



**(Formerly Charter Real Estate Investment Trust)**

**ANNUAL INFORMATION FORM**

**March 31, 2011**

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## GLOSSARY OF TERMS

The following terms used in this Annual Information Form have the meanings set out below:

“**Acquisition Facility**” means the revolving operating and acquisition facility credit agreement between the REIT, as borrower, and a Canadian chartered bank, as initial lender and administrative agent, dated August 9, 2007 as amended by a first amending agreement dated August 6, 2008, a second amending agreement dated December 12, 2008 and a third amending agreement dated May 19, 2009;

“**Adjusted Book Value**” means the book value of the assets of the REIT as shown on its most recent consolidated balance sheet, plus the amount of accumulated depreciation and amortization shown on the most recently filed financial statements of the REIT, less the amount of any receivable reflecting interest rate subsidies on any debt assumed by the REIT;

“**Adjusted Unitholders’ Equity**” means, at any time, the aggregate of Unitholders’ equity and the amount of accumulated depreciation and amortization recorded on the books and records of the REIT in respect of its properties and assets, calculated in accordance with GAAP;

“**affiliate**” has the meaning ascribed to such term in TSXV Policy 1.1— Interpretation;

“**Arrangement**” means the arrangement under section 182 of the *Business Corporations Act* (Alberta) involving, among other things, the transfer by shareholders of all of the issued and outstanding common shares of Charter Realty to the REIT in exchange for Units on the basis that 10 common shares of Charter Realty were exchanged for one Unit;

“**Beneficial Debenture Owner**” has the meaning ascribed to such term under “*Description of Debentures and Indenture – Book-Entry System for Debentures*”;

“**Board of Trustees**” means the board of Trustees of the REIT;

“**Brandon Property**” means the REIT’s Shoppers Drug Mart property located in Brandon, Manitoba;

“**Brockville Property**” means the REIT’s Canadian Tire property located in Brockville, Ontario;

“**Business Day**” means any day except a Saturday, Sunday or statutory holiday in the City of Toronto, Ontario;

“**CAB**” means C.A. Bancorp Inc.;

“**CAB Facility**” means the \$14 million mezzanine facility provided by CAB to the REIT for property acquisitions (subject to lender approval of the particular acquisition and other restrictions). The facility bore interest at a rate of 12% per annum and expired on April 1, 2009. Any principal drawn was repayable without penalty. The facility was secured by a general security agreement with the REIT, which general security agreement was subordinate to the security held by other lenders;

“**Canadian Tire Properties**” means the Brockville Property, the Strathroy Property and the Wasaga Beach Property;

“**CDS**” means CDS Clearing and Depository Services Inc.;

“**Change of Control**” has the meaning ascribed to such term under “*Description of Debentures and Indenture – Change of Control of the REIT*”;

“**Charter Acquisition**” means Charter Acquisition Corp., a wholly-owned subsidiary of the REIT;

“**Charter Realty**” means Charter Realty Holdings Ltd., a corporation formed under the laws of the Province of Alberta;

“**Châteauguay Property**” means the REIT’s Châteauguay shopping centre located in Châteauguay (Montréal), Québec;

“**Consumer Price Index**” means the consumer price index as published by Statistics Canada monthly;

“**Cornwall Square**” means the REIT’s Cornwall Square shopping centre located in Cornwall, Ontario;

“**CPC Policy**” means Policy 2.4 — *Capital Pool Companies*, contained in the Exchange’s Corporate Finance Manual;

“**CRA**” means the Canada Revenue Agency;

“**Credit Facilities**” means the \$8.6 million and \$1.4 million facility credit agreements entered into by the REIT, both dated September 5, 2008;

“**Current Market Price**”, at any date, means the volume-weighted average trading price for the Units on the TSXV for the 20 consecutive trading days ending five trading days prior to the applicable date;

“**Debenture Certificates**” has the meaning ascribed to such term under “*Description of Debentures and Indenture – Book-Entry System for Debentures*”;

“**Debenture Offer**” has the meaning ascribed to such term under “*Description of Debentures and Indenture – Change of Control of the REIT*”;

“**Debenture Offer Price**” has the meaning ascribed to such term under “*Description of Debentures and Indenture – Change of Control of the REIT*”;

“**Debenture Trustee**” means Computershare Trust Company of Canada;

“**Debentureholder**” means a holder of Debentures;

“**Debentures**” means 8.0% extendible convertible unsecured subordinated debentures of the REIT;

“**Declaration of Trust**” means the REIT’s declaration of trust dated March 27, 2007, as amended and rested with effect as of June 4, 2010 and as further amended and restated with effect as of November 3, 2010;

“**Distribution Payment Date**” means, in respect of a Distribution Period, any date that a distribution is paid to Unitholders in respect of such period, generally being the 15<sup>th</sup> calendar day of each month (or if such day is not a Business Day, on the next Business Day thereafter) following the Distribution Period;

“**Distribution Period**” means each calendar month, or as otherwise determined by the Trustees;

“**Distribution Record Date**” means, in respect of a Distribution Period, the last Business day thereof or such other date as may be determined from time to time by the Trustees, except that December 31 shall in all cases be a Distribution Record Date;

“**DRIP**” means the REIT’s Distribution Reinvestment and Optional Unit Purchase Plan dated January 11, 2008, as amended on February 9, 2009;

“**Event of Default**” has the meaning ascribed to such term under “*Description of Debentures and Indenture – Events of Default*”;

“**Exchange**” means the TSX Venture Exchange;

“**Exeter Property**” means the REIT’s Rona property located in Exeter, Ontario;

“**GAAP**” means the generally accepted accounting principles described and promulgated by the Canadian Institute of Chartered Accountants which are applicable as at the date on which any calculation using GAAP is made;

“**Gatineau Property**” means the REIT’s Shoppers Drug Mart property located in Gatineau, Québec;

“**GLA**” means gross leaseable area;

“**Gross Book Value**” means, from time to time the book value of the assets of the REIT and its consolidated subsidiaries, as shown on its then most recent consolidated balance sheet, plus accumulated depreciation and amortization on assets and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by the REIT, or, if approved by a majority of the Trustees, the most recently appraised value of the assets of the REIT and its consolidated subsidiaries may be used instead of book value;

