisition of KEYreit, net of amortization of \$5,367 (December 31, 2015 - \$5,259)				667	775
Less: unamortized finance charges				(3,200)	(3,250)
Total net fixed rate loans				449,255	458,602
Variable rate loans:					
- \$20 million development facility	Prime plus 1.00% or BA plus 2.75%		July 31, 2016	4,351	3,503
- \$15 million development facility	Prime plus 1.00% or BA plus 2.25%		July 31, 2016	11,915	7,899
- \$2.2 million secured non-revolving construction credit facility	Prime plus 1.25% or BA plus 2.50%		August 26, 2017	1,632	1,632
- \$907 thousand secured non-revolving construction credit facility	Prime plus 1.00% or BA plus 2.50%		December 16, 2017	467	467
Less: unamortized finance charges				(34)	(59)
Total net variable rate loans				18,331	13,442
Net mortgages payable				467,586	472,044
Less: mortgages payable for investment properties held for sale				(646)	(742)
Less: mortgages payable – current portion				(64,645)	(63,882)
Total mortgages payable – long-term portion				\$ 402,295	\$ 407,420

All mortgages are secured by charges against specific assets. The unamortized finance charges are made up of fees and costs incurred to obtain the mortgage financing less accumulated amortization.

To fund development activities the Trust has two 365-day revolving development facilities with Canadian chartered banks available upon pledging of specific assets. One is a \$20.0 million facility that bears interest at prime plus 1.00% or BAs plus 2.75%, and the other is a \$15.0 million facility that bears interest at prime plus 1.00% or BAs plus 2.25%. At March 31, 2016 there is \$18.7 million available on these development facilities (December 31, 2015 - \$23.6 million). Funding is secured by first mortgage charges on development properties. The Trust must maintain certain financial ratios to comply with the facilities. These covenants include loan-to-value, debt coverage, interest coverage and occupancy covenants, as well as unitholder equity tests. As of March 31, 2016 the Trust is in compliance with all financial covenants.

As part of a property acquisition, the Trust assumed a \$4.0 million variable rate mortgage that had an interest rate swap in place (thereby fixing the variable interest rate) during the second quarter of 2015. The interest rate swap matures on August 13, 2023 and is recorded at fair value with the change in fair value recorded in profit or loss.

In July 2015, the Trust entered into an interest rate hedge in the form of a bond forward, with a Canadian chartered bank, in anticipation of long-term financing on two development properties once completed in order to hedge the 10-year Government of Canada bond rate. The hedge is for a notional amount of \$6.0 million and is for a twelve month period, with a settlement date of July 29, 2016. The all-in hedged rate is 1.715%. The bond forward does not qualify for hedge accounting under IFRS, and therefore, changes in the fair value of the bond forward (based on estimated future cash flows based on observable yield curves) are recognized in profit and loss in each reporting period.

## Plaza Retail REIT

### Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2016 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

#### 9. Bank Indebtedness

The Trust has a \$30.0 million (December 31, 2015 - \$30.0 million) operating line of credit facility with a Canadian chartered bank at the rate of prime plus 1.00% or BAs plus 2.25%, maturing July 31, 2016. The amount available to be drawn fluctuates depending on the specific assets pledged as security. Based on the assets pledged at March 31, 2016, the available limit was \$30.0 million. At March 31, 2016, there was nil (December 31, 2015 - \$26.5 million) drawn on the facility and therefore the maximum amount available to be drawn on the facility was \$29.5 million (December 31, 2015 - \$3.0 million), net of letters of credit outstanding of \$532 thousand (December 31, 2015 - \$532 thousand). As security, at March 31, 2016, the Trust has provided a \$50.0 million demand debenture secured by a first mortgage over twenty three properties.

#### 10. Unitholders' Equity

##### (a) Authorized

The Declaration of Trust authorizes the issuance of an unlimited number of units and special voting units. Special voting units are only issued in tandem with the issuance of securities exchangeable into units.

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

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

##### (b) Issued and Outstanding

###### (i) Class B Exchangeable LP Units

One of the Trust's subsidiaries issued 1,319,000 Class B exchangeable LP units effective January 1, 2015. These units were issued as satisfaction for the net purchase price for the Trust's acquisition of the interests of certain equity partners in eight properties (see Note 4). These Class B exchangeable units are economically equivalent to units of the Trust and are exchangeable at any time into units of the Trust on a one-for-one basis. These units are puttable instruments where the Trust has a contractual obligation to issue Trust units to the exchangeable unitholders upon redemption.

