

2018 ANNUAL INFORMATION FORM

November 26, 2018

Madison Pacific Properties Inc.
389 West 6th Avenue
Vancouver, B.C.
V5Y 1L1

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In this Annual Information Form all information is presented as at August 31, 2018 and in \$000 except per share amounts and unless otherwise indicated.

FORWARD-LOOKING STATEMENTS

This Annual Information Form contains forward-looking statements regarding the future success of the Company's business that are subject to risk and uncertainties. Examples of such forward-looking statements include, but are not limited to, statements concerning the estimated amount of potential tax reassessments, management's belief that the Company is positioned to achieve market rental rates within the markets in which it operates, the Company's expectation to renew mortgage loans as they become due, the Company's expectation to hold interest rate swap contracts and the related floating rate mortgages until maturity, the Company's belief that loan facilities together with funds on hand and cash generated from operations should provide adequate liquidity and sufficient funds to pay for potential tax reassessments, and the Company's expectation to pay dividends. The material factors and assumptions used to develop forward looking information includes the current level of interest rates in the market, current relationships with the Company's lenders, current capitalization rates and long-term lease agreements supporting income expectations to utilize tax losses.

These forward-looking statements involve known and unknown risks and uncertainties that may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied in these forward-looking statements. These risks include risks related to the real estate industry generally, changes in interest rates and demand for industrial and commercial rentals, illiquidity of real estate investments, non-renewal of tenant leases, fluctuation in real estate values, geographic concentration of the business, environmental matters, uninsured losses and income tax risk including reassessment and the sufficiency of taxable income to utilize losses and undeducted expenditures. Although the forward-looking statements contained herein are based upon what management believes to be current and reasonable assumptions, the Company cannot assure

readers that actual results will be consistent with these forward-looking statements. The forward-looking statements contained herein are made as of the date of this Annual Information Form and are expressly qualified in their entirety by this cautionary statement. Except as required by law, the Company undertakes no obligation to publicly update or revise any such forward-looking statements to reflect any change in its expectations or in events, conditions or circumstances on which any such forward-looking statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements.

CORPORATE STRUCTURE

Madison Pacific Properties Inc. (“Madison” or the “Company”) is a Vancouver-based real estate company. The head office of Madison is located at 389 West 6th Avenue, Vancouver, British Columbia, V5Y 1L1 and the registered office is located at 25th Floor, Toronto-Dominion Bank Tower, 700 West Georgia Street, Vancouver, British Columbia, V7Y 1B3.

Madison was incorporated under the laws of the Province of Nova Scotia on April 30, 1963; was continued into British Columbia on November 7, 1988; changed its name to Princeton Mining Corporation (“Princeton”) on November 16, 1988 and subsequently continued under the Canada Business Corporations Act in 1990. In 1998 Princeton changed its name to Madison and acquired a portfolio of income producing real estate assets in exchange for Class B voting common shares and Class C non-voting shares.

Inter-corporate Relationships

Madison owns 100% of the equity of MP Western Properties Inc. (“MP Western”). MP Western was incorporated under the laws of the Province of Ontario and was subsequently continued under the Canada Business Corporations Act. MP Western owns 100% of 1073774 Properties Inc. (“1073774”), which is incorporated pursuant to the Business Corporations Act (British Columbia). Madison owns 100% of the equity of 3530639 Canada Inc. (“3530639”) (formerly The Spectra Group of Great Restaurants Inc.). 3530639 is a Canada Business Corporations Act corporation. Madison owns 50% of the equity of 1100935 B.C. Ltd. (“1100935”) which is incorporated pursuant to the Business Corporations Act (British Columbia). Madison owns 100% of the equity of Madison Silverdale Developments Corp. (“MSD”), which is incorporated pursuant to the Business Corporations Act (British Columbia). MSD has a 50% interest in the Silverdale Hills Limited Partnership (the “Silverdale Hills LP”). Madison owns 99.75% of the equity of Metro Vancouver Properties Corp. (“MVP”) (formerly Migenix Inc), consisting of 39.5% of its voting common shares and 100% of its non-voting shares. MVP is incorporated pursuant to the Business Corporations Act (British Columbia). MVP has a 99.9% interest in the MPW Properties Partnership (“MPW”) and a 60.9% interest in the MT Properties Limited Partnership (“MT Properties LP”). MVP owns 100% of the equity of Madison Developments 2800 Barnet Ltd. (“MDB”), which is incorporated pursuant to the Business Corporations Act (British Columbia). MDB has a 50% interest in the 2798 Barnet Development Limited Partnership (the “Barnet LP”).

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Madison's portfolio of properties is comprised primarily of industrial, commercial retail, and office real estate located primarily in the Metro Vancouver region. Madison also has an interest in undeveloped residential lands in Mission, British Columbia through the Silverdale Hills LP. Outside of the Metro Vancouver region, Madison has properties located in the British Columbia cities of Whistler, Abbotsford, Chilliwack, Mission, and Kelowna. Outside of British Columbia, Madison has properties located in Calgary and Edmonton, Alberta, and Sudbury, Mississauga, and Monctonville, Ontario. Madison is currently developing industrial properties in Burnaby, British Columbia.

Madison has two investment properties held through separate 50/50 joint ventures where the lands have residential and mixed-use development potential under the current respective official community plans. The Company, in conjunction with its joint venture partners, is currently investigating the feasibility and redevelopment potential of the properties, including rezoning requirements. See "Joint Venture Residential Developments" below.

The description of the business and assets of Madison contained in this Annual Information Form also includes the business and assets of MP Western, 1073774, 3530639, 1100935, MVP, MSD, MPW, MDB, the MT Properties LP, the Silverdale Hills LP, and the Barnet LP.

NARRATIVE DESCRIPTION OF THE BUSINESS

Principal Business Segment

Madison's principal business segment is the investment in and development of income producing real estate properties. These properties are currently located in British Columbia, Alberta, and Ontario with approximately 79.8% of the rentable area located in Metro Vancouver, 1.2% in the rest of British Columbia, 15.4% in Alberta and 3.6% in Ontario. Madison's investment in income producing real estate properties is summarized under "Income Property Portfolio". Madison has made an investment in undeveloped residential lands in Mission, British Columbia. See "Other Properties".

Income Property Portfolio

Madison's income property portfolio is comprised of interests in 1,505,850 sq. ft. of Net Rentable Area of industrial properties, with 1,109,810 sq. ft. held by Madison directly and 370,061 sq. ft. held through a 60.9% interest in the MT Properties LP, 120,559 sq. ft. of Net Rentable Area of retail/highway commercial properties of which 25,979 sq. ft. is held through a 50% interest in the Barnet LP, and 116,689 sq. ft. of Net Rentable Area of office properties for a combined total of 1,743,098 sq. ft.

As at November 26, 2018, Madison had a committed occupancy rate (excluding properties under development) for its Industrial Property Portfolio of 98.7%, its Retail/Highway-Commercial Property Portfolio of 100.0%, and its Office Property Portfolio of 100.0%. Overall occupancy at August 31, 2018 was over 98.9%.

The real estate portfolio is diversified over different product types and locations. Madison places emphasis on a high level of maintenance for its properties. Through the combination of well-located and well-maintained properties, Madison is positioned to achieve market rental rates within the markets in which it operates.

