



Related Party Transaction Policy

Approved by the Board of Trustees on February 21, 2019.

**AUTOMOTIVE PROPERTIES REAL ESTATE INVESTMENT TRUST
("REIT")**

**RELATED PARTY TRANSACTION POLICY
(THE "POLICY")**

OVERVIEW

The REIT and the Dilawri Group entered into the Strategic Alliance Agreement which establishes a preferential and mutually beneficial business and operating relationship between the REIT and the Dilawri Group.

The Strategic Alliance Agreement will be in effect so long as the Dilawri Group owns, controls or directs, in the aggregate, an effective interest of at least 10% (on a fully-diluted basis) in the REIT.

The Strategic Alliance Agreement provides, among other things, that subject to certain exceptions, the REIT has the right to purchase any property in Canada or the United States acquired by a member of the Dilawri Group that Dilawri determines, acting reasonably, to be a REIT-Suitable Property (as such term is defined in the Strategic Alliance Agreement), and any property owned by a member of the Dilawri Group that a member of the Dilawri Group develops, redevelops, refurbishes or repositions into a property that Dilawri determines, acting reasonably, is a REIT-Suitable Property, each on terms (including the terms of the lease pursuant to which the applicable member of the Dilawri Group will lease the relevant property from the REIT) and at prices to be agreed between the REIT and Dilawri.

Furthermore, in the interests of good governance, this Policy applies to any transaction with any "Related Party" of the REIT, including the Dilawri Group. For these purposes, "Related Party" shall have the meaning given to it in the REIT's Declaration of Trust which, at the date of this Policy, means: a person, other than a person that is solely a bona fide lender, that, at the relevant time and after reasonable inquiry, is known by the REIT or a trustee or senior officer of the REIT to be:

- (a) a control person of the REIT (i.e., a person or group of persons acting jointly and in concert that hold a sufficient number of the voting rights in the REIT to affect materially the control of the REIT and, if a person or company owns more than 20% of such voting rights, there is a rebuttable presumption that such person is a control person);
- (b) a person of which a person referred to in paragraph (a) is a control person;
- (c) a person of which the REIT is a control person;

- (d) a person that has:
 - (i) beneficial ownership of, or control or direction over, directly or indirectly, or
 - (ii) a combination of beneficial ownership of, and control or direction over, directly or indirectly,

securities of the REIT carrying more than 10% of the voting rights attached to all the REIT's outstanding voting securities;
- (e) a trustee or senior officer of:
 - (i) the entity, or
 - (ii) a person described in any other paragraph of this definition;
- (f) a person that manages or directs, to any substantial degree, the affairs or operations of the REIT under an agreement, arrangement or understanding between the person and the REIT, including the general partner of an entity that is a limited partnership, but excluding a person acting under bankruptcy or insolvency law;
- (g) a person of which persons described in any paragraph of this definition beneficially own, in the aggregate, more than 50 per cent of the securities of any outstanding class of equity securities; or
- (h) an affiliated entity of any person described in any other paragraph of this definition.

This Policy applies to any transaction (purchase, sale or lease) in which the REIT is a participant and in which the Related Party has or will have a direct or indirect material interest, unless the transaction is exempt under the terms of this Policy. The Policy may be amended at any time and is subject to further guidance from the Canadian securities regulatory authorities and/or actions taken by the REIT's Board of Trustees or a committee thereof.

This Policy is in addition to the requirements of applicable securities laws and rules of the Toronto Stock Exchange (the "TSX") and the REIT's Declaration of Trust, including Sections 7.7 and 7.8 thereof. If there is any conflict between this Policy and the Declaration of Trust, the Declaration of Trust shall prevail to the extent of such conflict, and in the event of a conflict between this Policy or the Declaration of Trust and the requirements of applicable securities laws or the rules of the TSX, the requirements of applicable securities laws and rules of the TSX shall prevail to the extent of such conflict (a more onerous requirement shall not, in and of itself, be a conflict and the more onerous requirement shall prevail). The requirements of applicable securities laws and the rules of the TSX, as they exist on the date of this Policy, are described in greater detail below under the heading "Securities Laws and TSX Rules".