“**IGW Public**” means IGW Public Limited Partnership, an affiliate of League Assets Corp.;

“**Indenture**” means the trust indenture entered into between the REIT and Computershare Trust Company of Canada dated March 8, 2011;

“**Independent Trustees**” means a Trustee of the REIT who is “independent” (as defined in Multilateral Instrument 52-110 —*Audit Committee* as in effect on the date hereof and as amended from time to time);

“**Information Circular**” means Charter Realty’s management information circular dated April 3, 2007 in respect of the special meeting of shareholders held on May 3, 2007 to approve, among other things, the Arrangement;

“**Initial Properties**” means the Exeter Property, the Seaforth Property and the Zurich Property;

“**Interest Obligation**” has the meaning ascribed to such term under “*Description of Debentures and Indenture – Interest Payment Option*”;

“**Interest Payment Date**” has the meaning ascribed to such term under “*General Description of the Business – Convertible Debenture Offering*”;

“**Internalization Decision**” means a determination of the independent Trustees whereby individuals are employed directly by the REIT rather than by the Manager where the independent Trustees determine the cost of doing so would be less on an annual basis than the fees paid to the Manager under the Management Agreement.

“**LAC**” means League Assets Corp.;

“**Management Agreement**” means the management agreement dated June 4, 2010 between the Manager and the REIT;

“**Manager**” means LAPP Global Asset Management Corp.;

“**Méga Centre**” means the REIT’s Méga Centre shopping centre located in St. Laurent (Montréal), Québec;

“**MI 62-104**” means Multilateral Instrument 62-104 “Take-Over Bids and Issuer Bids”;

“**Non-Competition Agreement**” means the non-competition agreement dated June 4, 2010 among the Manager, IGW Public, League Assets LP (the parent company of LAC) and the REIT;

“**Non-Resident**” includes, in the case of a Person other than a partnership, a Person who is not resident in Canada for purposes of the Tax Act and, in the case of a partnership, a partnership that is not a “Canadian partnership” for purposes of the Tax Act;

“**OBCA**” means the *Business Corporations Act* (Ontario);

“**Participant**” has the meaning ascribed to such term under “*Description of Debentures and Indenture – Book-Entry System for Debentures*”;

“**Pembina Property**” means the REIT’s Shoppers Drug Mart property located on Pembina Highway, Winnipeg, Manitoba;

“**Person**” includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, corporation, unincorporated association or organization, Governmental Entity, syndicate or other entity, whether or not having legal status and whether acting in an individual, fiduciary or other capacity;

“**Place Val Est**” means the REIT’s food-anchored retail strip centre located in Sudbury, Ontario;

“**Plans**” means, collectively, trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, deferred profit sharing plans, registered disability savings plans and tax-free savings accounts, each as defined in the Tax Act, and “**Plan**” means any of them;

“**Prior Management Agreement**” means the management agreement dated March 27, 2007 among the Prior Manager and Charter Realty, which was subsequently assigned to the REIT in connection with the Arrangement;

“**Prior Manager**” means C.A. Realty Management Inc.;

“**Prior Non-Competition Agreement**” means the non-competition agreement dated March 27, 2007 among the Prior Manager, CAB and Charter Realty, which was subsequently assigned to the REIT in connection with the Arrangement;

“**Properties**” means the Initial Properties, Méga Centre, Cornwall Square, Châteauguay Property, Place Val Est, Wellington Southdale Property, and the Canadian Tire Properties;

“**Qualifying Transaction**” means the qualifying transaction of Charter Realty under the CPC Policy completed on February 23, 2007;

“**REIT**” means Partners Real Estate Investment Trust, including where the context requires, the REIT’s subsidiaries, in addition means Charter Real Estate Investment Trust prior to the name change;

“**REIT Exception**” means the exception from the application of the tax regime under the SIFT Rules, which exception applies to real estate investment trusts that meet a series of conditions relating to the nature of their revenue and investments;

“**Seaforth Property**” means the REIT’s Rona property located in Seaforth, Ontario;

“**Securities**” means any security of the REIT and, for greater certainty, includes Units, Unit Options, and Debentures;

“**Securities Commissions**” has the meaning ascribed to such term under “*Description of Debentures and Indenture – Reports to Holders of Debentures*”;

“**Selkirk Property**” means the REIT’s Shoppers Drug Mart property located in Selkirk, Manitoba;

“**Senior Indebtedness**” means the principal, premium (if any), interest (if any) or any other amounts payable thereunder (if any) on:

- (a) all indebtedness (including any indebtedness to trade creditors), liabilities and obligations of the REIT (other than the Debentures), whether outstanding on the date of the Indenture or thereafter created, incurred, assumed or guaranteed in the normal course or in connection with the acquisition by the REIT of any businesses, properties or other assets or for monies borrowed or raised by whatever means (including, without limitation, by means of commercial paper, bankers’ acceptances, letters of credit, debt instruments, revolving credit facilities, bank debt and financial leases, and any liability evidenced by bonds, debentures, notes or similar instruments) by the REIT or others including, without limitation, any subsidiary of the REIT for payment of which the REIT is responsible or liable, whether absolutely or contingently; and
- (b) renewals, extensions, restructurings, refinancings and refundings of any such indebtedness, liabilities or obligations;

unless in each case it is provided by the terms of the instrument creating or evidencing such indebtedness, liabilities or obligations that such indebtedness, liabilities or obligations are *pari passu* with or subordinate in right of payment to debentures that by their terms are subordinated (including the Debentures);

“**Sherbrook Property**” means the REIT’s Shoppers Drug Mart property located on Sherbrook Street, Winnipeg, Manitoba;

“**Shoppers Drug Mart Properties**” means the Brandon Property, the Gatineau Property, the Pembina Property, the Selkirk Property, the Sherbrook Property and the Steinbach Property;

“**SIFT**” means, in connection with the SIFT Rules, a “specified investment flow-through”;

“**SIFT Rules**” means the rules in the Tax Act which tax certain publicly-traded or listed trusts and partnerships in a manner similar to corporations and which tax certain distributions from such trusts or partnerships as taxable dividends from a taxable Canadian corporation;

