

Condensed Consolidated Interim Financial Statements  
(In U.S. dollars)

# **WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST**

For the three months ended March 31, 2016 and 2015

(Unaudited)

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Financial Position  
(In thousands of U.S. dollars)

	March 31, 2016 (Unaudited)	December 31, 2015 (Audited)
<b>Assets</b>		
Non-current assets:		
Investment properties (note 4)	\$ 745,727	\$ 742,592
Other non-current assets	219	186
	<u>745,946</u>	<u>742,778</u>
Current assets:		
Amounts receivable (note 5)	1,745	1,396
Prepaid expenses	453	591
Restricted cash	1,352	1,238
Cash and cash equivalents	5,598	5,856
	<u>9,148</u>	<u>9,081</u>
<b>Total assets</b>	<b>\$ 755,094</b>	<b>\$ 751,859</b>
<b>Liabilities and Unitholders' Equity</b>		
Non-current liabilities:		
Mortgages payable (note 8)	\$ 291,763	\$ 292,314
Revolving Facility (note 9)	45,917	46,600
Class B Units (note 10)	70,588	181,942
Security deposits	937	924
	<u>409,205</u>	<u>521,780</u>
Current liabilities:		
Mortgages payable (note 8)	23,085	23,161
Amounts payable and accrued liabilities (note 6)	12,390	12,316
Distributions payable (note 11)	1,711	1,172
	<u>37,186</u>	<u>36,649</u>
<b>Total liabilities</b>	<b>446,391</b>	<b>558,429</b>
<b>Total unitholders' equity</b>	<b>308,703</b>	<b>193,430</b>
Commitments and contingencies (note 15)		
Subsequent events (notes 9 and 20)		
<b>Total liabilities and unitholders' equity</b>	<b>\$ 755,094</b>	<b>\$ 751,859</b>

See accompanying notes to condensed consolidated interim financial statements.

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Net Income (Loss) and Comprehensive Income  
(Loss)

(In thousands of U.S. dollars)

(Unaudited)	Three months ended March 31,	
	2016	2015
Investment properties:		
Investment properties revenue	\$ 17,564	\$ 16,386
Investment properties operating expenses	12,216	9,822
Net investment property income	5,348	6,564
Other expenses and (income):		
General and administrative	1,470	1,555
Fair value adjustment to investment properties	(2,216)	2,739
Fair value adjustment to investment properties – IFRIC 21	(7,681)	(5,888)
Finance costs (note 13):		
Fair value adjustment on Class B Units	(15,139)	15,987
Distributions on Class B Units	1,277	2,663
Other finance costs	3,447	3,247
Total finance costs	(10,415)	21,897
Net income (loss) and comprehensive income (loss)	\$ 24,190	\$ (13,739)

See accompanying notes to condensed consolidated interim financial statements.

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity  
(In thousands of U.S. dollars)  
(Unaudited)

	REIT Units	Trust Equity	Distributions	Accumulated Income	Unitholders' Equity
Balance, December 31, 2014 (note 11)	14,210,619	\$ 125,790	\$ (14,614)	\$ 29,878	\$ 141,054
REIT Units issued, net of issue costs (note 11)	4,312,500	44,274	-	-	44,274
Net loss and comprehensive loss	-	-	-	(13,739)	(13,739)
Distributions declared	-	-	(3,240)	-	(3,240)
<b>Balance, March 31, 2015</b>	<b>18,523,119</b>	<b>\$ 170,064</b>	<b>\$ (17,854)</b>	<b>\$ 16,139</b>	<b>\$ 168,349</b>
Balance, December 31, 2015 (note 11)	18,523,119	\$ 169,935	\$ (27,943)	\$ 51,438	\$ 193,430
Redemption of Class B Units for REIT Units (notes 10, 11)	8,502,619	96,215	-	-	96,215
Net income and comprehensive income	-	-	-	24,190	24,190
Distributions declared	-	-	(5,132)	-	(5,132)
<b>Balance, March 31, 2016 (note 11)</b>	<b>27,025,738</b>	<b>\$ 266,150</b>	<b>\$ (33,075)</b>	<b>\$ 75,628</b>	<b>\$ 308,703</b>

See accompanying notes to condensed consolidated interim financial statements.

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Condensed Consolidated Interim Statements of Cash Flows  
(In thousands of U.S. dollars)

(Unaudited)	Three months ended March 31,	
	2016	2015
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$ 24,190	\$ (13,739)
Finance costs (note 13)	(10,415)	21,897
Non-cash items:		
Amortization of straight-line rent	(315)	(653)
Property tax liability under IFRIC 21	7,681	5,888
Fair value adjustment to investment properties – IFRIC 21	(7,681)	(5,888)
Fair value adjustment to investment properties	(2,216)	2,739
Deferred compensation expense	376	268
Fair value adjustment on deferred compensation	(601)	340
Amortization of lease incentives	172	126
Change in non-cash working capital (note 19)	498	(319)
Cash flows provided by operating activities	11,689	10,659
<b>Cash flows from financing activities:</b>		
Repayment of mortgages payable	(545)	(524)
Proceeds from mortgages payable	-	51,750
Repayment of Revolving Facility	(700)	(44,000)
Proceeds from Revolving Facility	-	37,000
Financing costs incurred	(61)	(519)
Proceeds from issuance of REIT Units, net of issue costs (note 11)	-	44,274
Distributions paid	(4,593)	(2,988)
Interest paid	(5,262)	(5,835)
Cash flows (used in) provided by financing activities	(11,161)	79,158
<b>Cash flows from investing activities:</b>		
Acquisition of investment properties (note 3)	-	(87,887)
Additions to investment properties, including lease incentives	(753)	(687)
Change in capital escrows	(33)	729
Cash flows (used in) investing activities	(786)	(87,845)
(Decrease) increase in cash and cash equivalents	(258)	1,972
Cash and cash equivalents, beginning of period	5,856	5,526
Cash and cash equivalents, end of period	\$ 5,598	\$ 7,498

See accompanying notes to condensed consolidated interim financial statements.