The following tables summarize Madison's property portfolio as at November 26, 2018:

Industrial Property Portfolio

<u>Property</u>	<u>Year Built</u>	<u>Net Rentable Area⁽²⁾ (Square Feet)</u>	<u>Percentage Leased and/or Committed</u>	<u>Significant Tenants</u>
<u>Vancouver, B.C.</u>				
Rupert Square I ⁽³⁾ 2750 – 2768 Rupert Street	1988	46,087	100%	Daiya Foods
Rupert Square II ⁽³⁾ 2774 – 2788 Rupert Street	1990	11,946	100%	Daiya Foods
3355 Grandview Highway ⁽³⁾	1965	48,275	100%	GVIC Communications, Daiya Foods
West 6 th Avenue and Yukon Street ⁽³⁾	1975	27,767	100%	Wolseley Canada, GVIC Communications, Madison's head office
325 West 6 th Avenue ⁽³⁾	1965	4,802	100%	Frontier Dental Laboratory
275 West 4th Avenue ⁽³⁾ and 1955 Columbia Street ⁽³⁾	1963	20,047	100%	Gescan
333-341 West 6th Ave ⁽³⁾	1962/1969	7,976	100%	Neopost, Innovior Construction
148 West 6 th Avenue ⁽³⁾ (50% interest) ⁽²⁾	1981(upgrade 2017)	6,510	100%	MacDonald Prescriptions (Lab)
170 West 6 th Avenue ⁽³⁾	1973	4,062	100%	Shaw Cablesystems
110 West 2 nd Avenue (50% interest) ⁽²⁾	1966(upgrade 2018)	2,452	100%	REW.ca
112-116 West 2 nd Avenue (50% interest) ⁽²⁾	2000	2,584	100%	Kirkland Metal Shop, AAA Flooring
118-122 West 2 nd Avenue (50% interest) ⁽²⁾	2000	2,584	100%	GVIC Communications
<u>Richmond, B.C.</u>				
13651-13851 Bridgeport Road ⁽³⁾	1972	71,304	100%	Midland Appliances, Arrow Speed Controls
11388 No. 5 Road (50% interest) ⁽²⁾	2003	38,842	100%	Hemlock Harling, Wismettac Asian Foods
11251 Dyke Road	2006	61,721	100%	Ideon Packaging Ltd.

<u>Property</u>	<u>Year Built</u>	<u>Net Rentable Area⁽²⁾ (Square Feet)</u>	<u>Percentage Leased and/or Committed</u>	<u>Significant Tenants</u>
11231 Dyke Road ⁽³⁾	2007	98,836	100%	Ace Millwork, BW Technologies, TFI Foods
<u>Delta, B.C.</u>				
1599-1607 Derwent Way	1991	87,397	100%	Maxim Technologies, Europlex
<u>Burnaby, B.C.</u>				
3811 North Fraser Way ⁽³⁾⁽⁵⁾	1954/2012	98,691	100%	Armature Electric, Golder Assoc., VanRx,
9000 Glenlyon Parkway ⁽³⁾	1996	117,000	100%	Ballard Power Systems
7800 Riverfront Gate ⁽³⁾	2001	70,522	100%	Core-Mark International
7700 Riverfront Gate ⁽³⁾ (50% interest) ⁽²⁾	2004	56,405	100%	Alpha Technologies
8315 Riverbend Court ⁽³⁾	2005	112,601	100%	Black Press Group Ltd. Westkey Graphics
4750 Tillicum Street ⁽³⁾⁽⁶⁾ (50% interest) ⁽²⁾	-	-	100%	In development
8155 North Fraser Way ⁽³⁾ (50% interest) ⁽²⁾	2017	22,075	100%	Western Integrated, Wyatt Holdings Inc.
<u>Langley, B.C.</u>				
26848 Gloucester Way ⁽⁴⁾	1999	99,472	100%	Taiga Building Products
26890 Gloucester Way ⁽⁴⁾	1999	39,486	100%	Taiga Building Products
26946 Gloucester Way ⁽⁴⁾ (land only)	-	-	100%	Taiga Building Products
Cell Tower-Gloucester Way ⁽⁴⁾	-	-	100%	SBA Canada
<u>Kelowna, B.C.</u>				
2545 Acland Rd. ⁽⁴⁾	1993	14,340	100%	Taiga Building Products
<u>Calgary, Alberta</u>				
4015 8th Street SE ⁽³⁾	1958	43,608	55%	Continental Electrical Motor Services Ltd.
5230 - 84th Street SE ⁽⁴⁾	2010	72,505	100%	Taiga Building Products
<u>Edmonton, Alberta</u>				
8909 15th Street NW ⁽³⁾	2010	45,125	100%	Continental Electrical Motor Services Ltd.

<u>Property</u>	<u>Year Built</u>	<u>Net Rentable Area⁽²⁾ (Square Feet)</u>	<u>Percentage Leased and/or Committed</u>	<u>Significant Tenants</u>
7605 - 67th Street NW ⁽⁴⁾	1969	52,308	100%	Taiga Building Products
10120 - 17th Street ⁽⁴⁾	1999	55,490	100%	Taiga Building Products
<u>Mississauga, Ontario</u>				
7855 Tranmere Drive ⁽³⁾	1991	26,570	100%	Madison Industrial Equipment Inc.
<u>Sudbury, Ontario</u>				
72 National Street ⁽⁴⁾	1995	13,760	100%	Taiga Building Products
<u>Monetville, Ontario</u>				
5782 Highway 64 ⁽⁴⁾	1990/2005	22,700	100%	Taiga Building Products
Total Industrial Properties		1,505,850		

Retail/Highway-Commercial Property Portfolio

<u>Property</u>	<u>Year Built</u>	<u>Net Rentable Area⁽²⁾ (Square Feet)</u>	<u>Percentage Leased and/or Committed</u>	<u>Significant Tenants</u>
<u>Vancouver, B.C.</u>				
1855 Fir Street (50% interest) ⁽²⁾	1941(upgrade 2010)	5,377	100%	Brougham Interiors
1625 West 3 rd Avenue (50% interest) ⁽²⁾	2010	2,186	100%	Brougham Interiors
<u>Richmond, B.C.</u>				
3351 Jacombs Road (50% interest) ⁽²⁾	1982	4,898	100%	Jordans Rugs
12800 Bridgeport Road	2015	9,434	100%	White Spot Restaurants, Massive Classic Furniture
<u>Coquitlam, B.C.</u>				
2800 Barnet Highway ⁽⁷⁾ (50% interest) ⁽²⁾	1984	25,979	100%	Rona
<u>Abbotsford, B.C.</u>				
32073 South Fraser Way	1958	27,845	100%	Rona

Chilliwack, B.C.

45656 Yale Road West	1981	28,020	100%	Rona
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White Rock, B.C.

14935 Marine Drive	1990	11,298	100%	Boathouse Restaurants
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Whistler, B.C.

4254-4262 Village Stroll ⁽¹⁾⁽³⁾	1981	3,029	100%	Whistler Village Sports
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4308 Main Street ⁽¹⁾⁽³⁾	1997	2,493	100%	Brickworks
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Total Commercial Property		120,559		
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Office Property Portfolio

<u>Property</u>	<u>Year Built</u>	<u>Net Rentable Area⁽²⁾ (Square Feet)</u>	<u>Percentage Leased and/or Committed</u>	<u>Significant Tenants</u>
<u>Vancouver, B.C.</u>				
1190 Homer ⁽³⁾	2000	37,016	100%	Cactus Club, Apple Canada Inc., The Cross Décor and Design Ltd.
1122 Mainland ⁽³⁾	1900/1989	79,673	100%	Select Wine Merchants, Aburi Restaurant, Zillow, Soul Cycle
Total Office Property		116,689		

Total Property Portfolio		1,743,098		
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Notes:

- (1) Properties owned in Whistler are commercial strata lots which form part of a larger development.
- (2) The net rentable area of properties 50% owned is shown as 50% of the total area for purposes of the above table.
- (3) Properties owned in MVP.
- (4) Net rentable area of properties owned by MT Properties is shown at 100% of the total area. The Company has a 60.9% controlling interest in MT Properties.
- (5) Unit 400 of this property, a separate free-standing building, is currently under development. 100 % of net rentable area of unit 400 of 53,550 square feet has been committed but is excluded from this figure.
- (6) Property currently under development. 100 % of net rentable area of 39,300 square feet has been committed. The Company is a 50% co-owner in this property (see note 2, above).
- (7) Property is currently owned by the Barnet LP, of which MVP owns a 50% interest.