“**Special Voting Unit(s)**” means non-participating special voting unit(s) of the REIT and, for greater certainty, does not mean Unit(s);

“**Steinbach Property**” means the REIT’s Shoppers Drug Mart property located in Steinbach, Manitoba;

“**Strathroy Property**” means the REIT’s Canadian Tire Property located in Strathroy, Ontario;

“**Tax Act**” means the *Income Tax Act* (Canada) R.S.C. 1985, c.1 (5th Supp), as amended, including the regulations promulgated thereunder;

“**Trustee**” means a trustee of the REIT and “**Trustees**” means all of the trustees of the REIT;

“**TSXV**” and “**Exchange**” mean the TSX Venture Exchange;

“**Unit**” means ordinary participating voting unit(s) of the REIT and, for greater certainty, does not mean Special Voting Unit(s);

“**Unitholder(s)**” means the holder(s) of Units;

“**Unit Interest Payment Election**” has the meaning ascribed to such term under “*Description of Debentures and Indenture – Interest Payment Option*”;

“**Unit Options**” means options for the purchase of Units under the Unit Option Plan;

“**Unit Option Plan**” means the plan adopted by the REIT that authorizes the REIT to grant Unit Options;

“**Voting Unitholders**” means the holders of Units and Special Voting Units;

“**Voting Units**” means collectively, the Units and Special Voting Units;

“**Wasaga Beach Property**” means the REIT’s Canadian Tire Property located in Wasaga Beach, Ontario;

“**Wellington Southdale Property**” means the REIT’s cinema-anchored retail strip centre located in London, Ontario; and

“**Zurich Property**” means the REIT’s Rona property located in Zurich, Ontario.

## **PARTNERS REAL ESTATE INVESTMENT TRUST**

### **ANNUAL INFORMATION FORM**

*In this Annual Information Form, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and the statistical and financial data are presented as of December 31, 2010.*

#### **CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

This Annual Information Form contains “forward-looking statements” that reflect the current expectations of management regarding our future growth, results of operations, performance and business prospects and opportunities. Forward looking statements are only predictions and are not guarantees of performance. Wherever possible, words such as “may”, “would”, “could”, “will”, “anticipate”, “believe”, “plan”, “expect”, “intend”, “estimate”, “aim”, “endeavour” and similar expressions have been used to identify these forward-looking statements. These statements reflect management’s beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. Important assumptions relating to the forward-looking statements contained in this Annual Information Form include our expansion plans, the strategy of the REIT, our ability to access capital to fund our acquisition strategy, capital expenditures, competitive conditions, general economic conditions and current levels of distributions. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the “Risk Factors” section of this Annual Information Form, elsewhere in our Management’s Discussion and Analysis of Operating Results and Financial Position for the year ended December 31, 2010 and elsewhere in our filings with Canadian securities regulators. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this Annual Information Form. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this Annual Information Form are based upon what management currently believes to be reasonable assumptions, we cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements.

These forward-looking statements are made as of the date of this Annual Information Form unless otherwise indicated, and we do not intend, and do not assume any obligation, to update these forward-looking statements, except as required by law. We cannot assure you that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Readers are cautioned that forward-looking statements are not guarantees of future performance and accordingly readers are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein.



## STRUCTURE

### Name, Address and Incorporation

The REIT is an unincorporated open-ended real estate investment trust established by a declaration of trust dated March 27, 2007, as amended and restated with effect as of June 4, 2010 and as further amended and restated with effect as of November 3, 2010 (the “Declaration of Trust”), and governed by the laws of the Province of Ontario.

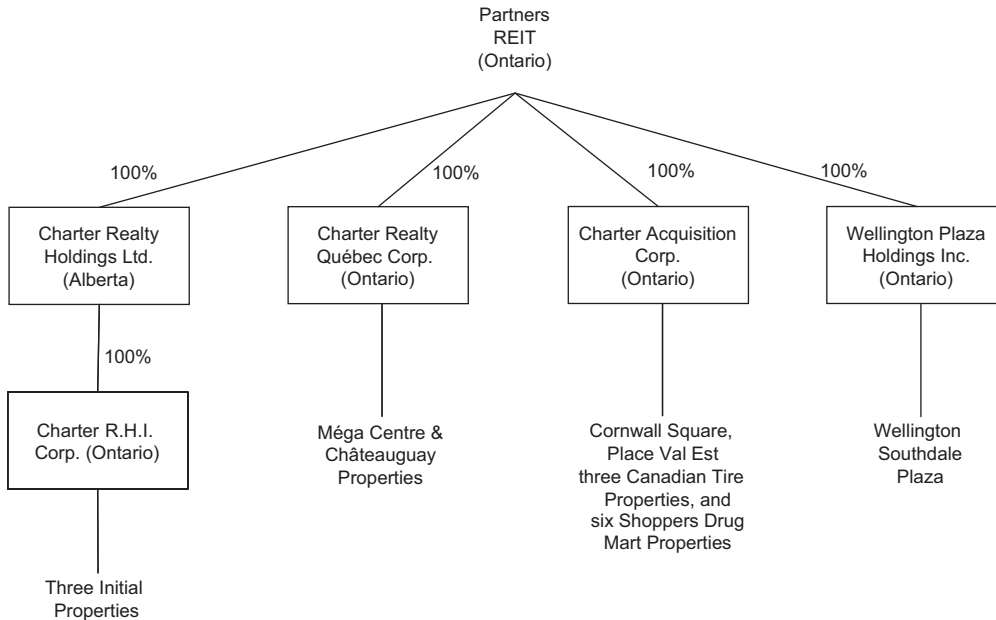
On March 29, 2005, Charter Realty Holdings Ltd. (“Charter Realty”), the predecessor to the REIT, was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta). The common shares of Charter Realty were listed and posted for trading on the TSXV commencing on September 2, 2005. On May 10, 2007, Charter Realty completed a plan of arrangement and corporate reorganization (the “Arrangement”) pursuant to which its outstanding shares and options were consolidated on a ten-for-one basis and exchanged for Units and Unit options. The REIT continued the business of Charter Realty from and after May 10, 2007.