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements  
(In thousands of U.S. dollars, except per unit amounts)

For the three months ended March 31, 2016 and 2015

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WPT Industrial Real Estate Investment Trust (the "REIT") is an unincorporated, open-ended real estate investment trust established pursuant to a Declaration of Trust dated March 4, 2013, under the laws of the Province of Ontario as amended and restated on April 26, 2013.

The REIT was formed for the purpose of acquiring and owning primarily industrial investment properties, located in the United States, with a particular focus on distribution investment properties.

The REIT's Units are listed and publicly traded in Canada on the Toronto Stock Exchange ("TSX"), in U.S. dollars, under the symbol "WIR.U", and in the U.S. on the OTCQX marketplace under the symbol "WPTIF". The registered office of the REIT is at 333 Bay Street, Suite 3400, Toronto, Ontario.

As at March 31, 2016, the REIT owned a portfolio of investment properties comprised of 46 industrial investment properties and two office investment properties, located in 13 states in the U.S.

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of U.S. dollars, except per unit amounts)

For the three months ended March 31, 2016 and 2015

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## 1. Basis of Presentation:

### (a) Statement of compliance:

The condensed consolidated interim financial statements of the REIT have been prepared by management in accordance with International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (“IASB”).

These condensed consolidated interim financial statements were approved by the board of trustees of the REIT (the “Board of Trustees”) on May 12, 2016.

The condensed consolidated interim financial statements do not include all information required for full annual financial statements and should be read in conjunction with the REIT’s unaudited condensed consolidated interim financial statements for the three months ended March 31, 2015 and the REIT’s audited consolidated financial statements for the year ended December 31, 2015, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

### (b) Basis of measurement:

The condensed consolidated interim financial statements have been prepared on a historical cost basis except for investment properties, amounts payable under deferred compensation plans, and Class B Units (“Class B Units”) which have been measured at fair value. The condensed consolidated interim financial statements are presented in U.S. dollars, which is the REIT’s functional currency, and all amounts have been rounded to the nearest thousands, except per unit amounts and when otherwise indicated.

### (c) Basis of consolidation:

The condensed consolidated interim financial statements comprise the financial statements of the REIT and its subsidiaries including the REIT’s 100% interest in WPT Industrial, Inc. and WPT Industrial, LP (the “Partnership”). Subsidiaries are entities controlled by the REIT. The financial statements of the subsidiaries are prepared for the same reporting periods as the REIT using consistent accounting policies. All intercompany balances, transactions and unrealized gains and losses arising from intercompany transactions are eliminated on consolidation.

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of U.S. dollars, except per unit amounts)

For the three months ended March 31, 2016 and 2015

(d) Accounting Standards Implemented in 2016:

The REIT implemented the amendments to IAS 1, *Presentation of Financial Statements* in the first quarter of 2016, with no significant impact on the REIT's condensed consolidated interim financial statements.

**2. Significant Accounting Policies:**

The condensed consolidated interim financial statements follow the same accounting policies as the audited consolidated financial statements as at and for the year ended December 31, 2015. Please refer to note 2 of the REIT's audited consolidated financial statements for the year ended December 31, 2015 for a summary of significant accounting policies.

**3. Asset acquisition:**

*Memphis Portfolio*

On February 20, 2015, the REIT indirectly acquired from a third party, a 100% leased portfolio of six industrial investment properties located in Memphis, Tennessee (the "Memphis Portfolio"), for a purchase price of \$86,667 (exclusive of closing costs and acquisition fee). The purchase price was paid in cash using a portion of the net proceeds from the January 28, 2015 issuance of 4,312,500 REIT Units at a price of \$10.80 per REIT Unit (the "January 2015 Offering") (note 11) and a new, \$51,750 five-year mortgage payable bearing a fixed interest rate of 2.87%.

The assets acquired and liabilities assumed in this transaction were allocated as follows:

Investment properties <sup>(1)</sup>	\$ 88,192
Prepaid expenses	39
Amounts payable and accrued liabilities	(267)
Security deposits	(77)
<b>Net assets acquired</b>	<b>\$ 87,887</b>

Consideration given by the REIT consists of the following:

Cash	87,887
<b>Total consideration</b>	<b>\$ 87,887</b>

(1) Includes total closing costs and acquisition fee of \$1,525 and an IFRIC 21 liability of \$1,487 assumed on acquisition that is offset by an equal adjustment to investment property.

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of U.S. dollars, except per unit amounts)

For the three months ended March 31, 2016 and 2015

## 4. Investment properties:

The reconciliation of the carrying amount of investment properties at the beginning and end of the financial periods are set out below:

	Three months ended March 31, 2016	Year ended December 31, 2015
Balance, beginning of period	\$ 742,592	\$ 633,056
Investment property acquisitions	-	88,192
Additions to investment properties, including lease incentives	776	3,658
Amortization of straight-line rent	315	754
Amortization of lease incentives	(172)	(486)
Fair value adjustment to investment properties	2,216	17,418
	<u>\$ 745,727</u>	<u>\$ 742,592</u>
Property tax liability under IFRIC 21	(7,681)	1,620
Fair value adjustment to investment properties – IFRIC 21	7,681	(1,620)
	<u>\$ 745,727</u>	<u>\$ 742,592</u>

Straight-line rent includes the cumulative difference between rental revenue as recorded on a straight-line basis and rents received from the tenants in accordance with their respective lease terms.

