

The Special Committee of the Board of Trustees of SpruceLand Properties Inc.
16880-111 Avenue
Edmonton, AB T5M 4C9

January 22, 2016

To the Special Committee:

Quantum Advisory Inc. (“Quantum”) understands that SpruceLand Properties Inc. (“SPI” or the “Company”) has entered into the following proposed transactions (the “Proposed Transaction”) to effectively sell all of the Company’s 24 real estate properties for aggregate proceeds of \$106.9 million comprised of the following:

- 17 commercial properties to be sold by SPI to 5 purchasers for a total purchase price of \$61 million to be satisfied by:
 - the assumption of mortgages with a principal balance of approximately \$31.5 million; and,
 - cash payments approximating \$29.5 million.
- 2 manufactured home community properties to be sold by SPI to one purchaser for a purchase price of \$40.6 million to be satisfied by:
 - the assumption of mortgages with a principal balance of approximately \$6 million; and,
 - cash payments approximating \$34.6 million.
- 5 remaining SPI properties to be sold individually for aggregate proceeds estimated at \$5.3 million by management of the Company.

We understand that the Company intends to wind-up its operations and distribute the net proceeds to SPI’s shareholders as follows:

- Selling SPI’s 24 real estate properties (\$106.9 million) and realizing upon the Company’s remaining assets (\$14.3 million) with aggregate proceeds estimated at \$121.2 million;
- Assumption of \$37.5 million in principal balances of SPI mortgages by the 6 purchasers;
- Paying SPI’s remaining liabilities estimated at \$19.2 million; and,
- Winding-up operations and distributing net proceeds estimated at \$64.5 million representing approximately \$44.00 per common share to SPI’s shareholders.



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Engagement of Quantum

SPI's Board of Directors has constituted a Special Committee. Pursuant to an executed engagement letter dated December 15, 2015 (the "Engagement Letter"), SPI at the direction of the Special Committee retained the services of Quantum. Quantum's services under its engagement include the preparation and delivery to the Special Committee of an opinion as to the fairness, from a financial point of view, of the Proposed Transaction from the perspective of SPI's shareholders (the "Fairness Opinion").

Quantum understands that the Fairness Opinion and/or a summary thereof will be included in an Information Circular (the "Circular") to SPI's shareholders and, subject to the approval and other terms of the Engagement Letter, Quantum consents to such disclosure.

Quantum is entitled to a fee for the preparation of the Fairness Opinion to the Special Committee. The fees to be received by Quantum in respect of the Fairness Opinion are not contingent on either the conclusion of the Fairness Opinion or the completion of the Proposed Transaction or any alternative transaction. SPI has also agreed to reimburse Quantum for its reasonable out-of-pocket expenses and to indemnify Quantum in respect of certain liabilities that may arise from the engagement.

Quantum has not been asked to prepare a formal valuation of SPI and the Fairness Opinion should not be construed as such. Quantum has, however, conducted such valuation and other analyses as it considered relevant in the circumstances to support the Fairness Opinion.

Credentials of Quantum

Quantum is an independent firm that provides valuation, transaction and financing advisory services. The firm provides advisory services for acquisitions, divestitures, mergers, management buyouts, transactions between shareholders, employee share ownership plans, shareholder agreements, succession plans and fairness opinions as well as for accounting, income tax, estate and litigation purposes.

Quantum and team members involved in preparing this Fairness Opinion have previously completed over 40 engagements in the real estate industry sector.

Quantum has previously been retained by SPI to undertake an independent valuation of SPI's common shares as at June 30, 2012, June 30, 2013, June 30, 2014 and June 30, 2015 for purposes of the Company's Dividend Reinvestment Plan ("DRIP"). The DRIP provided SPI's shareholders the option to reinvest SPI dividends into common shares of the Company.

Quantum's engagement lead for the Fairness Opinion is a Chartered Business Valuator ("CBV"). Accordingly, Quantum has prepared the Fairness Opinion in conformity with the practice standards of The Canadian Institute of Chartered Business Valuators ("CICBV").