Effective November 3, 2010, the REIT changed its name from “Charter Real Estate Investment Trust” to “Partners Real Estate Investment Trust”.

The REIT’s head and registered office is located at 200-710 Redbrick Street, Victoria, BC V8T 5J3.

### Inter-corporate Relationships

The following chart illustrates the relationship of the REIT to those entities that hold the seventeen properties comprising the current portfolio of properties held by the REIT and its controlled entities, as well as the jurisdiction of incorporation or organization of each entity as at the date of this Annual Information Form. The properties listed under each subsidiary of the REIT are held in the name of the applicable subsidiary. However, Charter Realty is the beneficial owner of the three Initial Properties pursuant to nominee agreements entered into between Charter Realty and Charter R.H.I. Corp. The REIT is the beneficial owner of all of the other properties pursuant to nominee agreements entered into between the REIT and the subsidiary that holds each property.



## GENERAL DEVELOPMENT OF THE BUSINESS

### Formation of Charter Realty

On March 29, 2005, Charter Realty, the predecessor to the REIT, was incorporated under the name “Chartered Realty Holdings Ltd.” pursuant to the provisions of the *Business Corporations Act* (Alberta). On May 4, 2005, Chartered Realty Holdings Ltd. filed articles of amendment changing its name to “Charter Realty Holdings Ltd.” and on June 13, 2005, filed articles of amendment removing the private company restrictions on transfer of securities from its articles.

Following its incorporation, Charter Realty was capitalized with \$200,000 pursuant to an aggregate issuance of 2,000,000 common shares issued at a price of \$0.10 per share. Charter Realty completed its initial public offering under the CPC Policy on August 22, 2005 pursuant to which 1,500,000 common shares were sold at a price of \$0.20 per share for aggregate gross proceeds of \$300,000. The common shares were listed and posted for trading on the Exchange commencing on September 2, 2005. On September 14, 2006, Charter Realty issued a total of 2,500,000 common shares at a price of \$0.20 per share to CAB for aggregate gross proceeds of \$500,000.

### Qualifying Transaction and Acquisition of the Initial Properties

On February 23, 2007, Charter Realty completed the Qualifying Transaction. In connection with the Qualifying Transaction, Charter Realty issued 15,000,000 common shares under the CPC Policy at \$0.20 per share for aggregate gross proceeds of \$3 million. Also in connection with the Qualifying Transaction, Charter Realty acquired the Initial Properties for an aggregate cash purchase price of \$2.07 million before closing costs and customary adjustments.

### Management Arrangements

On March 27, 2007, Charter Realty entered into the Prior Management Agreement with the Prior Manager. The Prior Management Agreement was subsequently assigned to the REIT on May 10, 2007. Concurrent with entering into the Prior Management Agreement, Charter Realty also entered into the Prior Non-Competition Agreement. See “*Asset Management of the REIT*”.

### Acquisition of Méga Centre

On March 30, 2007, Charter Realty completed the acquisition of Méga Centre for an aggregate cash purchase price of \$36.7 million (before closing costs), subject to customary closing adjustments. The Méga Centre acquisition was financed with a first mortgage loan and advances under the CAB Facility and a bridge facility provided by KingSett Capital. The amounts outstanding under these facilities were repaid in the third quarter of 2007. The first mortgage loan was in the amount of \$27.5 million and is secured by the property. The loan was for a 10-year term, expiring in 2017, and is interest-only for the first two years. Thereafter, the loan amortizes over a 30-year period. The loan bears interest at a rate of 5.32% per annum. The terms of the first mortgage loan required that \$525,000 be deposited with the first mortgage lender to cover capital expenditures on the property. By December 31, 2009, all of the funds were released and reimbursed back to the REIT as a result of the REIT completing all of the required capital expenditures.

### Formation and Capitalization of the REIT

On May 10, 2007, Charter Realty completed the Arrangement pursuant to which Charter Realty converted into the REIT. Pursuant to the Arrangement, Charter Realty’s outstanding shares and options were consolidated on a 10-for-one basis and exchanged for Units and Unit options.

On June 21, 2007, the REIT completed a private placement of 741,000 Units at a price of \$4.05 per Unit, for aggregate gross proceeds of approximately \$3.0 million.

On August 9, 2007, the REIT completed a public offering (the “2007 Offering”) of 13,375,000 Units for gross proceeds of approximately \$46.1 million. The underwriters of the 2007 Offering exercised their over-allotment option to purchase an additional 1,370,912 Units at a price of \$3.45 per Unit, for additional gross proceeds of

approximately \$4.7 million on September 5, 2007. CAB subscribed for 4,347,826 units under the 2007 Offering pursuant to its pre-emptive right available under the Declaration of Trust at that time.

### **Acquisition of Cornwall Square**

On August 9, 2007, the REIT completed the acquisition of Cornwall Square for an aggregate cash purchase price of \$41.7 million (before closing costs), subject to customary closing adjustments. The Cornwall Square acquisition was financed with the proceeds of the 2007 Offering.

### **Acquisition Facility**

In connection with the acquisition of Cornwall Square on August 9, 2007, the REIT obtained a 364 day revolving operating and acquisition facility in the amount of \$32.3 million (the "Acquisition Facility"). The Acquisition Facility was initially secured by Cornwall Square. The Acquisition Facility may be used to fund the equity portion of future acquisitions (without lender approval of the particular acquisition) and for general working capital purposes. The Acquisition Facility was renewed by the lender in August 2008 in the amount of \$31.3 million for another 364 days. The Acquisition Facility was set to expire on August 6, 2009 but in May 2009 it was early renewed and extended for a two-year term expiring on May 19, 2011 for a maximum amount of \$26.0 million. In December 2010, the outstanding balance was paid down to \$0; however the facility remains in place.

Pursuant to the terms of the Acquisition Facility, from time to time, the amount permitted to be drawn under the Acquisition Facility may be adjusted based on certain financial tests. The amount available to be drawn upon is calculated based on the value of a property that has been specified under the agreement. As of the date of this Annual Information Form, the REIT has no property specified as security for this facility.