The fair value hierarchy of investment properties measured at fair value in the condensed consolidated interim statements of financial position is as follows:

	Level 1	Level 2	Level 3
Investment properties – March 31, 2016	\$ –	\$ –	\$ 745,727
Investment properties – December 31, 2015	\$ –	\$ –	\$ 742,592

Investment properties include the current fair value of the land, building, improvements to the investment property and all direct leasing costs incurred in obtaining and retaining property tenants. Management reviews the fair value of the investment properties regularly using independent property valuations and market conditions existing at the reporting date, which are generally accepted market practices. Judgment is also applied in determining the extent and

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of U.S. dollars, except per unit amounts)

For the three months ended March 31, 2016 and 2015

frequency of independent third party appraisals. The REIT determines the fair value of an investment property at the end of each reporting period using a combination of the following methods: (i) an internal valuation using the discounted cash flow model, which discounts the expected future cash flows, including a terminal value, based on the application of a terminal capitalization rate to the assumed final year's estimated cash flows, and reviewing the key assumptions from previous and current appraisals and updating the value for changes in the property cash flow, physical condition and changes in market conditions, and (ii) appraisals by an independent third party, according to professional appraisal standards and IFRS.

Management retained an independent third party appraiser to appraise each investment property contained within the portfolio at the time of the initial public offering ("IPO"), and has obtained independent third party appraisals with respect to each investment property subsequently acquired, except for those investment properties in respect of which the requirement to obtain an appraisal was waived by the Board of Trustees. Additionally, the REIT, as part of management's regular review of the investment properties fair value, obtains independent third party appraisals for existing investment properties in the portfolio on a three-year rotation, such that roughly one-third of the portfolio is appraised annually.

Significant changes in estimated rental value, rent growth per annum and long-term vacancy rate (and exit yield) in isolation could result in a significantly higher or lower fair value of investment properties.

The key valuation metrics for investment properties are set out below:

	March 31, 2016	December 31, 2015
Weighted average terminal capitalization rate:	7.00%	7.06%
Range of terminal capitalization rates:	6.00%-9.00%	6.25%-8.50%
Weighted average discount rate:	7.71%	7.56%
Range of discount rates:	6.52%-8.98%	6.32%-8.87%

The fair value of investment properties is most sensitive to changes in terminal capitalization rates. As at March 31, 2016, the weighted average terminal capitalization rate was 7.00%. A 25-basis-point increase in the weighted average terminal capitalization rate would decrease the value of the investment properties by \$25,715. A 25-basis-point decrease in the weighted average terminal capitalization rate would increase the value of the investment properties by \$27,620.

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of U.S. dollars, except per unit amounts)

For the three months ended March 31, 2016 and 2015

## 5. Amounts receivable:

Receivables are recorded at their estimated net realizable value and are periodically evaluated for collectibility based on the recovery experience of the REIT and the creditworthiness of the tenants.

Amounts receivable are as follows:

	March 31, 2016	December 31, 2015
Tenant receivables	\$ 1,580	\$ 1,237
Other receivables	176	166
Allowance for uncollectible amounts	(11)	(7)
	<u>\$ 1,745</u>	<u>\$ 1,396</u>

The carrying value of amounts receivable approximates fair value.

## 6. Amounts payable and accrued liabilities:

Amounts payable and accrued liabilities consist of the following:

	March 31, 2016	December 31, 2015
Trade payables	\$ 200	\$ 294
Accrued liabilities and other payables	1,809	1,806
Accrued real estate taxes	3,466	2,731
Accrued interest	1,357	1,891
Unearned revenue	102	103
Rent received in advance	2,325	2,135
Deferred compensation	3,131	3,356
	<u>\$ 12,390</u>	<u>\$ 12,316</u>

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of U.S. dollars, except per unit amounts)

For the three months ended March 31, 2016 and 2015

## 7. Operating leases:

The REIT leases investment properties to tenants under non-cancellable operating leases. The leases have various terms, escalation clauses and renewal rights as well as early termination fees.

There were no tenants that accounted for more than 10% of the REIT's total rental revenue for the three months ended March 31, 2016 or 2015.

As at March 31, 2016, the total future contractual minimum base rent lease payments expected to be received under non-cancellable leases are as follows:

One year or less	\$ 51,990
2 - 5 years	137,594
Greater than 5 years	52,444
	<u>\$ 242,028</u>

## 8. Mortgages payable:

Mortgages payable consist of the following:

	March 31, 2016	December 31, 2015
Mortgages payable	\$ 313,550	\$ 314,095
Mark-to-market adjustments, net	2,522	2,695
Financing costs, net	(1,224)	(1,315)
Carrying value	314,848	315,475
Less current portion	(23,085)	(23,161)
Long-term portion	<u>\$ 291,763</u>	<u>\$ 292,314</u>

Mortgages payable that are due and payable within 12 months after the date of the condensed consolidated interim statements of financial position presented, including scheduled principal payments on mortgages payable, are classified as current liabilities. Mortgages payable are collateralized by investment properties with a fair value of \$611,790 and \$608,305 as at March 31, 2016 and December 31, 2015, respectively. As at March 31, 2016 and December 31, 2015, mortgages payable bear interest at various rates ranging from 2.87% to 5.80%, and have a

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of U.S. dollars, except per unit amounts)

For the three months ended March 31, 2016 and 2015

weighted average effective interest rate of 3.98%, with maturity dates ranging from 2016 - 2024. As at March 31, 2016 and December 31, 2015, there were no mortgages payable with variable interest rates. The weighted average term to maturity on mortgages payable was 4.7 years and 4.9 years as at March 31, 2016 and December 31, 2015, respectively.