Properties held for sale

As at August 31, 2018, no investment properties were classified as held for sale.

Industrial Property Portfolio

Rupert Square I & II & 3355 Grandview Highway, Vancouver

Rupert Square I, Rupert Square II and 3355 Grandview Highway are three free-standing buildings with leasable areas totalling 106,308 sq. ft. This development is located on 5.0 acres in the Grandview Highway Industrial area, with frontage to Rupert Street and Grandview Highway, Vancouver.

Grandview was substantially renovated in 1987. Rupert Square I and Rupert Square II were built on the undeveloped lands in 1988 and 1990 respectively.

West 6th Avenue and Yukon Street, Vancouver

This 27,767 sq.ft. industrial/office property is located in the Main/Cambie Industrial area between downtown Vancouver and the Broadway corridor and is within two blocks of the Canada Line rapid transit station on the route to the Vancouver International Airport. The building consists of 18,581 sq. ft. ground floor industrial/showroom space and 9,186 sq. ft. of second floor office space of which 4,507 sq. ft. is occupied by the Company.

325 West 6th Avenue, Vancouver

This property is located within the Main/Cambie Industrial area and is adjacent to our property at 333-341 West 6th Avenue. The building is 4,802 sq. ft. with a site area of 6,040 sq. ft.

275 West 4th Avenue, Vancouver

This building is located on the north east corner of 4th Avenue and Alberta Street in the Main/Cambie Industrial area. A significant renovation was completed in August 2013 and the building totalling 20,047 sq. ft. is leased to a single tenant.

333-341 West 6th Avenue, Vancouver

These properties were acquired in November 2013 and are comprised of two buildings totalling 7,976 sq. ft. These properties are located next to and on the same block as the Company's building located at West 6th Avenue and Yukon Street. These adjacent properties provide the company development potential in the future.

148 West 6th Avenue, Vancouver

This property was acquired in January 2016, is located in the Main/Cambie Industrial area and is co-owned on a 50/50 basis with a joint operations partner. The site area for the property is 10,065 sq. ft. and the building area is 13,020 sq. ft., which is 100% occupied by a party related to our partner.

170 West 6th Avenue, Vancouver

This property was acquired in August 2016 and is located in the Main/Cambie Industrial area. The building is 4,062 sq. ft. with a site area of 6,039 sq. ft.

110 West 2nd Avenue, Vancouver

This Property was acquired in January 2017, is located in the Main/Cambie Industrial area and is co-owned on a 50/50 basis with a joint operations partner. The site area for the property is 6,039 sq. ft. and the building area is 4,905 sq. ft. The property was recently retrofitted and has been leased to a single tenant.

112-116 West 2nd Avenue, Vancouver

This property was acquired in May 2017, is located in the Main/Cambie Industrial area and is co-owned on a 50/50 basis with a joint operations partner. The site is 6,039 sq. ft. and the building area is 5,167 sq. ft.

118-122 West 2nd Avenue, Vancouver

This property was acquired in May 2017, is located in the Main/Cambie Industrial area and is co-owned on a 50/50 basis with a joint operations partner. The site is 6,039 sq. ft. and the building area is 5,167 sq. ft.

13651-13851 Bridgeport Road, Richmond

This 71,304 sq. ft. multi-tenant industrial building is on 3.43 acres of land located on Bridgeport Road east of the Knight Street Bridge in Richmond.

11388 No. 5 Road, Richmond

This building is an office-warehouse building of 77,683 sq. ft. located on 3.2 acres in the Riverside Industrial Park in Richmond. This building was completed by Madison in 2003. This property is owned with a 50% joint operations partner.

11251 Dyke Road, Richmond

This 61,721 sq. ft. single tenant office-warehouse property is situated on 2.82 acres on the south arm of the Fraser River. Construction of this build-to-suit was completed November 2006.

11231 Dyke Road, Richmond

This 98,836 sq. ft. three-tenant building was completed in early 2007 and sits on 4.37 acres immediately west of 11251 Dyke Road.

1599-1607 Derwent Way, Delta

This 87,397 sq. ft. building is located within the Annacis Island Industrial Park and is situated on 3.57 acres of land.

3811 North Fraser Way, Burnaby

This 8.8 acre development site was acquired in July 2010. A redevelopment of a significant portion of the site was completed in early 2013. Three units were constructed with a combined total of approximately 98,691 sq. ft. All three units have been leased. A fourth unit, comprised

of a 53,550 sq. ft. separate free-standing building is scheduled for completion in February 2019 and has a committed tenant.

9000 Glenlyon Parkway, Burnaby

This 117,000 sq. ft. high tech facility is located within the Glenlyon Business Park. The building is situated on 8.0 acres of land.

7800 Riverfront Gate, Burnaby

Madison completed construction of this 70,522 sq. ft. concrete warehouse in late 2001. The building is located on a 4.1 acre site.

7700 Riverfront Gate, Burnaby

In 2004, Madison completed construction of this office-warehouse building of 112,810 sq. ft. on the 5.0 acre site. This property is owned with a 50% joint operations partner that is also the tenant.

8315 Riverbend Court, Burnaby

Madison completed construction of this 112,601 sq. ft. industrial/manufacturing building in 2005. The building is located on a 5.17 acre site in the Glenwood Estates area of Burnaby.

4750 Tillicum Street, Burnaby

Madison is scheduled to complete construction of this 39,300 sq. ft. industrial building, including tenant improvements, in December 2018. The building is located on a 1.82 acre site and has a committed tenant to take 100% of the space.

8155 North Fraser Way, Burnaby

Madison completed construction of this 44,149 sq. ft. industrial building in February 2017. The building is location on a 1.87 acre site. The property is owned with a 50% joint operations partner that has leased 20,413 sq. ft. of the building. The remaining space has been leased to a third party.

4015 8th St SE, Calgary

This 42,790 sq. ft. industrial building is located on 3.21 acres of land southeast of Calgary in the Highfield Industrial area.

8909 15th St NW, Edmonton

This 45,125 sq. ft. industrial building is located on 2.38 acres of land east of the City of Edmonton and within the Southeast Edmonton Industrial Area.

7855 Tranmere Dr, Mississauga

This 26,570 sq. ft. industrial building is located on 1.42 acres of land in the City of Mississauga established business district.

MT Properties Portfolio

Madison has a 60.9% interest in a portfolio of industrial properties through the MT Properties LP. The portfolio includes nine industrial properties located in British Columbia, Alberta, and Ontario. The properties, all of which are leased to a single tenant, Taiga Building Products, are as follows:

26848 Gloucester Way, Langley

This 99,472 sq. ft. industrial building and storage facility is located on 10.0 acres in Gloucester Industrial Estates in northeast Langley.

26890 Gloucester Way, Langley

This 39,486 sq. ft. industrial manufacturing building and storage facility is located on 6.0 acres in Gloucester Industrial Estates in northeast Langley.

26946 Gloucester Way, Langley

This 3.4 acre vacant land site is used for storage by the tenant and is located in Gloucester Industrial Estates in northeast Langley.

2545 Acland Road, Kelowna

This 14,340 sq. ft. industrial building and storage facility is located on 2.5 acres three kilometers from the Kelowna International Airport.