Amounts drawn down under the current terms of the Acquisition Facility bear interest at a rate equal to the bank's prime rate plus 3.50% per annum and banker's acceptances bear interest at a rate equal to the bank's acceptance stamping fee plus 4.50% per annum. The Acquisition Facility contains financial covenants with respect to maintaining agreed upon debt-to-gross book value ratios (being a maximum of 75%) and other tests customary for this type of facility. The terms (including, but not limited to, the maximum amount of the facility and the interest rate on the facility) are reviewed each renewal period by the lender and we cannot provide assurances that the Acquisition Facility will be renewed at all or on the same terms as currently exist.

### **Graduation to Tier 1 REIT Status**

Effective November 1, 2007, the REIT achieved Tier 1 status on the Exchange. In connection with its graduation to Tier 1 status, the REIT accelerated the release of 1,460,250 Units that were subject to escrow conditions at the time as a result of Charter Realty's initial listing as a capital pool company. All of the escrowed Units have been released.

### **Acquisition of the Châteauguay Property**

On November 30, 2007, the REIT completed the acquisition of the Châteauguay Property for an aggregate purchase price of \$14.2 million (before closing costs), subject to customary closing adjustments. The Châteauguay Property acquisition was financed with a first mortgage loan in the amount of \$9.0 million, secured by the property. The balance of the purchase price was financed through the Acquisition Facility. The loan is for a five-year term, expiring in 2012 and amortizes over a 25-year period. The loan bears interest at a rate of 5.39%.

### **Acquisition of Place Val Est**

On January 31, 2008, the REIT completed the acquisition of Place Val Est for an aggregate purchase price of \$14.7 million (before closing costs), subject to customary closing adjustments. The acquisition was financed by the assumption of an existing first mortgage loan in the amount of \$8.1 million. The loan expires in 2015 and bears interest at a rate of 5.166% per annum. The amortization period for the loan from the date of acquisition was 273 months or 22.75 years. The balance of the purchase price was financed through the Acquisition Facility.

## **Canadian Tire Portfolio**

On September 5, 2008 the REIT completed the acquisition of the Brockville Property, the Strathroy Property and the Wasaga Beach Property (collectively the “Canadian Tire Properties”) which are leased on a triple-net basis for a 15-year term to Canadian Tire (the vendor). The Canadian Tire Properties were acquired for an aggregate purchase price of \$27.3 million (before closing costs) subject to customary closing adjustments. The acquisition of the Canadian Tire Properties was financed with a first mortgage loan in the amount of \$19.1 million secured and cross-collateralized by the Canadian Tire Properties. The mortgage was for a five-year term, expiring in September 2013, with a 25-year amortization period and bears interest at a rate of 5.65% per annum. The balance of the purchase price was financed by the Credit Facilities, described below, at an annual interest rate of 8.75% for an overall cost of funds of approximately 6.65%.

## **Credit Facilities**

On September 5, 2008 the REIT entered into the Credit Facilities for an aggregate amount of \$10 million. The Credit Facilities were used to finance the equity portion of the acquisition of the Canadian Tire Properties, as well as for working capital purposes. The first facility consisted of an \$8.6 million facility set to expire in September 2013 and bearing interest at 8.75% per annum on an interest-only basis. This facility included a clause allowing it to be prepaid without penalty and was secured by (a) a first mortgage on each of the Exeter Property, the Seaforth Property and the Zurich Property, (b) second charges on Méga Centre, the Châteauguay Property and the Canadian Tire Properties, and (c) a general security agreement relating to each of the above properties. The second facility consisted of a \$1.4 million five-year facility set to mature in 2013 and bearing interest at 8.75% per annum on an interest-only basis for the first two years and then self-amortizing over the final three years. This facility also included a clause allowing it to be prepaid without penalty and was secured by a second charge on Cornwall Square.

The second facility was repaid without penalty, on December 16, 2010, from proceeds of new debt, maturing in 2015. See “– *Refinancing of Cornwall Square*” below.

The first facility was repaid without penalty, on March 8, 2011, from proceeds of new debt, maturing in 2016. See “– *Convertible Debenture Offering*” below.

## **Change of Sponsorship**

In April 2009, the Board of Trustees began to consider the various strategic alternatives available to the REIT and a committee of independent Trustees (the “Independent Committee”) was formed. The mandate of the Independent Committee was to identify strategic alternatives that would enhance Unitholder value including, without limitation, entering into strategic alliances; the sale of all or some of the assets of the REIT; the purchase by others of some or all of the outstanding units of the REIT, including by existing major Unitholders; the issuance of units of the REIT from treasury to others in exchange for either cash or non-cash consideration; and the recapitalization of the REIT to enable additional acquisitions and the internalization of management of the REIT.

Pursuant to the strategic review process, the REIT entered into a non-binding letter of intent with LAC and with CAB providing for the following transactions:

- CAB selling all of its units in the capital of the REIT, being 6,047,095 units representing approximately 33% of the REIT’s outstanding units at the time, to LAC or an affiliate of LAC (the “Unit Sale”); and
- CAB and the REIT terminating the Prior Management Agreement and LAC (or an affiliate) and the REIT entering into a new Management Agreement (the “Management Changes”).

The letter also contemplated a separate transaction regarding an investment by LAC, which took the form of a standby purchase agreement to a rights offering by the REIT. Under this agreement, LAC, or an affiliate of LAC, agreed to purchase all of the units not otherwise purchased by other Unitholders pursuant to the exercise of the rights under the rights offering, subject to a total ownership position of no more than 49.9% of the REIT after the exercise of the rights.

On June 4, 2010, IGW Public, an affiliate of LAC, completed the Unit Sale at \$1.45 per Unit. The Management Changes were also completed on June 4, 2010 with LAPP Global Asset Management Corp., a wholly owned subsidiary of IGW Public, becoming the new Manager. The new Management Agreement is on substantially similar terms to the Prior Management agreement with the Prior Manager (see “*Asset Management of the REIT*”).