During the three months ended March 31, 2015, the REIT entered into a new, five-year mortgage payable totaling \$51,750, bearing a fixed interest rate of 2.87%, as a result of the Memphis Portfolio acquisition (note 3).

Future contractual cash flows of mortgages payable principal and interest are as follows as at March 31, 2016:

	Principal Payment	Interest Payment	Total Payments
2016 (remainder)	\$ 22,616	\$ 9,323	\$ 31,939
2017	1,913	11,112	13,025
2018	33,295	10,549	43,844
2019	31,481	8,866	40,347
2020	87,111	6,844	93,955
2021 and thereafter	137,134	8,888	146,022
	<b>\$ 313,550</b>	<b>\$ 55,582</b>	<b>\$ 369,132</b>

Covenant compliance requirements:

The REIT's mortgages payable contain customary representations, warranties, and events of default, which require the REIT to comply with affirmative and negative covenants. These covenants include (a) net worth thresholds, (b) senior debt service coverage ratios, (c) total indebtedness to gross book value ratios, and (d) liquid asset thresholds. As at March 31, 2016 and December 31, 2015, the REIT was in compliance with all covenants of its mortgages payable.

Financial covenants applicable to Welsh Property Trust, LLC ("Welsh") remain on two of the REIT's mortgages payable relating to investment properties contributed to the REIT from Welsh during the IPO totaling \$39,028, requiring Welsh to meet certain financial and operating criteria. As at March 31, 2016 and December 31, 2015, Welsh was in compliance with all covenants.

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of U.S. dollars, except per unit amounts)

For the three months ended March 31, 2016 and 2015

## 9. Revolving Facility:

The Revolving Facility consists of the following:

	March 31, 2016	December 31, 2015
Revolving Facility	\$ 46,000	\$ 46,700
Financing costs, net	(83)	(100)
Carrying value	\$ 45,917	\$ 46,600

On April 26, 2013, the REIT entered into a senior secured revolving facility with a maximum commitment of \$75,000 (the "Revolving Facility"), and availability determined subject to compliance with a number of borrowing base tests. The Revolving Facility has an initial term of three years from April 26, 2013 and provides the REIT the right to a one-year extension option that includes an accordion feature which could increase the size of the facility to \$200,000, subject to lender approval. The interest rate on the Revolving Facility is, at the REIT's option, based on either a base rate or LIBOR, in each case plus an applicable margin based on leverage. The base rate is equal to the greater of: (a) the "prime rate" plus 1.0%, (b) 0.5% above the federal funds effective rate, or (c) 30-day LIBOR plus the applicable margin. As at March 31, 2016 and December 31, 2015, the Revolving Facility interest rate was 2.69% and 2.68%, respectively.

Financing costs of \$921 related to the Revolving Facility are being amortized using the effective interest rate method over the initial term of three years.

Availability on the Revolving Facility was \$75,000 as at March 31, 2016, of which the REIT had drawn \$46,000, leaving remaining availability of \$29,000.

On April 21, 2016, the REIT amended and extended its Revolving Facility (note 20).

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of U.S. dollars, except per unit amounts)

For the three months ended March 31, 2016 and 2015

## 10. Class B Units:

On January 11, 2016, Welsh redeemed 6,600,000 Class B Units in exchange for ownership and control over 6,600,000 REIT Units.

On January 19, 2016, Welsh redeemed 1,902,619 Class B Units in exchange for ownership and control over 1,902,619 REIT Units.

Class B Units are valued at the REIT Units' closing price per the TSX as at March 31, 2016 and December 31, 2015, which was \$10.50 and \$11.95, respectively.

The following table shows the change in the carrying value and number of Class B Units outstanding for the periods presented:

	Units	Value
As at December 31, 2014	15,225,314	\$ 166,717
Fair value adjustments on Class B Units	-	15,225
As at December 31, 2015	15,225,314	\$ 181,942
Redemption of Class B Units for REIT Units, January 11, 2016 (6,600,000)		(76,428)
Redemption of Class B Units for REIT Units, January 19, 2016 (1,902,619)		(19,787)
Fair value adjustments on Class B Units	-	(15,139)
As at March 31, 2016	6,722,695	\$ 70,588

Included in finance costs for the three months ended March 31, 2016 and 2015 are \$1,277 and \$2,663 of distributions declared on Class B Units, respectively. Total distributions payable on Class B Units as at March 31, 2016 and December 31, 2015 were \$426 and \$964, respectively.

## 11. Unitholders' equity:

The REIT's Declaration of Trust authorizes the issuances of an unlimited number of REIT units ("REIT Unit"). REIT Units are ordinary units of the REIT, each of which represents a unitholders' proportionate undivided beneficial interest and voting rights in the REIT.

On January 28, 2015, the REIT completed the January 2015 Offering, when it issued 4,312,500 REIT Units (including REIT Units issued pursuant to the exercise in full of the over-allotment

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of U.S. dollars, except per unit amounts)

For the three months ended March 31, 2016 and 2015

option granted by the REIT to the underwriters of the offering) at a price of \$10.80 per REIT Unit to a syndicate of underwriters on a bought deal basis for gross proceeds to the REIT of approximately \$46,575. Issue costs related to the January 2015 Offering were approximately \$2,430.

On January 11, 2016, Welsh redeemed 6,600,000 Class B Units in exchange for ownership and control over 6,600,000 REIT Units.

On January 19, 2016, Welsh redeemed 1,902,619 Class B Units in exchange for ownership and control over 1,902,619 REIT Units.