7605 67th Street N.W., Edmonton

This 52,308 sq. ft. industrial building and storage facility is located on 7.25 acres in the Girard Industrial District in southeast Edmonton.

10120 17th Street, Edmonton

This 55,490 sq. ft. industrial manufacturing building is located on 8.6 acres in the Sherwood Park District in northeast Edmonton.

5230 84th Street S.E., Calgary

This 72,505 sq. ft. industrial building and storage facility is located on 15.0 acres in the Patton Industrial District in southeast Calgary.

5782 Highway 64, Monetville

This 22,700 sq. ft. industrial manufacturing building and storage facility is located on 10.8 acres in Monetville, 80 kilometers from Sudbury.

72 National Street, Sudbury

This 13,760 sq. ft. industrial building and storage facility is located on 5.0 acres near Sudbury Town Centre.

Retail/Highway Commercial Property Portfolio

1855 Fir Street, Vancouver

This building, which was realigned and updated in 2010, totals 10,753 sq. ft. The site is located on the northwest corner of 3rd Avenue and Fir Street within three blocks of Granville Island. The site was converted to high end retail use from its previous industrial use. This property is owned with a 50% joint operations partner.

1625 West 3rd Avenue, Vancouver

This 4,373 sq. ft. building was constructed in 2010 and is located adjacent to our property at 1855 Fir Street. This property is owned with a 50% joint operations partner.

3351 Jacombs, Richmond

This building is a one-storey office-warehouse building of 9,795 sq. ft. located on 0.48 acres in the Bridgeport area of Richmond. Jordans Rugs is the sole tenant. The building has easy access from the Knight Street Bridge into Vancouver. This property is owned with a 50% joint operations partner who is also the tenant.

12800 Bridgeport Road, Richmond

This 9,434 sq. ft. multi-tenant retail development was completed in January 2016. The major tenant at this location is White Spot Restaurants.

2800 Barnet Highway, Coquitlam

This single-tenant building of 51,958 sq. ft. is located on 4.47 acres. The property has frontage along Barnet Highway and Johnson Street. Of the total rentable area, 25,904 sq. ft. is unheated space. The property is leased to Rona. In 2018, the Company sold this property to the Barnet LP, of which the Company has a 50% interest, for the purpose of rezoning and redeveloping the property to residential and commercial uses. The other 50% interest in the Barnet LP is owned by a residential developer. Rezoning and redevelopment of the property is subject to successful rezoning and market conditions. The lease with Rona expires in December 2021. See “Joint Venture Residential Developments” below.

32073 South Fraser Way, Abbotsford

This single-tenant building of 27,845 sq. ft. is located on 4.0 acres. The property has frontage along both South Fraser Way and Old Yale Road. Of the total rentable area, 11,854 sq. ft. is unheated space. The property is leased to Rona. The Company is undertaking planning to redevelop this site for multi-tenant retail use.

45656 Yale Road West, Chilliwack

This single-tenant building of 28,020 sq. ft. is located on 4.0 acres. The property has frontage along Yale Road West and Airport Road. Of the total rentable area, 13,440 sq. ft. is unheated space. The property is leased to Rona.

14935 Marine Drive, White Rock

This asset is only a retail building which has been leased to the Boathouse Restaurant. The building is situated on land leased on a long-term basis from a private land owner. The building has a gross floor area of 11,298 sq. ft.

4254-4262 Village Stroll, Whistler

The Clocktower Building is a landmark in the Whistler Village Town Centre area. It overlooks Mountain Square and is close to the base lift facilities for both Whistler and Blackcomb Mountains. The Clocktower is a strata titled development built in 1981. The commercial strata lots occupying the ground floor have a total net leasable area of 3,029 sq. ft.

4308 Main Street, Whistler

Delta Whistler Suites is located at the gateway to Whistler Village North, which is south of the Whistler Village Town Centre. The overall strata-titled development is a major resort condominium hotel with associated ground floor retail/commercial space completed in 1997. Five strata lots were acquired by Madison in 1999 of which three were sold in June 2013. The remaining two strata lots have a combined area of 2,493 sq. ft. and have been leased to a pub/restaurant operation.

Office Property Portfolio

1190 Homer Street, Vancouver

This multi-tenanted building is located in the Yaletown area of Vancouver. 1190 Homer Street is a four-storey building allowing office and retail uses and was renovated in 2000. The building has a rentable area of 37,016 sq. ft.

1122 Mainland Street, Vancouver

In 2004, Madison acquired this 79,673 sq. ft. heritage office building. This class 'B' office building consists of two contiguous structures, made up of a heritage building, which was originally constructed in 1900 and completely renovated in 1991 and a new building which was completed in 1989. Along with the four floors of office space, the building has a full level of

pedestrian oriented retail space situated on the Mainland Street frontage and underground parking.

Other Properties

Madison has a 50% interest in the Silverdale Hills LP which owns approximately 1,353 acres of undeveloped residential lands in Mission, British Columbia. In October 2018, the Silverdale Hills LP obtained approval from the District of Mission to develop 160 townhomes and 66 single family lots, which would consume approximately 34 acres of land inventory. Development of the project will be managed by the other 50% partner, a major residential developer. Development of the project is scheduled to commence in 2019. See “Joint Venture Residential Developments” below.

Competitive Conditions

Madison competes for suitable real property investments with other real estate investment companies, trusts, pension funds and other institutional investors. Many of these investors have greater financial resources than Madison. An increase in the availability of investment capital and an increase in demand for real property investments would likely result in increased competition for real property investments, thereby increasing purchase prices and reducing the yields from such investments.

Employees

Madison had 10 full-time employees as at November 26, 2018.

RISK FACTORS

The real estate industry is subject to various operating risks. In evaluating Madison and its business, an investor should consider carefully the following risk factors in addition to the other information contained herein.

Real Estate Industry

Investment properties are subject to varying degrees of risk. Such risks include changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an over-supply of space or a reduction in demand for real estate in the area), the attractiveness of the properties to tenants, competition from others with available space and the ability of Madison to provide adequate maintenance at an economic cost.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made regardless of whether or not a property is producing sufficient income to cover such expenses. The real estate properties of Madison are subject to mortgages that require ongoing debt payments and repayments of outstanding amounts on maturity. If Madison is unable or unwilling to make mortgage repayments on any property, losses could be sustained as a result of the lenders exercising their rights of foreclosure or sale.

Real estate is relatively illiquid. Such illiquidity will tend to limit Madison's ability to vary its portfolio promptly in response to changing economic or investment conditions. Financial difficulties of other property owners resulting in distress sales may further depress real estate values in many of the markets in which Madison operates.

Madison manages these risks through ownership of good quality properties combined with a diverse tenant base. As at August 31, 2018, no one tenant accounted for more than 14.60% (August 31, 2017 – 14.53%) of the rental revenue of Madison and lease maturities are staggered such that as at August 31, 2018, no more than 21.04% (August 31, 2017 - 20.44%) of the rental space was subject to renewal in any one year.

Revenue Producing Properties

The revenue producing properties of Madison generate income through rental receipts from tenants. Upon the expiry of any lease, there is no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Madison than the existing lease. Furthermore, at any time, a tenant of Madison's properties may seek the protection of bankruptcy, insolvency or similar laws which could result in the rejection and termination of such tenant's lease and a resultant reduction in cash flow available to Madison.

Joint Venture Residential Developments

Madison has two investment properties held through separate 50/50 joint ventures where the lands have residential and mixed-use development potential under the current respective official community plans. The Company, in conjunction with its joint venture partners, is currently investigating the feasibility and redevelopment potential of the properties, including rezoning requirements. The joint ventures, which are described below, are accounted for using the equity method of accounting.