### **Rights Offering**

On June 16, 2010, the REIT filed a short form prospectus in each of the provinces and territories of Canada qualifying the distribution of rights to the holders of its outstanding Units of record at the close of business (Toronto time) on June 30, 2010 (the “Rights Offering”). Each Unitholder was entitled to one right for each Unit held on the record date. Each 2.5787 rights entitled the holder thereof to purchase one Unit of the REIT at a price of \$1.39 per Unit prior to 5:00 p.m. (Toronto time) on July 23, 2010, and Unitholders who exercised these basic subscription rights in full were entitled to subscribe for additional Units, if available, pursuant to an additional subscription privilege. On July 26, 2010 the REIT announced that Unitholders had elected to exercise 6,920,528 rights under the basic subscription rights, which resulted in the issuance of 2,683,727 Units to such Unitholders at a price of \$1.39 per Unit. In addition, 5,613 Units were issued pursuant to the additional subscription rights, for a total issuance of 2,689,340 Units. This included 2,345,016 Units issued in connection with the exercise of the basic subscription rights by IGW Public, the REIT’s largest Unitholder. Pursuant to the terms of a standby purchase agreement between the REIT and IGW Public dated June 4, 2010, as amended on July 29, 2010 IGW Public purchased an additional 4,420,749 Units at a purchase price of \$1.39 per Unit. Following these transactions on July 29, 2010, IGW Public held 49.9% of the outstanding Units. Substantially all of the funds raised by the Rights Offering were used by the REIT to repay outstanding indebtedness under its operating and acquisition facility.

### **Relocation of Head Offices**

On September 10, 2010 the REIT announced the relocation of its head offices to Victoria, British Columbia.

### **Name Change**

On November 3, 2010 the REIT changed its name from “Charter Real Estate Investment Trust” to “Partners Real Estate Investment Trust”. Shortly thereafter, the REIT’s trading symbol changed from “CRH.UN” to “PAR.UN”.

The name change reflects the REIT’s new ownership structure, new Board of Trustees, and a new focus on achieving growth in assets under management, distributable cash, and Unitholder value.

### **Refinancing of Cornwall Square**

On December 16, 2010, Charter Acquisition, a wholly-owned subsidiary of the REIT, borrowed \$25.5 million which amount was secured against the Cornwall Square shopping centre located in Cornwall, Ontario which is registered in the name of Charter Acquisition and is beneficially owned by the REIT. This loan, which was used to repay two loans secured against this property, has a term of five years and bears interest at the rate of 4.9% annually. The REIT has guaranteed the obligations of Charter Acquisition to repay the principal, interest and other amounts owing to the lender under the terms of a loan agreement entered into by the REIT, Charter Acquisition and the lender (the “Cornwall Square Loan Agreement”). After the repayment of the two loans, including interest owing thereon, which amounted to approximately \$17.4 million, the balance of the proceeds of this loan were used to partially fund the acquisition of the Wellington Southdale Property.

In connection with the advance made under the Cornwall Square Loan Agreement, the REIT paid out a \$1.4 million credit facility (see “– *Credit Facilities*” above). The REIT also repaid the amount outstanding at December 16, 2010 time under a line of credit from a Canadian chartered bank which was secured against the Cornwall Square property (see “– *Acquisition Facility*” above).

### **Unit Offering**

On December 20, 2010, the REIT entered into an underwriting agreement with TD Securities Inc., CIBC World Markets Inc., National Bank Financial Inc., Scotia Capital Inc., Canaccord Genuity Corp., Dundee Securities Corporation and Macquarie Capital Markets Canada Ltd. relating to the distribution of 4,680,000 Units as well as

the distribution of 468,000 Units by way of an over-allotment option, which was fully exercised. The Units were issued at \$1.60 per Unit and the offering closed on December 30, 2010. The REIT issued 5,148,000 Units under the offering for total raised capital of \$8,236,800. As of December 30, 2010, IGW Public held 41.5% of the outstanding Units.

The net proceeds to the REIT from that offering, after deducting the Underwriters' fee and other expenses of the Offering, were used by the REIT to fund the purchase price of the Wellington Southdale Property.

### **Acquisition of the Wellington Southdale Property**

On December 22, 2010, the REIT completed the acquisition of the Wellington Southdale Property for an aggregate purchase price of \$20.3 million (before closing costs), subject to customary closing adjustments. The acquisition was financed by the assumption of an existing first mortgage loan in the amount of \$9.7 million. The loan matures in 2016 and bears contractual interest at a rate of 6% per annum. The amortization period of the loan from the date of acquisition was 223 months or 18.6 years. The balance of the purchase price was financed through a second mortgage and cash raised from the refinancing of Cornwall Square. See “– *Refinancing of Cornwall Square*” above.

The second mortgage was drawn upon the acquisition of the Wellington Southdale Property in the amount of \$2.3 million. The loan matures in 2016 and bears contractual interest at a rate of 4.57% per annum. The amortization period of the loan from the date of acquisition was 300 months or 25 years.

### **Convertible Debenture Offering**

On February 17, 2011, the REIT entered into an underwriting agreement with TD Securities Inc., CIBC World Markets Inc., Dundee Securities Ltd., Macquarie Capital Markets Canada Ltd., Scotia Capital Inc., National Bank Financial Inc., Canaccord Genuity Corp., Raymond James Ltd. and Brookfield Financial Corp. relating to the distribution of \$25 million aggregate principal amount of 8% extendible convertible unsecured subordinated debentures at a price of \$1,000 per \$1,000 principal amount of debentures (“Debentures”) which included the granting of an over-allotment option equal to 15% of the aggregate principal amount of the Debentures to the underwriters. The Debentures mature on March 31, 2016. The Debentures bear interest at an annual rate of 8.0% payable semi-annually, in arrears, on March 31 and September 30 in each year commencing on September 30, 2011. The Debentures were listed on the Exchange in 2011 under the symbol “PAR.DB”. See “*Description of Debentures and Indenture*”.

On March 15, 2011, the underwriters exercised the over-allotment option and the REIT issued an additional \$3,750,000 aggregate principal amount of debentures, for a total issuance of \$28,750,000 in outstanding aggregate principal amount of debentures.