The following table shows the change in value and number of REIT Units outstanding for the periods presented:

	Units	Value
As at December 31, 2014	14,210,619	\$ 125,790
REIT Units issued on completion of the January 2015 Offering, (including REIT Units issued through underwriter's over-allotment, and net of issue costs)	4,312,500	44,145
As at December 31, 2015	18,523,119	\$ 169,935
Redemption of Class B Units for REIT Units, January 11, 2016	6,600,000	76,428
Redemption of Class B Units for REIT Units, January 19, 2016	1,902,619	19,787
As at March 31, 2016	27,025,738	\$ 266,150

(a) Distributions:

The REIT declared distributions to unitholders of record in the amount of \$5,132 (\$0.19 per Unit) and \$3,240 (\$0.17 per Unit) for the three months ended March 31, 2016 and 2015, respectively. Total distributions payable as at March 31, 2016 and December 31, 2015 were \$1,711 and \$1,172, respectively.

(b) Deferred Unit Incentive Plan:

On April 26, 2013, the REIT authorized a Deferred Unit Incentive Plan ("DUIP") that provides for the granting of Deferred Trust Units ("DTU") to trustees, officers, employees, consultants and service providers, as well as employees of such service providers. DTUs are defined as

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Notes to Condensed Consolidated Interim Financial Statements (continued)  
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For the three months ended March 31, 2016 and 2015

notional units with a fair value based on the REIT Units' closing price per the TSX. The maximum number of REIT Units reserved for issuance under the DUIP is 5% of the total number of REIT Units issued and outstanding from time to time. Vested DTUs may be redeemed in whole or in part for units of the REIT issued from treasury or cash. All DTUs granted to officers and employees vest as to one-fifth on the first anniversary of the grant date, and one-fifth on each of the four following anniversaries. Whenever cash distributions are paid to REIT unitholders, additional DTUs are credited to the participant's outstanding DTU balance based on the 5-day volume-weighted average price on the grant date. These additional units vest on the same schedule as their corresponding DTUs.

### Officer and Employee Grants

A summary of DTUs granted to officers of the REIT and employees of the asset manager of the REIT under the DUIP is set forth below:

	DTUs Granted
Total as at December 31, 2014	124,028
DTUs granted through distributions	7,845
Forfeited DTUs	(4,432)
<b>Total as at December 31, 2015</b>	<b>127,441</b>
March 31, 2016 grant (1)	118,586
DTUs granted through distributions	2,373
<b>Total as at March 31, 2016</b>	<b>248,400</b>

(1) These DTUs were approved on May 13, 2015 and are being expensed over a five year vesting period from May 13, 2015 through May 13, 2020, but were not granted until March 31, 2016 due to a prolonged period of blackout, pursuant to the terms of the REIT's insider trading policy.

The total fair value of DTUs granted to officers and employees as at March 31, 2016 and December 31, 2015 was \$2,608 and \$1,523, respectively. As at March 31, 2016 and December 31, 2015, a total of 39,069 and 38,356 DTUs granted to officers and employees had vested, respectively.

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of U.S. dollars, except per unit amounts)

For the three months ended March 31, 2016 and 2015

## Trustee and Other Grants

All members of the Board of Trustees have elected to receive their annual retainers and meetings fees for the current fiscal year and since inception in the form of DTUs. Annually, the REIT matches 50% of all annual trustee compensation received in DTUs, which vest as to one-third on the first anniversary date of the grant and one-third on each of the second and third anniversaries. Distributions on DTUs accrue to the holder in additional REIT Units on each distribution date.

A summary of DTUs granted to trustees under the DUIP is set forth below:

	DTUs Granted
Total as at December 31, 2014	61,928
DTUs granted through distributions and 50% match	3,917
<b>Total as at December 31, 2015</b>	<b>65,845</b>
DTUs granted for services rendered in 2014 (1)	5,099
DTUs granted through distributions and 50% match related to 2014 (1)	14,396
DTUs granted for services rendered in 2015 (1)	29,267
DTUs granted through distributions and 50% match related to 2015 (1)	14,634
DTUs granted for services rendered in 2016	8,574
DTUs granted through distributions and 50% match related to 2016	5,512
<b>Total as at March 31, 2016</b>	<b>143,327</b>

(1) These DTUs were approved in the year in which they were earned and recorded as a deferred compensation liability, but were not granted until March 31, 2016 due to a prolonged period of blackout, pursuant to the terms of the REIT's insider trading policy.

The total fair value of DTUs granted to trustees as at March 31, 2016 and December 31, 2015 was \$1,327 and \$768, respectively. As at March 31, 2016 and December 31, 2015, a total of 106,526 and 57,714 DTUs granted to trustees had vested, respectively.

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of U.S. dollars, except per unit amounts)

For the three months ended March 31, 2016 and 2015

The movement in the DUIP balance was as follows:

As at December 31, 2014	\$	1,292
Deferred compensation expense		1,230
Fair value adjustments		185
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As at December 31, 2015	\$	2,707
<hr/>		
Deferred compensation expense		366
Fair value adjustments		(218)
<hr/>		
As at March 31, 2016	\$	2,855

Total compensation expense recognized for the three months ended March 31, 2016 and 2015 was \$148 and \$385, respectively. These amounts include adjustments based on the fair value of the REIT Units as at March 31, 2016 and 2015.

(c) Unit option plan:

On April 26, 2013, the REIT authorized a unit option plan (the "Plan"), under the terms of which options to purchase REIT Units may from time to time, be granted to trustees, officers, employees and consultants, exercisable for a maximum period of 10 years from the date of grant. The maximum number of REIT Units reserved for issuance under the Plan is 10% of the total number of REIT Units issued and outstanding from time to time. These options vest as to one-third on the first anniversary of the grant date, and one-third on each of the second and third anniversaries.