PROCEDURES AND APPROVAL REQUIREMENTS

Each Related Party shall promptly notify the REIT's Chief Executive Officer, Chair of the Board of Trustees or Lead Independent Trustee (if one is appointed) of any material interest in a transaction that such person, or an immediate family member of such person, has or may have.

No Trustee shall participate in any discussion or approval of a transaction to which this Policy applies for which he or she or any member of his or her immediate family is a Related Party, except that the Trustee shall provide all material information concerning the transaction to the Independent Trustees. The Independent Trustees, being any Trustee who, in relation to the REIT, is "independent" for purposes of National Instrument 58-101 — *Disclosure of Corporate Governance Practices*, who are disinterested in the applicable transaction shall review all transactions subject to this Policy and shall determine, in their discretion, whether to approve, ratify, disapprove or reject each such transaction.

In determining whether to approve, ratify, disapprove or reject a Related Party transaction, the Independent Trustees shall take into account, among other factors they deem appropriate, whether the Related Party transaction is entered into on terms no less favorable to the REIT than terms generally available to an unaffiliated third party under the same or similar circumstances; the results of an appraisal, if any; whether there was a bidding process and the results thereof; review of the valuation methodology used and alternative approaches to valuation (including the cost approach) of the transaction; and the extent of the Related Party's interest in the transaction. The Independent Trustees will review the following information when assessing a Related Party transaction:

- (a) The terms of such transaction;
- (b) The Related Party's interest in the transaction;
- (c) The purpose and timing of the transaction;
- (d) If the transaction involves the sale of an asset by the REIT, a description of the asset, including date acquired and expected gain or loss on sale;
- (e) Information concerning potential counterparties in the transaction;
- (f) The approximate dollar value of the transaction and the approximate dollar value of the Related Party's interest in the transaction;
- (g) The nature, process and extent of negotiations between management of the REIT and the Related Party (or the entity in which the Related Party has an

interest) to establish the value of the transaction and its other material terms;

- (h) Whether the proposed transaction includes any potential reputational risk issues that may arise as a result of or in connection with the proposed transaction; and
- (i) Any other relevant information regarding the transaction.

Without limiting the generality of the foregoing, an agreement to purchase or lease any property pursuant to the Strategic Alliance Agreement is subject to approval by the Independent Trustees of the REIT.

In connection with assessing any transaction with a Related Party, the process to be followed by management, the Independent Trustees and the Board shall be as follows:

- (a) The President and Chief Executive Officer (or applicable member of management) will liaise with either (i) the Lead Independent Trustee (if one is appointed) or another Independent Trustee designated thereby, or (ii) any Independent Trustee otherwise designated by the Independent Trustees for purposes of this Policy on an ongoing informal basis in respect of any Related Party transaction for the purpose of the Independent Trustee providing guidance and input, as may be necessary or advisable, relating to the Related Party transaction. These consultations shall commence early in the process.
- (b) Management will provide an information package to the Independent Trustees in respect of the proposed Related Party transaction in order to keep the Independent Trustees informed of potential transactions. Such information package should, absent special circumstances, be provided in advance of any meeting of Independent Trustees called to review and consider the applicable Related Party transaction and shall include, in summary form or otherwise, the items to be provided as described under the heading "Information Package" below and such other information as management or the Independent Trustees determine appropriate in the circumstances.
- (c) Following the provision of the information package referred to above, provided management wishes to proceed with the applicable Related Party transaction, the Independent Trustees shall hold a meeting of Independent Trustees to review the Related Party transaction and vote to either (i) recommend that the Board approve it, or (ii) reject or require management

to renegotiate the Related Party transaction. At such meeting, it is expected that applicable members of the applicable Related Party would make themselves available to answer questions of the Independent Trustees, if the Independent Trustees determined it to be necessary or advisable.

- (d) Following an affirmative vote of the Independent Trustees in respect of a Related Party transaction, the Board will convene a meeting to review and, if thought fit, approve the transaction.
- (e) To the extent determined to be necessary or advisable by the Independent Trustees and/or Board, the Independent Trustees and/or Board shall be entitled to engage, at the cost of the REIT, one or more professional advisors to provide advice thereto in respect of the Related Party transaction. Such advice, if any, may, but shall not be required to, include (subject to the terms of the REIT's declaration trust, securities laws or TSX rules to the contrary) advice from a financial advisor, which may include its opinion that the Related Party transaction is fair, from a financial point of view, to the REIT's non-interested unitholders.