Silverdale Hills LP

Madison has a 50% interest in the Silverdale Hills LP which owns approximately 1,353 acres of undeveloped residential lands in Mission, British Columbia. In October 2018, the Silverdale Hills LP obtained approval from the District of Mission to develop 160 townhomes and 66 single family lots, which would consume approximately 34 acres of land inventory. Development of the project will be managed by the other 50% partner, a major residential developer. Development of the project is scheduled to commence in 2019. Redevelopment of further properties on this site is subject to economic feasibility and obtaining all necessary approvals, including rezoning, none of which are certain as of the date of this Annual Information Form.

Barnet LP

Madison has a 50% interest in the Barnet LP which owns a retail property in Coquitlam, British Columbia. The Barnet LP is investigating the redevelopment of this site into a residential and mixed-use property. Redevelopment of this site is subject to economic feasibility and obtaining all necessary approvals, including rezoning, none of which are certain as of the date of this Annual Information Form.

Fluctuations in Real Estate Values

The commercial and industrial real estate industry is subject to variability and fluctuations in real estate values. The Company has elected to report its investment properties at fair value. Fair value represents the amount at which the properties could be exchanged between a knowledgeable and willing buyer and seller in an arm's length transaction at the date of valuation. Adjustments will be made to the fair values when changes in the underlying valuation assumptions occur.

Geographic Concentration

Madison currently carries on the majority of its business in British Columbia, and predominantly in Metro Vancouver. However, the company has some geographic diversification with properties located in Alberta and Ontario. An economic downturn in any of these markets could cause leasing rates to decline, which could have a material adverse effect on the business and negatively affect the results of operations and financial condition of Madison.

Environmental Matters

As an owner of investment properties, Madison is subject to various Canadian federal, provincial, and municipal laws relating to environmental matters. Such laws provide that Madison could be liable for costs of removal and remediation of certain hazardous substances or wastes released or deposited on or in its properties or disposed of at other locations. The failure to remove or remediate such substances, if any, could adversely affect Madison's ability to sell such real estate or pledge real estate as collateral for borrowing. In addition, such a situation could potentially result in claims against Madison. Madison is not aware of any material pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties. It is also possible that asbestos containing material (ACM) and polychlorinated biphenyls (PCB) in light fixtures may be present at some properties which may result in future removal and disposal costs, however management is not aware of any such presence.

Madison has formal procedures to review and monitor environmental exposure on an ongoing basis and conducts thorough environmental due diligence as part of its acquisition process. Madison has made and will continue to make the necessary capital expenditures to ensure compliance with environmental laws and regulations. Environmental laws and regulations can change at any time and Madison may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have a material adverse effect on Madison's business, financial condition and results of operations.

General Uninsured Losses

Madison carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks (generally of a catastrophic nature such as from wars or environmental contamination) which are either uninsurable or not insurable on an economic basis. Madison currently has insurance for earthquake risks, subject to certain policy

limits, deductibles, and self-insurance arrangements, and will continue to carry such insurance so long as it is economical to do so. Should an uninsured or underinsured loss occur, Madison could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, while still being obligated to repay any recourse mortgage indebtedness on such properties. If a loss occurs in excess of insured limits, Madison could lose all or part of its investment in, and anticipated profits and cash flows from such property.

Income Taxes

The Company and certain subsidiaries have received from the Canada Revenue Agency (“CRA”) and Alberta Tax and Revenue Administration (“ATRA”) tax notices of reassessment for various taxation years. The reassessments deny the application and usage of certain non-capital losses, capital losses, deductions and investment tax credits arising from prior years. In addition, the CRA and ATRA are disallowing unclaimed carry-forward non-capital losses of \$5,743, carry-forward capital losses of \$6,974, carry-forward scientific research and development expenditures of \$35,381, and investment tax credits of \$7,758. As a result, additional taxes payable for the reassessed years, including interest, total \$25,532. The Company and its subsidiaries have filed notices of objection to the reassessments with the CRA and ATRA. To object to the reassessments, the Company and its subsidiaries were required to make deposits totalling \$12,184 for a portion of the taxes and interest the CRA and ATRA have claimed are owed. The Company and its subsidiaries have made these deposits and they are included in other non-current assets. Additional estimated interest accruing on the unpaid portion of the reassessments was approximately \$2,397 as at August 31, 2018.

The Company and its counsel believe that its filing positions for the Company and subsidiaries described above are appropriate and in accordance with the law. It intends to vigorously defend such positions as required. Accordingly, the Company has not recorded a liability in the consolidated financial statements for the reassessed taxes payable and related interest described above nor has it reduced the carrying value of deferred income tax assets recorded for unused carry-forward amounts. If the Company is ultimately successful in defending its positions, deposits made plus applicable interest will be refunded to the Company. There is no assurance that the Company’s objections and appeals will be successful. If the CRA and ATRA are successful, the Company will be required to pay the balance of taxes reassessed plus applicable interest and derecognize deferred income tax assets related to the carry-forward amounts.

The Company believes it has sufficient funds and sources of funds to pay for potential tax reassessments.

Interest Rate Fluctuations

Madison’s capital structure involves risks primarily associated with leverage and interest rates. Madison’s financing includes some indebtedness with interest rates set on a floating rate basis which could result in fluctuations in Madison’s cost of borrowing. Madison has mitigated interest rate risk by refinancing 97.7% of its debt on investment properties (mortgage loans) at fixed rates ranging from 2.40% to 5.39% per annum and staggering maturities up to five years so that no more than 38% of such debt matures in one year. The Company has not experienced any difficulties in renewing mortgages as they have become due. The Company also mitigates interest rate risk by entering into interest rate swaps. As at August 31, 2018, the Company had

entered into interest rate swaps with Canadian Chartered banks on four mortgages to reduce the impact of fluctuating interest rates and fix the Company's interest rates. The swaps had notional amounts as at August 31, 2018 totaling \$64,654, fixed swap rates ranging from 2.92% to 3.90%, and maturity dates ranging from June 2020 to September 2022. The total notional amount of the interest rate swaps represented 30.7% as at August 31, 2018 (August 31, 2017 – 31.8%) of the total debt on investment properties (before netting of deferred financing costs and fair value adjustments to assumed debt) and bank indebtedness. The Company anticipates holding the mortgages and interest rate swap contracts until maturity.

The weighted average interest rate on fixed rate mortgage debt as at August 31, 2018 was 3.40% (August 31, 2017 - 3.58%). Madison has approximately \$4,744 in floating rate mortgages and construction loans and the Bernet LP, of which the Company owns a 50% interest, has a floating rate demand loan of \$29,250.

The Company has a line of credit that bears interest at bank prime rate plus 1.0% or the Banker's Acceptance rate. The line of credit may be used for general business purposes and the amount available for such uses varies with the value of investment properties pledged, up to a maximum of \$20,000. As at August 31, 2018, \$nil had been drawn on the line of credit. The Company's variable interest rate borrowings represent 2.3% of total borrowings. The impact of a 1.0% interest rate change on the Company's variable rate debt would increase or decrease interest expense and pre-tax earnings by \$47 per year.

These loan facilities, together with funds on hand and cash generated by operations, should provide adequate liquidity to meet the Company's obligations as they become due.

DIVIDENDS

Madison initiated a formal dividend policy in 2007. An annual dividend of \$0.105 per share is payable to each shareholder semi-annually in February and September of each year. Dividends were paid under this policy in February and September, from 2008 to 2018. The payment of dividends is subject to available cash resources.

The Company has paid three special dividends, \$0.23 per share in February, 2009, \$0.35 per share in October, 2011, and \$0.3415 per share in September, 2016.

All dividends paid by the Company are eligible dividends unless the Company indicates otherwise.