A summary of options granted under the Plan is set forth below:

	Number of options	Weighted average exercise price
Outstanding, December 31, 2014	570,000	\$ 10.02
Forfeited in 2015	(13,333)	\$ 10.14
<hr/>		
Outstanding, March 31, 2016 and December 31, 2015	556,667	\$ 10.02
Exercisable, March 31, 2016 and December 31, 2015	304,445	\$ 10.07

The total fair value of options granted as at March 31, 2016 and December 31, 2015 and as at the grant date was \$295, \$726 and \$327, respectively. The aggregate intrinsic value of

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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For the three months ended March 31, 2016 and 2015

exercisable options as at March 31, 2016 and December 31, 2015 was \$131 and \$573, respectively. The weighted average remaining contractual life for outstanding options and for exercisable options as at March 31, 2016 was 7.5 years and 7.4 years, respectively.

The movement in the liability balance related to the Plan was as follows:

Balance, December 31, 2014	\$ 224
Deferred compensation expense	62
Fair value adjustments	363
Balance, December 31, 2015	\$ 649
Deferred compensation expense	10
Fair value adjustments	(383)
Balance, March 31, 2016	\$ 276

Total compensation expense (income) recognized for the three months ended March 31, 2016 and 2015 was (\$373) and \$223, respectively. These amounts include adjustments based on the fair value of the options as at March 31, 2016 and 2015. As at March 31, 2016, fair value adjustments were determined using the Black-Scholes option pricing model with the following assumptions:

Average expected option term	4.8 years
Risk-free interest rate	1.21%
Expected volatility	17.71%
Dividend yield	7.23%

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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For the three months ended March 31, 2016 and 2015

## 12. Related party transactions:

Related party transactions with Welsh and WPT Capital Advisors, LLC (“WPT Capital”), a new entity and successor in interest to Welsh as asset and property manager, are set forth below:

	Three months ended March 31,	
	2016	2015
Fees earned under asset management agreement (1)		
Acquisition fees	\$ -	\$ 867
Asset management fees	\$ 444	\$ 400
Construction management fees	\$ 19	\$ 58
Fees earned under property management agreement (2)	\$ 435	\$ 382
Other		
Redemption of Class B Units for REIT Units by Welsh (3)	8,502,619	-
Class B Unit distributions paid to Welsh (4)	\$ 1,815	\$ 2,663
REIT Unit distributions paid to Welsh (4)	\$ 614	\$ 132
Office rent (5)	\$ 271	\$ 265

(1) On April 26, 2013, the REIT entered into an asset management agreement with Welsh, under which Welsh provided certain asset management services to the REIT and its subsidiaries. On January 20, 2016, WPT Capital, under the first amendment to the asset management agreement, agreed to perform all of the duties and obligations as the asset manager of the REIT.

The asset management agreement provides for the following fees:

- Asset management fees at 0.25% of gross book value, as defined in the asset management agreement. On January 20, 2016, the asset management agreement was amended to waive asset management fees in connection with any investments by the REIT in (i) any private investment funds managed and/or controlled by WPT Capital (each a “Fund”) and (ii) any investment properties owned by the REIT or one or more of its affiliates as a co-investment with any Fund; excluding any investment property in which such Fund, directly or indirectly, holds less than 50% of the aggregate ownership interests (“Fund Co-Investment Properties”), for such time as such investment properties are Fund-Co-Investment Properties. Asset management fees payable as at March 31, 2016 and December 31, 2015 were \$5 and \$144, respectively.

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of U.S. dollars, except per unit amounts)

For the three months ended March 31, 2016 and 2015

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- Acquisition fee. An acquisition fee equal to: (i) 1.0% of the purchase price paid for the first \$100,000 of investment properties acquired by the REIT or any of its affiliates in each fiscal year; (ii) 0.75% of the purchase price paid for the next \$100,000 of investment properties acquired by the REIT or any of its affiliates in each fiscal year; and (iii) 0.50% of the purchase price paid in excess of \$200,000 for investment properties acquired by the REIT or any of its affiliates in each fiscal year. On January 20, 2016, the asset management agreement was amended to waive acquisition fees in connection with any investment properties acquired by the REIT from any Fund, and any Fund Co-Investment Properties.
  - Construction management fee. With respect to any capital project with costs in excess of \$100 undertaken by the REIT or any of its affiliates, a construction management fee equal to 5.0% of aggregate tenant improvements, capital expenditures and construction costs incurred in respect of such capital project. Construction management fees payable as at March 31, 2016 and December 31, 2015 were -\$0- and \$51, respectively.
- (2) On April 26, 2013, the Partnership and the REIT entered into a property management agreement with Welsh. Under the property management agreement, Welsh was the property manager of the investment properties owned by the REIT and administered the day-to-day operations of the REIT's portfolio of investment properties. On January 20, 2016, WPT Capital, under an assignment agreement, became responsible for providing property and facility management services in respect of the REIT's investment properties pursuant to the property management agreement.

Property management fees are described below for all investment properties owned by the REIT.

- 2% of the gross property revenue for all single-tenant industrial investment properties;
  - 3% of the gross property revenue for all multi-tenant industrial investment properties; and
  - 4% of the gross property revenue for all office investment properties.
- (3) On January 11, 2016, Welsh redeemed 6,600,000 Class B Units in exchange for ownership and control over 6,600,000 REIT Units.

On January 19, 2016, Welsh redeemed 1,902,619 Class B Units in exchange for ownership and control over 1,902,619 REIT Units.

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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For the three months ended March 31, 2016 and 2015

On January 20, 2016, Alberta Investment Management Corporation and affiliates (“AIMCo”), on behalf of certain of its clients, purchased 4,783,122 REIT Units from Welsh, resulting in Welsh directly and indirectly owning and controlling 4,472,197 REIT Units and 6,722,695 Class B Units as at March 31, 2016, respectively. As at December 31, 2015, Welsh owned and controlled 752,700 REIT Units and 15,225,314 Class B Units, respectively.