The net proceeds of the sale of the Debentures were used to purchase the Shoppers Drug Mart Properties (as described below) and to pay out a \$8.6 million credit facility (see “– *Credit Facilities*” above).

### **Shoppers Drug Mart Properties**

On November 22, 2010, the REIT entered into an agreement (as subsequently amended) to acquire six income producing properties, the Brandon Property, the Gatineau Property, the Pembina Property, the Selkirk Property, the Sherbrook Property, and the Steinbach Property, collectively the “Shoppers Drug Mart Properties”. The Shoppers Drug Mart Properties were acquired for an aggregate purchase price of \$30,970,000. The purchase closed on March 17, 2011 and has been funded by the assumption of existing mortgages of \$17.2 million and cash.

Existing mortgages have been assumed on each of the six properties as follows:

Property	Balance of Mortgage Assumed	Contractual Interest Rate	Maturity Date
Brandon	\$2.6 million	5.90%	November 2015
Gatineau	\$3.7 million	5.93%	February 2017
Pembina	\$2.4 million	6.70%	June 2019
Selkirk	\$1.9 million	6.35%	February 2015
Sherbrook	\$3.6 million	6.07%	December 2020
Steinbach	\$3.0 million	5.76%	June 2021

## DESCRIPTION OF THE BUSINESS

### Business Overview

The REIT is focused on acquiring and managing a portfolio of retail and mixed-use retail community and neighbourhood shopping centres, primarily in the mid-market value range of \$10 to \$50 million, from both primary and secondary markets throughout Canada. The REIT's goal is to generate a reliable and growing tax-efficient return for its Unitholders.

Management is of the view that retail centres are attractive investments because they offer stable cash flow where the majority of rents are derived from national and regional retailers with multi-year leases. These centres typically provide growth opportunities through the lease-up of vacant space, the upward trend in rental rates through contractual escalations and through management's active re-merchandising and re-development of the properties. The REIT will look to create a base of retail assets that provide both a reliable, stable cash flow and an opportunity for yield growth through re-leasing, re-development and/or development of assets which it will use for rental purposes. Currently, the REIT's portfolio consists of seventeen properties located in Manitoba, Ontario and Québec comprising approximately 1.3 million square feet of GLA.

The REIT is managed by the Manager, an affiliate of IGW Public. IGW Public is a significant Unitholder of the REIT. Pursuant to the terms of the Management Agreement, the Manager provides strategic, advisory, asset management and administrative services to the REIT. See "*Asset Management of the REIT*".

### Strategy of the REIT

Management believes that it can obtain high quality, stable retail properties with the potential for value-add opportunities by focusing on both enclosed and open-air community and neighbourhood shopping centres in primary and secondary markets. Management also believes that the REIT has a differentiated position within the broader retail REIT universe by focusing on these community and neighbourhood shopping centres because there are only a small number of key public players focusing on these types of centres, and even fewer focusing on these types of centres in secondary markets. These centres would typically be between 100,000 and 500,000 square feet and anchored by department stores, discount retailers and/or supermarkets. The REIT intends to maximize the value of its centres by executing the appropriate re-merchandising and re-development strategy wherever possible. The REIT's goal is to own "institutional-grade" properties or properties with the potential to become "institutional-grade" through this re-merchandising and re-development.

**“A” assets in “B” markets, “B” assets in “A” markets:** The REIT applies an acquisition strategy of “A” assets in “B” markets and “B” assets in “A” markets. Management believes that secondary real estate markets offer the REIT the opportunity to acquire well-tenanted retail properties with strong national and regional retailers at attractive capitalization rates. By combining assets in the secondary market with high yielding primary real estate market assets, management believes that the REIT will generate higher returns with less risk than if the REIT were to focus exclusively on primary real estate markets.

- **Mid-market deal size between \$10 and \$50 million:** The REIT focuses on acquiring properties or portfolios of properties valued between \$10 million and \$50 million, allowing it to differentiate itself from small public and private real estate investors, who management believes generally look for smaller investments, while also acquiring properties that are small enough to minimize competition from large real estate investment trusts, corporations and institutions. The REIT also looks at larger acquisitions that do not fall into the investment parameters of larger real estate investment trusts or institutions that still provide good investment opportunities.
- **Stable rents via national and regional tenants:** The REIT focuses on acquiring retail properties with strong national and regional retail tenants, which management believes increases the likelihood of those tenants fulfilling the lease terms to which they have committed and thereby providing the REIT with more stable cash flows.
- **Institutional grade properties:** The REIT focuses on acquiring properties that are of institutional grade or have the potential to become institutional grade through active management. Management believes this strategy presents two main benefits. First, focusing on institutional grade properties tends to generate more interest from national/regional retailers, resulting in more stable cash flows for the REIT. Second, institutional grade properties tend to be more highly sought after and valued by others in the event of a disposition of a particular asset by the REIT.



## Property Portfolio

As at December 31, 2010, the REIT owned eleven retail and mixed use retail properties in Ontario and Québec as follows:

Property and location	Property type	Date built /redeveloped	Anchor tenants	Gross Leaseable Area (sq.ft.)		Occupancy <sup>(2) (3)</sup>	% of annualized base rental revenue <sup>(3)</sup>	Weighted average rent <sup>(3)</sup>
				Retail <sup>(1)</sup>	Storage space			
<b>Ontario:</b>								
Cornwall Square Cornwall, Ontario	Enclosed Mall	1979/1989	Sears Loblaws (No Frills)	250,187	1,269	98.9%	23.1%	\$11.43
Place Val Est Sudbury, Ontario	Grocery- anchored Strip Centre	1983/1987, 1990, 1998	Metro	110,512	-	92.0%	9.9%	\$11.95
Wellington Southdale Sudbury, Ontario	Shopping Centre	1986, 2000, 2004, 2006	Empire Theatres	86,629	-	97.2%	13.4%	\$19.53
Canadian Tire Property Brockville, Ontario	Free Standing	1995/2006	Canadian Tire	70,380	-	100%	6.3%	\$11.00
Canadian Tire Property Strathroy, Ontario	Free Standing	2005	Canadian Tire	67,834	-	100%	6.1%	\$11.00
Canadian Tire Property Wasaga Beach, Ontario	Free Standing	2007	Canadian Tire	54,081	-	100%	4.8%	\$11.00
Initial Property Exeter, Ontario	Free Standing	1996/2000	Rona	42,780	-	100%	1.2%	\$3.54
Initial Property Seaforth, Ontario	Free Standing	1962/2000	Rona	19,622	-	100%	0.4%	\$2.47
Initial Property Zurich, Ontario	Free Standing	1961/2000	Rona	24,400	-	100%	0.3%	\$1.49
<b>Québec:</b>								
Méga Centre Montréal, Québec	Community Power Centre	1973/1993, 1999, 2000, 2004	Brault & Martineau Staples Future Shop	277,477	36,081	89.4%	23.7%	\$10.38
Châteauguay Montréal, Québec	Mixed-use Strip Centre	1970/1994, 2010	Shoppers Drug Mart Staples	114,650	-	97.9%	10.8%	\$11.76
<b>Total</b>				<b>1,118,552</b>	<b>37,350</b>	<b>95.7%</b> <sup>(4)</sup>	<b>100%</b>	<b>\$11.25</b> <sup>(4)</sup>