Holders of the exchangeable LP units are entitled to receive distributions per unit equal to distributions per unit provided to the unitholders of the Trust.

	March 31, 2016		December 31, 2015	
	Units (000s)	Amount	Units (000s)	Amount
Exchangeable LP units outstanding, beginning of the period	1,319	\$ 6,199	-	\$ -
Exchangeable LP units issued during the period	-	-	1,319	5,395
Fair value adjustment for the period	-	(26)	-	804
Exchangeable LP units outstanding, end of the period	1,319	\$ 6,173	1,319	\$ 6,199

###### (ii) Special Voting Units

At March 31, 2016, there were 1,319,000 special voting units outstanding, issued in connection with 1,319,000 Class B exchangeable LP units of a subsidiary of the Trust (see Note 4 and above).

## Plaza Retail REIT

### Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2016 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

#### (iii) Units

	March 31, 2016		December 31, 2015	
	Trust Units (000s)	Amount	Trust Units (000s)	Amount
Units outstanding, beginning of the period	92,858	\$ 233,224	92,564	\$ 231,974
Issuance of units:				
Units issued through bought deal equity raise, net of unit issuance costs	5,003	21,691		
Units issued through distribution reinvestment plan	71	308	267	1,124
Units issued through RSU plan	-	-	27	126
Units outstanding, end of the period	97,932	\$ 255,223	92,858	\$ 233,224

Unitholders have the right to redeem their units at the lesser of (i) 90% of the Market Price of the unit (Market Price is defined as the weighted average trading price of the previous 10 trading days) and (ii) the most recent Closing Market Price (Closing Market Price is defined as the weighted average trading price on the specified date) at the time of the redemption. The redemption price will be satisfied by cash, up to a limit of \$50 thousand for all redemptions in a calendar month, or a note payable. For the three months ended March 31, 2016 no unitholder had redeemed units.

The Trust has a Distribution Reinvestment Plan ("DRIP") to enable Canadian resident unitholders to acquire additional units of the Trust through the reinvestment of distributions on their units. Units issued in connection with the DRIP are issued directly from the treasury of the Trust at a price based on the weighted average daily closing price of the units on the TSX for the 5 trading days immediately preceding the relevant distribution date. Participants also receive "bonus units" in an amount equal to 3% of the distribution amount reinvested. Pursuant to the DRIP, during the three months ended March 31, 2016, unitholders were issued 71 thousand units at a weighted average price of \$4.36 per unit (for the three months ended March 31, 2015 – 66 thousand units at a weighted average price of \$4.13 per unit).

On March 31, 2016, the Trust completed a bought deal public offering of 5.0 million units at a price of \$4.60 per unit for gross proceeds of \$23.0 million. Costs of the offering were \$1.3 million.

#### 11. Change in Non-Cash Working Capital

	3 Months Ended March 31, 2016	3 Months Ended March 31, 2015
Receivables	\$ (2,597)	\$ (1,903)
Prepaid expenses and deposits	1,335	(5,105)
Accounts payable and accrued liabilities	2,897	8,084
Total cash from change in non-cash working capital	\$ 1,635	\$ 1,076

#### 12. Financial Instruments and Risk Management

In accordance with IFRS, the Trust is required to classify its financial instruments carried at fair value in the financial statements using a fair value hierarchy that exhibits the significance of the inputs used in making the measurements.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - Inputs for the asset or liability that are not based on observable market data.

## Plaza Retail REIT

### Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2016 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

The following table shows the fair values and fair value hierarchies for financial assets and financial liabilities and other statement of financial position items recorded at fair value and disclosed in the notes to financial statements.

	March 31, 2016			December 31, 2015		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Investment properties	\$ -	\$ -	\$ 941,219	\$ -	\$ -	\$ 945,757
Investment properties held for sale	-	-	2,450	-	-	1,800
Cash	8,174	-	-	2,744	-	-
Receivables	-	6,055	-	-	3,458	-
Notes receivable	-	4,513	-	-	4,684	-
Income taxes receivable	-	53	-	-	39	-
Held-to-maturity investments	-	7,740	-	-	19,310	-
Tenant loans	-	1,364	-	-	1,798	-
	\$ 8,174	\$ 19,725	\$ 943,669	\$ 2,744	\$ 29,289	\$ 947,557
Bank indebtedness	\$ -	\$ -	\$ -	\$ -	\$ 26,486	\$ -
Accounts payable and accrued liabilities	-	14,786	-	-	13,106	-
Class B exchangeable LP units	6,173	-	-	6,199	-	-
Total net fixed rate mortgage loans	-	472,019	-	-	484,148	-
Total net variable rate mortgage loans or credit facilities	-	18,331	-	-	13,442	-
Mortgages payable for investment properties held for sale	-	646	-	-	742	-
Non-convertible debentures	-	3,989	-	-	3,984	-
Mortgage bonds payable	-	14,050	-	-	14,960	-
Notes payable	-	1,175	-	-	1,175	-
Series B, C & D convertible debentures	61,228	-	-	60,506	-	-
	\$ 67,401	\$ 524,996	\$ -	\$ 66,705	\$ 558,043	\$ -