- (4) Distributions payable to Welsh on Class B Units as at March 31, 2016 and December 31, 2015 were \$425 and \$964, respectively. Distributions payable to Welsh on REIT Units as at March 31, 2016 and December 31, 2015 were \$283 and \$48, respectively.
- (5) An affiliate of Welsh leases space from a subsidiary of the REIT at an investment property located at 4350 Baker Road, Minnetonka, Minnesota. The lease commenced on June 1, 2008 and expires on May 31, 2020, with annual rent increases of 2%.

#### *Out-of-pocket costs and expenses*

The REIT reimburses WPT Capital for all reasonable actual out-of-pocket costs and expenses incurred in connection with the performance of the services described in the asset management agreement or such other services that the REIT and WPT Capital agree in writing are to be provided from time to time by WPT Capital. As at March 31, 2016 and December 31, 2015, the net payable due was \$28 and \$21, respectively, related to these reimbursements.

### 13. Finance costs:

Finance costs incurred and charged to net income (loss) and comprehensive income (loss) are recorded as follows:

	Three months ended March 31,	
	2016	2015
Interest on mortgages payable incurred at stated rate	\$ 3,117	\$ 2,929
Revolving Facility interest	334	330
Amortization of financing costs	169	156
Amortization of mark-to-market adjustments on fixed interest rate mortgages payable	(173)	(168)
Distributions on Class B Units	1,277	2,663
Fair value adjustment on Class B Units	(15,139)	15,987
	<b>\$ (10,415)</b>	<b>\$ 21,897</b>

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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For the three months ended March 31, 2016 and 2015

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## 14. Segment reporting:

The REIT owns, manages and operates primarily industrial investment properties located throughout the U.S. Management, when measuring the investment properties performance, does not distinguish or group its operations on a geographical or any other basis. Accordingly, the REIT has a single reportable segment for disclosure purposes in accordance with IFRS.

## 15. Commitment and contingencies:

- (a) In connection with the IPO, the REIT has agreed to indemnify the underwriters against certain liabilities, including liabilities under applicable securities legislation, or to contribute to payments the underwriters may be required to make in respect of those liabilities. The REIT has agreed to indemnify, in certain circumstances, the trustees and the officers of the REIT in respect of any taxes, penalties or interest imposed upon the trustee or officer in consequence of his/her performance of his/her duties as a trustee or officer.
- (b) The REIT has a contingent obligation to expand the gross leasable area at one of its investment properties at the option of the tenant. Management estimates the cost associated with this expansion, should it occur, to be approximately \$1,000. The expansion is conditional on mutual agreement between the tenant and the REIT with regard to the base rental rates to be charged for occupying such expansion space. This contingent obligation will terminate at expiration of the underlying lease, inclusive of lease renewal options, on November 30, 2032.
- (c) The REIT has entered into a non-cancellable ground lease for land related to one of its investment properties. Annual payments under the lease are approximately \$100 through May 31, 2023. Annual payments thereafter are adjusted based on changes in the consumer price index until expiration in 2093.
- (d) In conjunction with the acquisition of 35 industrial investment properties from Welsh at IPO (the "Initial Properties"), \$29,500 of self-funded industrial revenue bonds ("Bonds") were assumed. The authorized amount of the Bonds is \$29,500, of which \$29,500 was outstanding as at March 31, 2016 and December 31, 2015. In connection with an acquisition of an investment property located in Atlanta, Georgia on April 29, 2014 (the "Atlanta Property"), \$40,170 of Bonds were assumed. The authorized amount of the Bonds is \$41,500, of which \$40,170 was outstanding as at March 31, 2016 and December 31, 2015, respectively. The Bonds provide for real estate tax abatement for the acquired investment properties. Through a series of transactions, the REIT is both the bondholder and the obligor

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)  
(In thousands of U.S. dollars, except per unit amounts)

For the three months ended March 31, 2016 and 2015

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of the Bonds. Therefore, in accordance with IAS 32, the Bonds are not recorded in the condensed consolidated interim statements of financial position.

## 16. Fair value measurement:

### (a) Fair value of financial instruments:

In addition to those financial instruments carried at fair values, the fair values of the REIT's financial assets and financial liabilities, together with the contractual carrying amounts shown in the condensed consolidated interim statements of financial position, are as follows:

	Carrying amount	Fair value
Mortgages payable – As at March 31, 2016	\$ 313,550	\$ 321,874
Mortgages payable – As at December 31, 2015	\$ 314,095	\$ 319,032

The following summarizes the significant methods and assumptions used in estimating fair values of the REIT's financial instruments, excluding financial instruments carried at amortized cost where carrying value approximates fair value:

### (i) Mortgages payable:

The REIT estimates the fair value of mortgages payable using a discounted cash flow analysis and a yield rate that was estimated based on the borrowing rates currently available to the REIT for mortgages payable with similar terms and maturities, which is a Level 2 input.

### (ii) Deferred compensation:

The fair value of unit options granted is estimated using the Black-Scholes option pricing model (Level 2).

The fair value of DTUs granted is estimated based on the market trading prices of the REIT Units (Level 1).

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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For the three months ended March 31, 2016 and 2015

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(iii) Class B Units:

The fair value of Class B Units is estimated based on the market trading prices of the REIT Units (Level 2).

(iv) Other financial assets and liabilities:

Amounts receivable, cash and cash equivalents, other non-current assets, restricted cash, distributions payable, the Revolving Facility, amounts payable and accrued liabilities are carried at amortized cost, which, due to their short-term nature, approximates fair value.