CAPITAL STRUCTURE

The authorized share capital of Madison consists of an unlimited number of Class A non-voting preferred shares without par value, issuable in series (the "Class A Preferred Shares"), an unlimited number of Class B voting common shares without par value (the "Class B Shares"), an unlimited number of Class C non-voting shares without par value (the "Class C Shares") and an unlimited number of Old Common Shares without par value.

The Class B Shares entitle a holder thereof to one vote for each share held at all meetings of shareholders, other than meetings at which only holders of a specified class or series are entitled to vote.

The Class C Shares entitle a holder thereof to receive notice of, attend and be heard at all meetings of shareholders, other than meetings at which only holders of a specified class or series are entitled to vote, but are not entitled to vote at such meetings. If an offer is made to purchase Class B Shares that is not made concurrently with an offer to purchase Class C Shares or if the price and terms offered for the Class C Shares is different than that offered for the Class B Shares, the Class C Shares will be entitled to be converted into Class B Shares on a one for one basis, during specified periods during the period of offer for the purpose of depositing those shares to that offer. Any election shall be deemed to also constitute an irrevocable agreement by the holder exercising such rights of conversion not to vote any converted shares. Any election to convert will be deemed to have been withdrawn and be an election to convert back to Class C Shares in certain circumstances as set forth in the special rights and restrictions attached to the Class C Shares, including if more than 50% of the holders of the Class B Shares advise the transfer agent that they will not be depositing shares pursuant to the offer or if the offer is withdrawn or abandoned or if it is not completed within applicable times. Class C Shareholders are cautioned that the conversion rights described herein are limited to very specific circumstances and in no event will entitle a holder of Class C Shares to vote on any item of business, including the election of directors of Madison.

The Class B Shares and the Class C Shares rank equally with one another as to payment of dividends and the participation in the distribution of assets in the event of liquidation, dissolution and winding-up, subject to the rights and privileges, restrictions and conditions attaching to the Class A Preferred Shares.

The Class A Preferred Shares are issuable from time to time in one or more series. The board of directors of Madison is empowered to fix the number, consideration per share and the designation and the provisions attaching to the shares of each series, including the right to vote. The Class A Preferred Shares of each series will rank prior to the Class B Shares and the Class C Shares and on a parity with the Class A Preferred Shares of every other series with respect to dividends and return of the amount paid up thereon.

The Old Common Shares represent the former common shares of Princeton exchanged under the Plan. No Old Common Shares are issued.

MARKET FOR SECURITIES

Trading Price and Volume

Madison's Class B Shares and the Class C Shares are listed and posted for trading on the Toronto Stock Exchange under the symbols MPC and MPC.C respectively. The Class C Shares were listed for trading on September 13, 2007. The following chart summarizes the price ranges and volume for the two classes of shares by month for the fiscal year from September 2017 to August 2018.

Toronto Stock Exchange Trading Summary (Class B Shares)

Month	Open	High	Low	Close	Volume Traded
September 2017	3.42	3.79	3.41	3.41	6,374
October 2017	3.50	3.60	3.40	3.49	7,943
November 2017	3.45	3.50	3.35	3.50	10,908
December 2017	3.50	3.67	3.40	3.58	23,524
January 2018	3.58	4.25	3.57	3.86	18,624
February 2018	3.86	3.95	3.40	3.45	15,823
March 2018	3.45	3.59	3.38	3.40	4,205
April 2018	3.40	3.50	3.36	3.40	8,052
May 2018	3.40	3.55	3.30	3.30	9,315
June 2018	3.30	3.43	3.30	3.40	18,117
July 2018	3.40	4.68	3.30	3.90	80,246
August 2018	3.90	4.49	3.96	4.02	100,791

Toronto Stock Exchange Trading Summary (Class C Shares)

Month	Open	High	Low	Close	Volume Traded
September 2017	3.21	3.29	3.20	3.29	19,552
October 2017	3.29	3.30	3.10	3.12	91,400
November 2017	3.12	3.20	3.10	3.10	80,800
December 2017	3.10	3.26	3.10	3.15	118,700
January 2018	3.15	3.59	3.10	3.20	94,605
February 2018	3.20	3.25	3.16	3.20	91,035
March 2018	3.22	3.25	3.15	3.16	116,900
April 2018	3.16	3.35	3.12	3.20	103,603
May 2018	3.20	3.31	3.15	3.30	69,100
June 2018	3.30	3.31	3.15	3.20	43,225
July 2018	3.20	3.45	3.16	3.22	101,100
August 2018	3.22	3.36	3.25	3.32	79,522

DIRECTORS AND OFFICERS

The following table sets forth the names and provinces of residence, the position held with Madison and the principal occupation during the preceding five years of each of the directors and officers of Madison:

<u>Name</u>	<u>Position Held</u>	<u>Principal Occupation</u>
Peter J. Bonner ^{(2),(3)} British Columbia	Director	President of P.J. Bonner and Associates Ltd. (a diversified holding company)
Michael W. Delesalle ^{(1),(2),(3)} British Columbia	Director	President of Delcor Holdings Ltd. (a diversified holding company)
Sam Grippo ^{(1),(2),(3)} British Columbia	Chairman of the Board and Director	President and Chief Executive Officer of Madison Venture Corporation (a diversified holding company)
Mark E. Elliott ^{(1),(2),(3)} British Columbia	Chairman of the Audit Committee and Director	Independent consultant from July 1, 2012
Marvin G. Haasen ⁽²⁾ British Columbia	President and Chief Executive Officer and Director	President and Chief Executive Officer of Madison since November 1, 2012.
Dino Di Marco British Columbia	Chief Financial Officer and Secretary	Chief Financial Officer and Secretary of Madison since May 1, 2013.

Notes

- (1) *Member of the Audit Committee*
- (2) *Member of the Corporate Governance Committee*
- (3) *Member of Nominating Committee*

Mr. Haasen was appointed as a Director and President and Chief Executive Officer in November 2012. Mr. Di Marco was appointed as Chief Financial Officer and Secretary in May 2013. Mr. Delesalle was appointed as a Director in February 2000. Mr. Bonner was appointed as a Director in February 2008. Mr. Elliott was appointed as a director in December 2013. Mr. Grippo has held office since 1998. Each term of office expires immediately prior to the Annual General Meeting of Shareholders. The directors and officers exercise control or direction over 15.2% of Madison's issued and outstanding Class B voting common shares as of November 26, 2018.

Conflicts of Interest

Madison's directors and officers are engaged in, and will continue to engage in, other activities in the industry in which Madison operates and, as a result of these and other activities, these directors and officers may become subject to conflicts of interest. The *Canada Business Corporations Act* provides that in the event that a director or officer has an interest in a material contract or material transaction, whether made or proposed, the director or officer shall disclose his interest in such contract or transaction and directors shall refrain from voting on any matter in

respect of such contract or transaction unless otherwise provided under the *Canada Business Corporations Act*. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the *Canada Business Corporations Act*. As at the date hereof, Madison is not aware of any existing or potential material conflicts of interest between Madison, or any of its subsidiaries, and a director or officer.

AUDIT COMMITTEE

Audit Committee Mandate and Charter

A copy of the Company's Audit Committee Mandate and Charter is set out as Appendix "A" hereto.

Composition of Audit Committee

The audit committee of the Company is currently composed of Mark E. Elliott, Michael W. Delesalle and Sam Grippo. Each member of the audit committee is independent and none receives, directly or indirectly, any compensation from the Company other than for service as a member of the board of directors and its committees. All members of the audit committee are financially literate as defined under National Instrument 52-110 – Audit Committees.

Relevant Education and Experience of Audit Committee Members

In addition to each member's general business experience, the education and experience of each audit committee member that is relevant to the performance of his or her responsibilities as an audit committee member is described below.