Independence of Quantum

Quantum believes that it is independent of SPI, as determined in accordance with Section 6.1 of Multilateral Instrument 61-101 (Protection of Minority Security Holders in Special Transactions) of the Securities Act (Ontario). Quantum is not an insider, associate or affiliate (as such terms are defined in the *Securities Act* (Ontario)) of SPI, and Quantum has not acted as a financial advisor to the Company in respect to the Proposed Transaction.

Quantum believes that it has maintained its independence in undertaking the valuation of SPI's common shares as at June 30, 2012, June 30, 2013, June 30, 2014 and June 30, 2015 for purposes of the Company's Dividend Reinvestment Plan ("DRIP") pursuant to an engagement letter between SPI and Quantum dated August 27, 2012.

Scope of Review

In preparing the Fairness Opinion, Quantum has reviewed and/or relied upon, amongst other things:

1. The terms of the Proposed Transaction as disclosed to Quantum by the Special Committee and management of the Company.
2. SPI's corporate structure as at December 31, 2015, as prepared by management of the Company;
3. SPI's Annual Report for the fiscal year ended June 30, 2015;
4. SPI's Management Information Circular and Proxy Statement dated October 2, 2014;
5. Quantum's valuation reports determining the fair market value of SPI's common shares for purposes of the Company's Dividend Reinvestment Plan ("DRIP") as at June 30, 2012, June 30, 2013, June 30, 2014 and June 30, 2015;
6. The audited financial statements of SPI for the fiscal years ended June 30, 2012, June 30, 2013, June 30, 2014 and June 30, 2015;
7. The unaudited financial statements of SPI for the three months ended September 30, 2014 and the three months ended September 30, 2015, as prepared by management of the Company;
8. The unaudited financial statements of 715555 Alberta Ltd and Coventry Lands Group Inc. (SPI's equity accounted joint ventures) for the fiscal year ended June 30, 2015, the three months ended September 30, 2014 and the three months ended September 30, 2015, as prepared by management of the Company;
9. A summary of normalization adjustments to SPI's revenue and Earnings Before Interest Taxes Depreciation & Amortization ("EBITDA") for the twelve months ended September 30, 2015, as prepared by Quantum and approved by management of the Company;
10. A budget providing the net profit anticipated to be earned by SPI for the three months ended December 31, 2015, as prepared by management of the Company;
11. A pro-forma balance sheet for SPI as at December 31, 2015, as prepared by Quantum and approved by management of the Company;



12. SPI's Dividend Reinvestment Plan ("DRIP") dated June 30, 2008;
13. A summary of the common shares issued from July 1, 2011 to September 30, 2015 relating to SPI's Dividend Reinvestment Plan ("DRIP"), as prepared by Quantum and approved by management of the Company;
14. SPI's Stock Option Plan dated February 21, 2007;
15. A summary of the common shares issued from July 1, 2011 to September 30, 2015 relating to SPI's Stock Option Plan, as prepared by Quantum and approved by management of the Company;
16. A summary of the common shares exercisable and related proceeds attributable to SPI's Stock Option Plan, as prepared by management of the Company;
17. A summary of transactions undertaken between SPI's shareholders from July 1, 2012 to December 31, 2015, as prepared by Quantum and approved by management of the Company;
18. The rent roll for SPI's income producing real estate properties, as prepared by management of the Company;
19. An overview of SPI's real estate properties by type and location, as prepared by Quantum and approved by management of the Company;
20. The internal valuation of SPI's real estate properties as at June 30, 2012, June 30, 2013, June 30, 2014, June 30, 2015 and December 31, 2015, as prepared by management of the Company;
21. A reconciliation of SPI's EBITDA to the Net Operating Income assumed in the internal valuation of SPI's income producing real estate properties, as prepared by management of the Company;
22. The adjusted cost base and undepreciated capital cost attributable to SPI's real estate properties as at June 30, 2015, as prepared by management of the Company;
23. A calculation of the disposition costs and income taxes attributable to the disposition of SPI's real estate properties, as prepared by Quantum and approved by management of the Company;
24. The Refundable Dividend Tax on Hand ("RDTOH") of SPI as at June 30, 2015, as provided by management of the Company;
25. An estimate of the costs attributable to winding up SPI, as provided by management of the Company;
26. A summary of offers received for material components of SPI's real estate in the 24 months preceding the effective date of this Fairness Opinion;
27. Other financial information obtained from SPI management relating to the Company's business;
28. Discussions with management of the Company and Special Committee with respect to the information referred to above, amongst other things; and,
29. Such other financial, market, and industry information and such other analyses as Quantum considered relevant and appropriate in the circumstances.