INFORMATION PACKAGE

Management is responsible to provide a detailed presentation outlining, in summary format, the following information to the Independent Trustees prior to entering into any non-conditional agreement to purchase any property from a Related Party, including pursuant to the Strategic Alliance Agreement:

- Purchase Price;
- Acquisition costs;
- Independent external appraisal report, including a validation that negotiated rental rates are within an acceptable market range;
- Environmental and building condition reports prepared by an independent consultant retained by the REIT (or such reports on which the REIT can rely);
- Comparable market data (including rental rates) and historical acquisition metrics;
- Key lease provisions;
- The nature, process and extent of negotiations between management of the REIT and the Related Party (or the entity in which the Related Party has an interest) to establish the consideration for the transaction and its other material terms; and
- Certain additional information from the prospective tenant relating to the transaction, which should, absent special circumstances, include (but is not limited to):

- information regarding the operating business on the applicable property, including its prospects, in order to permit the Independent Trustees to assess the prospects of the business and the tenant's ability to pay rent over the long-term;
- information regarding any capital investments to be made in respect of the applicable property; and
- a summary of the rationale for the Related Party's investment in the dealership that is the subject of the Related Party transaction.

Management shall provide similar information, to the extent applicable, to the Independent Trustees in respect of the lease of real property to a Related Party prior to entering into any non-conditional lease.

SECURITIES LAWS AND TSX RULES

In addition to the above Independent Trustee approval requirements, any transaction with a Related Party is subject to the requirements of Multilateral Instrument 61-101 – *Protection of Minority Shareholders in Special Transactions* ("MI 61-101"), which may include one or more of the following requirements (unless exempt from such requirement as the nature and context of the transaction may permit, including an exemption where the transaction is a lease of real property on reasonable commercial terms that, considered as a whole, are not less advantageous to the REIT than if the lease was with a person acting at arm's length to the REIT and the existence of such lease has been generally disclosed):

- Where the fair market value of the transaction or consideration for the transaction exceeds 25% of the REIT's market capitalization (including REIT Units and Class B LP Units in accordance with the exemptive relief previously obtained by the REIT), the REIT must:
 - receive approval of the transaction by a majority of the unitholders, excluding the Related Party and other "interested parties" and persons acting jointly with the Related Party, at a meeting of unitholders called for such purpose; and
 - obtain and publicly file a formal valuation in respect of the transaction.
- A material change report filed by the REIT in connection with a Related Party transaction, regardless of its size, must contain the information prescribed by MI 61-101, including:
 - a description of the interest of the Related Party in the transaction;
 - the review and approval process adopted by the Trustees in respect of the transaction, including any materially contrary view or abstention by a Trustee;

- disclosure of any minority approval and formal valuation exemptions relied upon by the REIT and the facts supporting such exemptions; and
- if closing of the Related Party transaction is to occur within 21 days of the date of the material change report, an explanation why a shorter period is reasonable or necessary in the circumstances.

In addition to the foregoing, any transaction with a Related Party where Units of the REIT (or securities exchangeable for Units of the REIT, including Class B LP Units) may be issued in consideration therefor, in whole or in part, is subject to the approval of the TSX and, if required by unitholders.

TRANSACTIONS EXEMPT FROM THIS POLICY

Subject to compliance with the REIT's Declaration of Trust, applicable securities laws and TSX rules, the following transactions with Related Parties are not subject to this Policy:

- (a) any transactions approved by the Independent Trustees as part of the REIT's annual budget approval process;
- (b) payments to the applicable member of the Dilawri Group under the Administration Agreement provided any changes to the amount payable or any additional services to be provided by such member of the Dilawri Group under that agreement where additional payments may be required is subject to this Policy (subject as provided in (a) above);
- (c) any compensation payable to senior management and Trustees if the compensation is required to be reported in the REIT's proxy circular; and
- (d) any transaction where the Related Party's interest arises solely from the ownership of the REIT's Units or Class B LP Units and all holders of the REIT's Units receive the same benefit on a pro rata basis (such as distributions in cash or kind or the issuance of rights).