Mark E. Elliott – Mr. Elliott has been an independent consultant since July 2012. Mr. Elliott is a Chartered Accountant and was a partner at the accounting firm of PricewaterhouseCoopers LLP from 1989 to 2012. Mr. Elliott also holds a BA from Simon Fraser University. Mr. Elliott is Chairman of the Audit Committee.

Michael W. Delesalle – Mr. Delesalle is the President of Delcor Holdings Ltd., a diversified holding company. Mr. Delesalle was the President and CEO of Lumberland Building Materials Ltd. for four years. Mr. Delesalle obtained an M.B.A. from the University of Windsor, Ontario.

Sam Grippo – Mr. Grippo is President and Chief Executive Officer of Madison Venture Corporation, a diversified holding company. Mr. Grippo is a Chartered Accountant, and was employed by Arthur Andersen, Chartered Accountants, for five years. Mr. Grippo obtained a BA from the University of British Columbia.

External Auditor Service Fees

Fees paid by the Company to its external auditors, PricewaterhouseCoopers LLP for the years ended August 31, 2018 and 2017 are as follows:

Type of Service	Description of Service	Year ended	Year ended
		Aug 31, 2018	Aug 31, 2017
		\$	\$
Audit Fees	For the audit of the Company's annual financial statements	138	135
Audit-Related Fees	Audit-related fees were for assurance and related services reasonably related to the performance of the annual audit and are not included under "Audit Fees" above	14	9
Tax Fees	For advice related to tax compliance and tax planning services	-	-
All Other Fees	Other assurance services	13	13
Total Fees		165	157

LEGAL PROCEEDINGS

Madison has filed notices of appeal with the Tax Court of Canada in respect of notices of reassessment issued by the CRA and ATRA. See RISK FACTORS – Income Taxes.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

In the past three financial years or in the current financial year, no insiders of Madison have been involved in any material transactions with Madison except as described in note 17 to Madison's 2018 consolidated financial statements, in note 17 to Madison's 2017 consolidated financial statements and note 17 to Madison's 2016 consolidated financial statements, copies of which are available on SEDAR at www.sedar.com.

TRANSFER AGENTS AND REGISTRARS

Computershare Investor Services Inc. is the registrar and transfer agent for the Class B and Class C Shares of Madison. Transfers of Class B and Class C Shares can be affected at Computershare's principal offices in Vancouver, British Columbia and Toronto, Ontario.

MATERIAL CONTRACTS

Madison did not enter into material contracts during the most recently completed financial year, or before the most recently completed year that are still in effect, other than contracts entered into in the ordinary course of business.

INTERESTS OF EXPERTS

Madison's auditors are PricewaterhouseCoopers LLP, Chartered Accountants, who have prepared an independent auditors' report dated November 26, 2018 in respect of Madison's

consolidated financial statements as at August 31, 2018. PricewaterhouseCoopers LLP has advised that they are independent with respect to Madison within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of British Columbia.

ADDITIONAL INFORMATION

Additional information relating to Madison, including the audited consolidated financial statements for the year ended August 31, 2018 and Management Discussion and Analysis may be found at www.sedar.com. Other information, including directors' and officers' remuneration and indebtedness, principal holders of Madison shares, options to purchase securities and interests of insiders in material transactions is contained in Madison's Information Circular for its most recent annual general meeting of shareholders.

Additional copies of this Annual Information Form and the materials listed in the preceding paragraphs of this section can be obtained upon request from the Secretary of Madison Pacific Properties Inc., 389 West 6th Avenue, Vancouver, British Columbia, V5Y 1L1.

APPENDIX A

Madison Pacific Properties Inc.

Audit Committee Mandate and Charter

I. The Board of Directors' Mandate for the Audit Committee

- 1. *The Board of Directors*** (“Board”) bears responsibility for the stewardship of Madison Pacific Properties Inc. (the “Corporation”). To discharge that responsibility, the Board is obligated by the *Canada Business Corporations Act* to supervise the management of the business and affairs of the Corporation. The Board’s supervisory function involves Board oversight or monitoring of all significant aspects of the management of the Corporation’s business and affairs.

Financial reporting and disclosure by the Corporation constitute a significant aspect of the management of the Corporation’s business and affairs. The objective of the Board’s monitoring of the Corporation’s financial reporting and disclosure (the “Financial Reporting Objective”) is to gain reasonable assurance of the following:

- (a) that the Corporation complies with all applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure;
- (b) that the accounting principles, significant judgments and disclosures which underlie or are incorporated in the Corporation’s financial statements are the most appropriate in the prevailing circumstances;
- (c) that the Corporation’s quarterly and annual financial statements are accurate and present fairly the Corporation’s financial position and performance in accordance with generally accepted accounting principles; and
- (d) that appropriate information concerning the financial position and performance of the Corporation is disseminated to the public in a timely manner.

The Board is of the view that the Financial Reporting Objective cannot be reliably met unless the following activities (the “Fundamental Activities”) are conducted effectively.

- (a) the Corporation’s accounting functions are performed in accordance with a system of internal financial controls designed to capture and record properly and accurately all of the Corporation’s financial transactions;
- (b) the Corporation’s internal financial controls are regularly assessed for effectiveness and efficiency;

- (c) the Corporation's quarterly and annual financial statements are properly prepared by management;
- (d) the Corporation's annual financial statements are reported on, once audited by an external auditor appointed by the shareholders of the Corporation; and
- (e) the financial components of the Corporation's Disclosure Policy are complied with by management and the Board.

To assist the Board in its monitoring of the Corporation's financial reporting and disclosure, the Board has established, and hereby continues the existence of a committee of the Board known as the Audit Committee (the "Committee"). The Committee shall develop and present to the Board for the Board's approval a Charter which, amongst other things, will describe the activities in which the Committee will engage for the purpose of gaining reasonable assurance that the Fundamental Activities are being conducted effectively and that the Financial Reporting Objective is being met.

2. *Composition of Committee*

- (a) The Committee shall be appointed annually by the Board and consist of at least 3 members from among the directors of the Corporation, each of whom shall be an independent director and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee. Executive officers of the Corporation, may not serve as members of the Audit Committee; and
- (b) The Board shall designate the Chairman of the Committee.

3. *Reliance on Experts*

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be entitled to rely in good faith upon:

- (a) financial statements of the Corporation represented to him or her by an officer of the Corporation or in a written report of the external auditors to present fairly the financial position of the Corporation in accordance with generally accepted accounting principles; and
- (b) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

4. *Limitations on Committee's Duties*

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this mandate is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of the Committee's duties is monitoring and reviewing to gain reasonable assurance (but not to

ensure) that the Fundamental Activities are being conducted effectively and that the Financial Reporting Objective is being met and to enable the Committee to report thereon to the Board.

II. Audit Committee Charter

The Audit Committee's Charter outlines how the Committee will satisfy the requirements set forth by the Board in its mandate. This Charter comprises:

- A. Operating Principles
- B. Operating Procedures
- C. Specific Responsibilities and Duties

A. Operating Principles

The Committee shall fulfill its responsibilities within the context of the following principles.

1. Committee Values

The Committee expects the management of the Corporation to operate in compliance with the Corporation's Code of Business Conduct and Ethics and corporate policies, with laws and regulations governing the Corporation and to maintain strong financial reporting and control processes.

2. Communications

The Chairman (and others on the Committee) expects to have direct, open and frank communications throughout the year with management, other Committee Chairmen, the external auditors and other key Committee advisors as applicable.

3. Financial Literacy

All Audit Committee Members should be sufficiently versed in financial matters to understand the Corporation's accounting practices and policies and the major judgments involved in preparing the financial statements.