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Quantum was granted access to SPI's management and was not, to its knowledge, denied any requested information.

Based on the scope of review and the related timing of the drafting and delivery of the Fairness Opinion, the effective date of the Fairness Opinion is December 31, 2015.

Assumptions and Limitations

Quantum's Fairness Opinion is subject to the assumptions, qualifications and limitations set forth below. Quantum's role is limited to the preparation and delivery of the Fairness Opinion. We have not been requested to prepare, nor have we prepared, a formal valuation or appraisal of any of the assets or securities of SPI and our Fairness Opinion should not be construed as such, nor have we been requested to identify, solicit, consider or develop any potential alternatives to the Proposed Transaction.

With the Special Committee's approval and as provided for in the engagement agreement, Quantum has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, advice, opinions or representations obtained by it from public sources and management of SPI (collectively, the "Information"). The Fairness Opinion is conditional upon the completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgment, Quantum has not attempted to verify independently the completeness, accuracy or fair presentation of any of the Information. Quantum has further assumed that financial budgets provided by management of SPI and used in Quantum's analysis were prepared in good faith.

Management of SPI have represented to Quantum in certificates delivered as of the date hereof, amongst other things, that (i) the Information (as defined above) provided orally by, or in the presence of, officers of SPI or in writing by SPI or any of their subsidiaries to Quantum relating to the Company or any of its subsidiaries or to the Proposed Transaction, for the purpose of preparing the Fairness Opinion was, at the date the Information was provided to Quantum, and is complete, true and correct in all material respects, and did not, and does not, contain any untrue statement of a material fact in respect of the Company, its subsidiaries or the Proposed Transaction, and did not, and does not, omit to state a material fact in respect of the Company, its subsidiaries or the Proposed Transaction necessary to make the Information not misleading in the light of circumstances under which the Information was made or provided; and that (ii) since the dates on which the Information was provided to Quantum, except as disclosed in writing to Quantum, or as publicly disclosed by the Company, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company or any of its subsidiaries and no material change has occurred in the Information or any part thereof that would have, or that would reasonably be expected to have, a material effect on the Fairness Opinion.

In preparing the Fairness Opinion, Quantum has assumed that all conditions precedent to the completion of the Proposed Transaction can be satisfied in due course, and that all consents, permissions, exemptions or orders of relevant regulatory authorities will be obtained, without adverse condition or qualification.

The Fairness Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof and the condition and prospects, financial and



otherwise, of the Company and its subsidiaries, joint ventures and affiliates, as they were reflected in the Information and as they have been represented to Quantum in discussions with management of SPI. In its analyses and in preparing the Fairness Opinion, Quantum made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Quantum or any party involved in the Proposed Transaction.

The Fairness Opinion has been provided for the use of the Special Committee and SPI's Board of Directors (the "Board") and may not be used by any person or relied upon by any person, other than the Special Committee or the Board, without the express prior written consent of Quantum. The Fairness Opinion is given as of the date hereof and Quantum disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion that may come or be brought to Quantum's attention after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Fairness Opinion after the date hereof, Quantum reserves the right to change, modify or withdraw the Fairness Opinion.

This Fairness Opinion should not be construed as a recommendation to SPI's shareholders to accept or reject the Proposed Transaction.

Quantum believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Fairness Opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

Overview of SPI

SPI is an Alberta based company with its head office located in Edmonton. SPI is engaged in the ownership, management and development of commercial and residential real estate properties primarily in Alberta and to a lesser extent British Columbia and Saskatchewan. SPI had ownership interests in 24 real estate properties as at December 31, 2015. SPI is a Canadian controlled private corporation for income tax purposes. SPI has over 300 shareholders and is a reporting issuer to the Alberta Securities Commission. SPI's common shares are not traded on any stock exchange.



