

PRESS RELEASE

FOR IMMEDIATE RELEASE

November 10, 2020

FRONSAC ANNOUNCES PUBLIC OFFERING OF UNITS, PRIVATE PLACEMENT OF CONVERTIBLE DEBENTURES AND AGREEMENT TO ACQUIRE 5 GROCERY STORE PROPERTIES IN QUÉBEC, NOVA SCOTIA AND ONTARIO

Not for Distribution to United States Newswire Services or for Dissemination in the United States

Montreal (Québec) - (TSX-V: FRO.UN) Fronsac Real Estate Investment Trust (the “REIT” or “Fronsac”) is pleased to announce that it has agreed to acquire five grocery store properties leased to affiliated brands of Loblaws™ located in Beauport, QC, Roberval, QC, Sydney, NS, New Glasgow, NS, and Kirkland Lake, ON (collectively, the “**Acquisition Properties**”), its intention to undertake a public offering (the “**Public Offering**”) of units of Fronsac (the “**Units**”) and its intention to undertake a private placement (the “**Private Placement**”) of convertible debentures of Fronsac (the “**Convertible Debentures**”).

The REIT also announces that it has completed today the previously-announced consolidation of the issued and outstanding Units on a basis of one (1) post-consolidation Unit for every ten (10) pre-consolidation Units.

Acquisition Properties

The Acquisition Properties are comprised of five grocery stores located in Québec, Nova Scotia and Ontario, aggregating approximately 246,000 square feet of gross leasable area. The Acquisition Properties are 100% occupied, with a weighted average remaining lease term of approximately 6.1 years, and are all single-tenant properties leased on a triple net basis.

The combined net operating income in respect of the Acquisition Properties is approximately \$3.0 million, representing a 7.0% weighted average capitalization rate based on the aggregate purchase price of approximately \$43.4 million (excluding transaction costs).

Public Offering of Units

The REIT is expected to raise gross proceeds of up to \$15.0 million pursuant to the Public Offering. The Public Offering is being made through a syndicate of agents co-led by Paradigm Capital Inc. and Canaccord Genuity Corp., acting as joint bookrunners (collectively, the “**Agents**”). The offering price of the Units (the “**Offering Price**”) will be determined by the REIT and the Agents in the context of the market. The REIT has granted the Agents an option to offer for sale up to an additional \$2,250,000 in Units, on the same terms and conditions, exercisable in whole or in part at any time until 30 days after closing, to cover any over-allotments, if any, and for market stabilization purposes. The Public Offering is expected to close on or about November 25, 2020 and is subject to customary conditions, including the entering into of a definitive agency agreement and receipt of all regulatory approvals, including the approval of the TSX Venture Exchange (the “**TSX-V**”). The Units will be offered by way of a short form prospectus to be filed with the securities commissions and other similar regulatory authorities in each of the provinces of Canada.

The Public Offering will be made on a “best efforts” agency basis and is subject to market conditions, and there can be no assurance as to whether or when the Public Offering may be completed, or as to the final size and terms of the Public Offering.

Certain trustees and members of management of the REIT have indicated an interest in purchasing Units as part of the Public Offering.

A copy of the preliminary short form prospectus of the REIT is available under the REIT’s profile on SEDAR at www.sedar.com or may be obtained by contacting the Agents. The REIT’s preliminary short form prospectus is subject to completion or amendment. There will not be any sale or any acceptance of an offer to buy the Units until a receipt for the final short form prospectus has been issued and a copy thereof has been sent to the purchaser.

Private Placement of Convertible Debentures

The Convertible Debentures will be offered for minimum gross proceeds of \$5.0 million (the “**Minimum Private Placement**”) and maximum gross proceeds of approximately \$8.0 million (the “**Maximum Private Placement**”) to the REIT. The Convertible Debentures will mature five (5) years from their date of issuance, will bear an annual interest rate of 6.0% payable semi-annually, and will be convertible into Units at a conversion price equal to 125% of the Offering Price (the “**Conversion Price**”). Fronsac will have the right to redeem the Convertible Debentures on or after the third anniversary of their issuance should the closing price of the Units on the TSX-V be higher than 135% of the Offering Price for a period of forty-five (45) consecutive trading days. At any time upon giving 10 days’ advance written notice to the holders of the Convertible Debentures, the REIT may force the conversion of the principal amount of the then outstanding Convertible Debentures into Units at the Conversion Price if the closing price of the Units on the TSX-V is greater than 135% of the Conversion Price for any forty-five (45) consecutive trading days. The Private Placement is expected to close prior to the closing of the Public Offering and is subject to customary conditions, including the entering into of definitive subscription agreements with investors and receipt of all regulatory approvals, including the approval of the TSX-V. The Convertible Debentures and the Units issuable upon conversion of the Convertible Debentures will be subject to a hold period under applicable Canadian securities laws.

Use of Proceeds

Assuming the Public Offering is fully subscribed, the REIT intends to use the net proceeds of the Public Offering and the Private Placement as follows:

- (i) approximately \$10.4 million to partially fund the acquisition of the Acquisition Properties;
- (ii) approximately \$7.3 million to repay a portion of the outstanding indebtedness under certain of Fronsac’s credit facilities, including additional indebtedness incurred in connection with the acquisition of a 50%-interest in two properties located in Drummondville, QC, which is expected to close on November 22, 2020;
- (iii) approximately \$1.0 million for expenses incurred by the REIT in connection with the Public Offering and the Private Placement;
- (iv) approximately \$0.8 million for real estate transaction costs expected to be incurred in connection with the acquisition of the Acquisition Properties, primarily comprised of land

- transfer and other taxes, insurance, bank underwriting fees, legal fees and third-party consultant fees; and
- (v) approximately \$0.5 million, assuming the completion of the Minimum Private Placement, and approximately \$3.5 million, assuming the completion of the Maximum Private Placement, for working capital and general trust purposes.

About Fronsac – Fronsac Real Estate Investment Trust is an open-ended trust that acquires and owns high quality triple net and management-free commercial real estate properties.

Forward-Looking Statements – This press release contains forward-looking statements and information as defined by applicable securities laws. Fronsac warns the reader that actual events may differ materially from current expectations due to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from the results anticipated in such statements. Such risks, uncertainties and other factors include the risk that the Public Offering and the Private Placement may not be completed on favorable terms or at all, the risk that Fronsac may not be able to obtain all necessary regulatory and stock exchange approvals, including the approval of the TSX-V, the risk that Fronsac may apply the net proceeds of the Public Offering and the Private Placement differently than as stated herein depending on future circumstances, the risks related to economic conditions, including the risks related to the impacts of the current Covid-19 pandemic on the REIT's tenants and the real estate market, the risks associated with the local real estate market and real estate activities generally, the risks related to the dependence on the financial condition of tenants, the changes in interest rates, the availability of financing in the form of debt or equity and the effects related to the adoption of new accounting standards, as well as other risks, uncertainties and factors to be described in the preliminary short form prospectus of Fronsac and described from time to time in the documents filed by Fronsac with the securities commissions and similar regulatory authorities, including Fronsac's annual information form and management's discussions and analysis. Fronsac does not intend or undertake to update or modify its forward-looking statements even if future events occur or for any other reason, unless required by law or any regulatory authority.

Neither the TSX Venture Exchange Inc. nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts any responsibility for the adequacy or accuracy of this release.

For further information please contact Jason Parravano at (450) 536-5328.