4. Annual Audit Committee Work Plan

The Committee, in consultation with management and the external auditors, shall develop an annual Audit Committee Work Plan responsive to the Committee's responsibilities as set out in this Charter. In addition, the Committee, in consultation with management and the external auditors, shall develop and participate in a process for review of important financial topics that have the potential to impact the Corporation's financial disclosure.

5. Meeting Agenda

Committee meeting agendas shall be the responsibility of the Chairman of the Committee in consultation with Committee members, senior management and the external auditors.

6. Committee Expectations and Information Needs

The Committee shall communicate its expectations to management and the external auditors with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from management and the external auditors at least one week in advance of meeting dates.

7. External Resources

To assist the Committee in discharging its responsibilities, the Committee may, in addition to the external auditors, at the expense of the Corporation, retain one or more persons having special expertise.

8. In Camera Meetings

At each meeting of the Committee, the members of the Committee may meet in private session with the external auditors, with management, and with the Committee members only.

9. Reporting to the Board

The Committee, through its Chairman, shall report after each Committee meeting to the Board at the Board's next regular meeting.

10. Committee Self Assessment

The Committee shall annually review, discuss and assess its own performance. In addition, the Committee shall periodically review its role and responsibilities.

11. The External Auditors

The Committee expects that, in discharging their responsibilities to the shareholders, the external auditors shall be accountable to the Board through the Audit Committee. The external auditors shall report all material issues or potentially material issues to the Committee.

B. Operating Procedures

1. The Committee shall meet at least two times annually or more frequently as circumstances dictate. Meetings shall be held at the call of the Chairman, upon the request of two (2) members of the Committee or at the request of the external auditors.
2. A quorum shall be a majority of the members.
3. Unless the Committee otherwise specifies, the Secretary or Assistant Secretary of the Corporation shall act as Secretary of all meetings of the Committee.

4. In the absence of the Chairman of the Committee, the members shall appoint an acting Chairman.
5. A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each director of the Corporation in a timely fashion.

C. Specific Responsibilities and Duties

To fulfill its responsibilities and duties, the Committee shall:

Financial Reporting

1. review the Corporation's quarterly and annual financial statements, and related management discussion and analysis with management to gain reasonable assurance that the statements are accurate, complete, represent fairly the Corporation's financial position and performance and are in accordance with GAAP and report thereon to the Board before such financial statements are approved by the Board;
2. review the Corporation's annual financial statements with the external auditors to gain reasonable assurance that the statements are accurate, complete, represent fairly the Corporation's financial position and performance and are in accordance with GAAP and report thereon to the Board before such financial statements are approved by the Board;
3. review with management and the external auditors the financial statements of the Corporation's significant subsidiaries.
4. receive from the external auditors reports on their review of the annual financial statements;
5. receive from management a copy of the representation letter provided to the external auditors and receive from management any additional representations required by the Committee;
6. review and, if appropriate, recommend approval to the Board of news releases and reports to shareholders issued by the Corporation with respect to the Corporation's annual and quarterly financial statements; and
7. review and, if appropriate, recommend approval to the Board of prospectuses, material change disclosures of a financial nature, management discussion and analysis, annual information forms and similar disclosure documents to be issued by the Corporation.

Accounting Policies

1. review with management and the external auditors the appropriateness of the Corporation's accounting;

2. review policies, disclosures, reserves, key estimates and judgments, including changes or variations thereto;
3. obtain reasonable assurance that they are in compliance with GAAP, and report thereon to the Board; and
4. review with management and the external auditors the degree of conservatism of the Corporation's underlying accounting policies, key estimates and judgments and reserves.

Risk and Uncertainty

1. acknowledge that it is the responsibility of the Board, in consultation with management, to identify the principal business risks facing the Corporation, determine the Corporation's tolerance for risk and approve risk management policies, the Committee shall focus on financial risk and gain reasonable assurance that financial risk is being effectively managed or controlled by:
 - (a) reviewing with management the Corporation's tolerance for financial risks;
 - (b) reviewing with management its assessment of the significant financial risks facing the Corporation;
 - (c) reviewing with management the Corporation's policies and any proposed changes thereto for managing those significant financial risks; and
 - (d) reviewing with management its plans, processes and programs to manage and control such risks.
2. ascertain that policies and procedures are in place to minimize environmental, occupational health and safety and other risks to asset value and mitigate damage to or deterioration of asset value and review such policies and procedures periodically;
3. review policies and compliance therewith that require significant actual or potential liabilities, contingent or otherwise to be reported to the Board in a timely fashion;
4. review foreign currency, interest rate, and commodity price risk mitigation strategies, including the use of derivative financial instruments;
5. review the adequacy of insurance coverage maintained by the Corporation;
6. review regularly with management, the external auditors and the Corporation's legal counsel, any legal claim or other contingency,

including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation and the manner in which these matters have been disclosed in the financial statements.

Financial Controls and Control Deviations

1. review the plans of the external auditors to gain reasonable assurance that the combined evaluation and testing of internal financial controls is comprehensive, coordinated and cost-effective;
2. receive regular reports from management, the external auditors and legal counsel on all significant deviations or indications/detection of fraud and the corrective activity undertaken in respect thereto.

Compliance with Laws and Regulations

1. review regular reports from management and others (e.g. external auditors) with respect to the Corporation's compliance with laws and regulations having a material impact on the financial statements including:
 - (a) tax and financial reporting laws and regulations
 - (b) legal withholding requirements
 - (c) environmental protection laws and regulations
 - (d) other laws and regulations which expose directors to liability.
2. review the status of the Corporation's tax returns and those of its subsidiaries;
3. have management report to the Board in writing their compliance with respect to making all remittances on a timely basis.

Relationship with External Auditors

1. recommend to the Board the nomination of the external auditors;
2. approve the remuneration and the terms of engagement of the external auditors as set forth in the Engagement Letter;
3. review the performance of the external auditors annually or more frequently as required;
4. receive annually from the external auditors an acknowledgement in writing that the shareholders, as represented by the Board and the Committee, are their primary client;

5. receive a report annually from the external auditors with respect to their independence such report to include a disclosure of all engagements (and fees related thereto) for non-audit services by the Corporation;
6. review with the external auditors the scope of the audit, the areas of special emphasis to be addressed in the audit, the extent to which the external audit can be coordinated with internal audit activities and the materiality levels which the external auditors propose to employ;
7. meet regularly with the external auditors in the absence of management to determine, inter alia, that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditors or the reporting of their findings to the Committee;
8. establish effective communication processes with management and the Corporation's internal and external auditors to assist the Committee to monitor objectively the quality and effectiveness of the relationship among the external auditors, management and the Committee.

Other Responsibilities

1. periodically review the form, content and level of detail of financial reports to the Board;
2. approve annually the reasonableness of the expenses of the Chairman of the Board and the Chief Executive Officer;
3. after consultation with the Chief Financial Officer and the external auditors, gain reasonable assurance, at least annually of the quality and sufficiency of the Corporation's accounting and financial personnel and other resources;
4. review in advance the appointment of the Corporation's senior financial executives;
5. investigate any matters that, in the Committee's discretion, fall within the Committee's duties;
6. review reports from the external auditors, and/or other Committee Chairmen on their review of compliance with the Corporation's Code of Business Conduct and Ethics, and the Corporation's policies on political donations and commissions paid to suppliers or others;
7. perform such other functions as may from time to time be assigned to the Committee by the Board.

Accountability

1. review and update this Charter on a regular basis for approval by the Board;
2. from time to time, as requested by the Board, disclose its Mandate and this Charter in the Corporation's statement of corporate governance practices; review the description of the Committee's activities as set forth in the Corporation's Statement of Corporate Governance Practices.