Fairness Considerations

(A) Valuation Based on SPI's Real Estate Properties

The following summarizes SPI's real estate properties based on the Company's past internal valuations and based on the Proposed Transaction:

	Value (\$000's)		
	Income Producing Properties	Development Properties	Total (C=A+B)
	(A)	(B)	
SPI Internal Valuation:			
June 30, 2012	\$89,630	\$700	\$90,330
June 30, 2013	\$95,585	\$700	\$96,285
June 30, 2014	\$103,558	\$3,321	\$106,879
June 30, 2015	\$109,855	\$700	\$110,555
SPI - Proposed Transaction	\$106,440	\$525	\$106,965
% of total	99.51%	0.49%	100.00%

A primary approach adopted by SPI management in the internal valuation of its income producing properties is based on the capitalized net operating income approach. We understand that SPI's internal valuation process includes input from a qualified independent appraisal firm and the review by the Company's auditors. We understand that the selling price of three SPI real estate dispositions from June 30, 2012 to June 30, 2015 approximated the most recent internal valuation for the properties sold. The following summarizes the net operating income, value and capitalization rate based on SPI's internal valuation of its income producing properties and based on the Proposed Transaction:

	(\$000's)		
	Net Operating Income	Value of Income Producing Properties	Capitalization Rate
	(A)	(B)	(C=A/B)
SPI Internal Valuation:			
June 30, 2012	\$6,621	\$89,630	7.39%
June 30, 2013	\$6,769	\$95,585	7.08%
June 30, 2014	\$7,304	\$103,558	7.05%
June 30, 2015	\$7,609	\$109,855	6.93%
4 Year Simple Average			7.11%
SPI - Proposed Transaction	\$7,562	\$106,440	7.10%



The following summarizes our noteworthy comments and observations:

- The capitalization rate of 7.10% based on the Proposed Transaction is .17% higher than the capitalization rate of 6.93% based on SPI's internal valuation as at June 30, 2015. The increase of .17% (which results in a lower value) is primarily attributable to the general decrease in the value of commercial and multi-residential real estate in Western Canada which is consistent to the decrease that we observed in the unit/share price from June 30, 2015 to December 31, 2015 for eight publicly traded Real Estate Investment Trusts ("REITs") with significant Western Canada exposure and the publicly traded REITs in general.
- the capitalization rate of 7.10% based on the Proposed Transaction is consistent with the average capitalization rate of 7.11% based on SPI's internal valuation for its most recent four fiscal years.

The Proposed Transaction is considered fair to SPI's shareholders based on a capitalization rate of 7.10% for SPI's income producing properties valued at \$106.4 million as at December 31, 2015. The value of SPI's development properties of \$525,000 representing less than 1% of the Company's real estate properties as at December 31, 2015 is considered to be immaterial. Accordingly, the Proposed Transaction is considered fair to SPI's shareholders based on a value of \$106.9 million for SPI's real estate properties as at December 31, 2015.

(B) Valuation Based on Liquidation Value of SPI's Common Shares

One of the valuation approaches adopted by Quantum in the valuation of SPI's common shares for purposes of the Dividend Reinvestment Plan ("DRIP") was based on the liquidation value of the net assets of the Company. This approach would be consistent to SPI's plan pursuant to the Proposed Transaction to wind-up its operations and to distribute the net proceeds attributable to its net assets to SPI's shareholders. The following summarizes the value of SPI's real estate properties and related liquidation value attributable to SPI's common shares based on Quantum's DRIP valuation and based on the Proposed Transaction:

	<u>Value of SPI Real Estate Properties (\$000's)</u>	<u>Liquidation Value Per SPI Common Share</u>
Quantum DRIP Valuation as at:		
June 30, 2012	\$90,330	\$37.27
June 30, 2013	\$96,285	\$41.17
June 30, 2014	\$106,879	\$41.53
June 30, 2015	\$110,555	\$46.81
SPI - Proposed Transaction	\$106,965	\$44.00



The Proposed Transaction at \$44.00 per SPI common share is \$2.81 lower than the most recent liquidation value of \$46.81 per SPI common share as at June 30, 2015. The decrease of \$2.81 per SPI common share is primarily attributable to the general decrease in the value of commercial and multi-residential real estate in Western Canada which is consistent to the decrease that we observed in the unit/share price from June 30, 2015 to December 31, 2015 for eight publicly traded Real Estate Investment Trusts (“REITs”) with significant Western Canada exposure and the publicly traded REITs in general.