## 17. Capital management:

The primary objective of the REIT's capital management policy is to ensure sufficient liquidity to pursue its growth through acquisitions, to fund leasing costs and capital expenditure requirements, to maintain a flexible capital structure that optimizes the cost of capital at acceptable risk and preserves the ability to meet financial obligations, to ensure adequate funds are available to maintain consistent and sustainable unitholders' distributions, and to remain within its quantitative banking covenants.

The REIT's capital structure consists of cash, debt (including mortgages payable, the Revolving Facility and Class B Units), and unitholders' equity. In managing its capital structure, the REIT monitors performance and makes adjustments to its capital structure based on its investment strategies and changes to economic conditions. In order to maintain or adjust its capital structure, the REIT may issue equity or new debt, issue new debt to replace existing debt (with different characteristics), or reduce the amount of existing debt.

Part of the REIT's objectives in securing mortgages for its investment properties and managing its long-term debt is to stagger the maturities in order to mitigate short-term volatilities in the debt markets. The REIT's declaration of trust stipulates that the REIT shall not incur indebtedness greater than 60% of gross book value. As at March 31, 2016 and December 31, 2015, the REIT's debt-to-gross book value ratio was 48.2% and 48.6%, respectively (total outstanding principal balance of mortgages payable and the Revolving Facility of \$359,550 and \$360,795 as at March 31, 2016 and December 31, 2015, respectively, divided by gross book value of \$745,727 and \$742,592 as at March 31, 2016 and December 31, 2015, respectively). The REIT has no convertible debentures outstanding and has never issued any.

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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The REIT is required under the terms of its Revolving Facility to meet certain financial covenants, including:

- (a) consolidated total indebtedness shall not exceed 60%;
- (b) the outstanding principal balance of the Revolving Facility and any letters of credit shall not be greater than the borrowing base availability (60% of the gross asset value of the borrowing base assets);
- (c) the ratio of adjusted consolidated earnings before interest, taxes, depreciation and amortization to consolidated fixed charges for the most recently ended four quarters shall not be less than 1.75 to 1.00;
- (d) consolidated tangible net worth shall not be less than the sum of (i) \$150,000 plus (ii) 80% of the sum of any additional net offering proceeds, plus (iii) 80% of the value of interests in the REIT issued upon the contribution of assets to the REIT or its subsidiaries;
- (e) aggregate occupancy for the borrowing base assets shall not be less than 85%; and
- (f) the borrowing base debt service coverage ratio shall not be less than 1.50 to 1.00.

The REIT is also required to meet certain diversification covenants under the Revolving Facility. In addition, certain mortgages payable require the REIT to meet financial covenant ratios (note 8).

The REIT complied with all financial covenants as at March 31, 2016 and December 31, 2015.

## **18. Financial risk management:**

Risk Management:

The REIT's activities expose it to market risk, credit risk and liquidity risk. Risk management is carried out by management of the REIT.

- (a) Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk consists of interest rate risk, currency risk and other market price risk. There is interest rate risk associated with the

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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REIT's fixed interest rate mortgages payable due to the expected requirement to refinance such mortgages payable in the year of maturity. In order to manage exposure to interest rate risk, the REIT endeavors to manage maturities of fixed interest rate mortgages payable, and match the nature of the mortgages payable with the cash flow characteristics of the underlying asset. This risk is also minimized through the REIT having all of its mortgages payable in fixed term arrangements.

There is also interest rate risk associated with the REIT's Revolving Facility balance. The Revolving Facility bears interest at a variable rate based on the lender's LIBOR plus an applicable margin. Based on the outstanding balance at March 31, 2016, the impact of a 1.0% change in the lender's LIBOR rate will increase or decrease the REIT's interest expense or earnings by \$460 on an annualized basis.

The REIT has no material exposure to currency risk.

- (b) Credit risk arises from the possibility that tenants in investment properties may not fulfill their lease or contractual obligations. The REIT mitigates its credit risks by attracting tenants of sound financial standing and by diversifying its mix of tenants. It also monitors tenant payment patterns and discusses potential tenant issues with property managers on a regular basis. Cash carries minimal credit risk as all funds are maintained with highly reputable financial institutions. The carrying amount of financial assets represents the maximum credit exposure.
- (c) Liquidity risk is the risk that the REIT will encounter difficulty in meeting obligations associated with the maturity of financial obligations. The REIT manages maturities of the fixed interest rate mortgages payable, and monitors the repayment dates to ensure sufficient capital will be available to cover obligations.

# WPT INDUSTRIAL REAL ESTATE INVESTMENT TRUST

Notes to Condensed Consolidated Interim Financial Statements (continued)  
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## 19. Supplementary cash flow information:

Change in non-cash working capital comprises the following:

	Three months ended March 31,	
	2016	2015
Amounts receivable	\$ (349)	\$ (735)
Prepaid expenses	138	206
Restricted cash	(114)	(325)
Amounts payable and accrued liabilities	833	549
Amounts payable and accrued liabilities related to additions to investment properties	(23)	-
Security deposits	13	(14)
	<hr/>	<hr/>
	\$ 498	\$ (319)

## 20. Subsequent events:

On April 21, 2016, the REIT amended and extended its Revolving Facility, thereby increasing availability from \$75,000 to \$100,000 (subject to requisite borrowing base collateral) and extending the term for a period of three years maturing on April 21, 2019. The Revolving Facility continues to include an accordion feature which could increase the facility to \$200,000. The REIT has the option to extend the Revolving Facility for an additional one-year period. As part of the amendment, certain financial covenants were amended. The interest rate on the amended Revolving Facility is based on either a base rate or LIBOR, in each case plus an applicable margin based on leverage.