The fair value of investment properties is based on a combination of external appraisals and internal valuations based on a capitalization matrix provided by independent appraisers.

### 13. Related Party Transactions

The following are the related party transactions of the Trust. All related party transactions have been recorded at the exchange amount.

#### (a) Bonds and Debentures

The trustees own directly or indirectly the following mortgage bonds and debentures of the Trust (stated at face value):

	March 31, 2016	December 31, 2015
Earl Brewer	\$ 155	\$ 219
Edouard Babineau	250	250
Michael Zakuta	100	250
<b>Total</b>	<b>\$ 505</b>	<b>\$ 719</b>

Other key management personnel own \$35 thousand in mortgage bonds of the Trust at March 31, 2016 (December 31, 2015 - \$45 thousand).



## Plaza Retail REIT

### Notes to the Condensed Interim Consolidated Financial Statements

March 31, 2016 (unaudited)

(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)

#### (b) Notes Payable to Related Parties

The following non-interest bearing notes existed at the time of acquisition of properties in September 2000. Certain of the notes are owed to parties controlled directly or indirectly by Michael Zakuta. The notes are repayable on sale or refinancing of the related asset.

	March 31, 2016	December 31, 2015
<b>Non-interest bearing notes:</b>		
Entities owned (directly or indirectly), controlled or significantly influenced by Michael Zakuta, President, Chief Executive Officer and trustee of the Trust	\$ 261	\$ 261

#### (c) Other Transactions with Key Management Personnel

- (i) Earl Brewer and Michael Zakuta, directly or indirectly, hold interests in common with the Trust's 25% interest in the Gateway Mall, Sussex, NB. A subsidiary of the Trust manages the mall. At March 31, 2016 there is \$120 thousand owed by the Gateway Mall to all of the owners of the mall (December 31, 2015 - \$120 thousand). The pro rata amount owed to the Trust is \$30 thousand (December 31, 2015 - \$30 thousand). As well there is a \$5 thousand accounts receivable balance owing to the Trust for property management fees (December 31, 2015 - \$5 thousand). For the three months ended March 31, 2016, property management and leasing fees of \$22 thousand were earned by a subsidiary of the Trust from this property (for the three months ended March 31, 2015 - \$14 thousand).
- (ii) TC Land LP, an entity controlled by Michael Zakuta and Earl Brewer, leases nine parcels of land to Plaza at a total annual rent of \$1.1 million. The land leases expire at various times from October 2043 to November 2047, subject to options to renew. All of these land leases have options to purchase, of which one is at a fixed price and the others are at fair market value.
- (iii) Earl Brewer and Michael Zakuta hold interests in common with the Trust's 10% interest in Northwest Plaza Commercial Trust, the owner of Northwest Centre, Moncton, NB. A subsidiary of the Trust manages the centre. For the three months ended March 31, 2016, property management, leasing and development fees of \$31 thousand were earned by a subsidiary of the Trust from this property (for the three months ended March 31, 2015 - \$28 thousand).

## **Plaza Retail REIT**

### **Notes to the Condensed Interim Consolidated Financial Statements**

**March 31, 2016 (unaudited)**

**(tabular amounts in thousands of Canadian dollars, except per unit amounts and as otherwise indicated)**

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#### **14. Subsequent Events**

##### *Financings*

Subsequent to quarter end, long term financing was renewed or obtained totalling \$3.3 million with a weighted average term of 3.5 years and a weighted average interest rate of 2.96%.

##### *Investment Properties*

In April 2016, the Trust sold properties in Aurora, ON and Toronto, ON for gross proceeds of \$2.5 million.

##### *Debentures*

On April 29, 2016, the Trust redeemed the \$9.2 million outstanding Series B convertible debentures.

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