The Proposed Transaction based on value of \$106.9 million for SPI’s real estate properties is considered fair to SPI’s shareholders based on the Company’s liquidation value of \$44.00 per common share.

(C) Valuation Based on Implied Multiple of Revenue and EBITDA

Quantum undertook an independent analysis of 37 publicly traded Real Estate Investment Trusts (“REITs”) of which eight had significant exposure to Western Canada to compare their Enterprise Value as a multiple of Revenue and EBITDA to the comparable multiples implied based on the Proposed Transaction summarized as follows:

	Number of REITs	Enterprise Value (Note 3) Multiple of	
		Revenue (Note 1)	EBITDA (Notes 1, 2)
REITs - All	37	9.54x	16.05x
REITs - Significant Exposure to Western Canada	8	9.88x	16.24x
SPI - Proposed Transaction (Note 4)		9.82x	15.51x

Notes:

- 1 Trailing Twelve Months Ended September 30, 2015.
- 2 EBITDA - Earnings Before Interest Taxes Depreciation & Amortization
- 3 Enterprise Value is comprised of the value of the equity and debt net of cash.
- 4 Implied value of SPI real estate properties is \$106.9 million based on the Proposed Transaction.

The Proposed Transaction based on a value of \$106.9 million for SPI’s real estate properties is considered fair to SPI’s shareholders as the Company’s implied multiple of revenue and EBITDA were consistent to the publicly traded REITs.

(D) Alternative Offers for the Common Shares or Material Assets of SPI

Quantum understands that there have been no prior en bloc offers for the common shares of SPI in the 24 months prior to the date of this Fairness Opinion.

SPI has provided Quantum with a summary of offers that the Company has received for material portions of the Company’s real estate properties in the 24 months prior to the effective date of this Fairness Opinion. Based on our review, the purchase price of the real estate properties being sold pursuant to the Proposed Transaction compared favorably to the alternative offers submitted to the Company.



Accordingly, the Proposed Transaction is considered fair to SPI's shareholders based on a value of \$106.9 million for SPI's real estate properties as at December 31, 2015.

(E) SPI Dividends and Transactions Among SPI Shareholders

The following summarizes the dividends and arms length common share transactions among SPI's shareholders from July 1, 2012 to December 31, 2015:

	Dividend Per SPI Common Share (Note 1)	Transactions Among SPI Shareholders	
		Price Per SPI Common Share (Note 2)	Number of Common Shares Transacted
Periods ended:			
Year ended June 30, 2013	\$0.55	\$16.34	20,100
Year ended June 30, 2014	\$0.60	\$18.56	30,646
Year ended June 30, 2015	\$0.65	\$21.27	7,400
Six months ended December 31, 2015	\$0.70	\$22.50	1,500
Total			<u>59,646</u>

Notes:

- 1 Include taxable and capital dividends.
- 2 Represents weighted average price.

The following summarizes our noteworthy comments and observations:

- SPI's dividends have increased progressively from \$.55 to \$.70 per SPI common share over the most recent 3 years. Assuming \$.70 in dividends per common share per annum, the net proceeds of the Proposed Transaction of \$44.00 per common share would approximate 63 years of dividends.
- SPI's common shares are not listed on a public exchange therefore lack liquidity. The 59,646 common shares traded among SPI shareholders from July 1, 2012 to December 31, 2015 represent approximately 4% of the Company's issued and outstanding common shares. The net proceeds of the Proposed Transaction of \$44.00 per common share is approximately two times the price of \$22.50 per SPI common share based on the most recent transactions among SPI's shareholders. The lack of liquidity is considered to be a primary reason for the discount in the common share price for transactions among SPI shareholders relative to the proceeds per common share attributable to the Proposed Transaction.

The Proposed Transaction was considered fair to SPI's shareholders based on its net proceeds of \$44.00 per common share being favorable relative to the Company's prior dividends per common share and the selling price of the SPI common shares among the Company's shareholders.



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Conclusion

Based on the scope of our review and the assumptions and considerations noted herein, it is our opinion that as at the December 31, 2015 effective date, that the Proposed Transaction is fair from the perspective of SPI's shareholders.

Yours very truly,

Quantum Advisory Inc.

Quantum Advisory Inc.