Notes:

- (1) Includes office space in mixed-use retail properties.
- (2) Excluding storage space.
- (3) Calculated at December 31, 2010 and includes any material new/renewal leasing completed by February 24, 2011.
- (4) Represents weighted average for the portfolio.

*Méga Centre Côte-Vertu — 3800 Côte Vertu Boulevard, St. Laurent (Montréal), Québec*

Méga Centre is a shopping centre located at the intersection of Côte-Vertu Boulevard and Rue Bégin in St. Laurent (Montréal), Québec. The total size of the Méga Centre property is approximately 19.0 acres, including 313,558 square feet of rentable space and surrounding lands. Méga Centre was built in 1973 and was substantially renovated in 1993, 1999, 2000 and 2004. At December 31, 2010, the retail space in Méga Centre was 89.4% leased. Tenants include Brault & Martineau (77,318 square feet), Bentley Leathers Inc. (34,093 square feet), Staples (24,860 square feet), Future Shop (30,332 square feet), L'Oreal (23,550 square feet) and L'Aubainerie (29,960 square feet). Approximately 33,000 square feet of basement warehouse space remains vacant, with an additional 3,000 square feet of main floor warehouse space also vacant. A 110,000 square foot Rona home improvement store is located adjacent to the property and acts as a shadow anchor, drawing customers to Méga Centre.

The average term to maturity of existing leases is approximately three years. In the next five years, leases representing the percentage of leased retail square feet set out below will expire:

<b>Year</b>	<b>Leased sq. ft. expiring</b>	<b>% of square feet</b>
2011	4,624	1.7%
2012	110,513	39.8%
2013	57,226	20.6%
2014	7,800	2.8%
2015	-	-

Pursuant to a property management agreement between Charter Realty and Crofton Moore Management Inc. (“Crofton”) (as subsequently assigned by Charter Realty to the REIT), Crofton provides property management services for Méga Centre. Such services are provided for a management fee of 3% of gross revenues, leasing fees ranging from \$1.00 to \$3.00 per square foot and other customary property management fees on market terms. The property management agreement is terminable by either party on 60 days notice.

*Cornwall Square Shopping Centre — One Water Street East, Cornwall, Ontario*

Cornwall Square is a two-level enclosed shopping centre located in Cornwall, Ontario. Cornwall Square was originally built in 1979 and was expanded in 1989 with the addition of a food court. The property comprises 250,187 square feet of commercial retail space and 1,269 square feet of rentable storage space and administration offices. Cornwall Square is anchored by a 96,909 square foot Sears store and a 41,058 square foot Loblaws grocery store operating under the “No Frills” banner. There are approximately 53 additional retail tenants, including five food court users. Non-anchor tenants include Shoppers Drug Mart, Le Chateau, Stitches, Cleo, Garage Clothing Company, La Senza, TD Canada Trust, Coles, Payless Shoes, Bentley Leather and Ardene. At December 31, 2010, the centre was 98.9% leased including anchor tenants or 97.5% excluding anchor tenants.

The leases for both Sears and Loblaws (No Frills) contain provisions that require, subject to certain exceptions, that the tenants must “continuously, actively, and diligently carry on business in the whole of the store”, limiting their ability to “go dark” during the term of their leases, which expire on October 31, 2014 and October 2, 2014, respectively.

The average term to maturity of existing leases is approximately four years. In the next five years, leases representing the percentage of leased retail square feet set out below will expire:

<b>Year</b>	<b>Leased sq. ft. expiring</b>	<b>% of square feet</b>
2011	10,409	4.2%
2012	7,630	3.1%
2013	8,973	3.6%
2014	153,336 <sup>(1)</sup>	61.3%
2015	9,473	3.8%

<sup>(1)</sup> Includes lease expiries of the two anchor tenants at the centre.

The REIT has entered into a property management agreement with Redcliff Realty Management Inc. (“Redcliff”) to provide property management and leasing services for Cornwall Square. Such services are provided for a management fee of 3% of gross revenues, leasing fees ranging from \$0.45 to \$3.25 per square foot and other customary property management fees on market terms. The property management agreement is for a term of one year, automatically renewable unless terminated in accordance with the provisions of the agreement and can be terminated by either party on 90 days notice.

*Place Val Est — 3140 Highway 69 North, Sudbury, Ontario*

Place Val Est is a 110,512 square foot food-anchored retail strip centre located in the north section of Sudbury (Valley East). At December 31, 2010, the property was 92.0% leased and has the dominant grocery store in that area. The property was originally developed in 1983 and has seen many additions to it over the last 20 years. Tenants include a Metro grocery store (33,063 square feet), Rossy (22,662 square feet), PharmaSave (6,547 square feet), Pro Hardware (5,464 square feet), RBC (4,989 square feet), LCBO (3,603 square feet), Harvey’s (3,363 square feet) and Tim Horton’s (2,488 square feet).

The average term to maturity of existing leases is approximately five years. In the next five years, leases representing the percentage of leased retail square feet set out below will expire:

<b>Year</b>	<b>Leased sq. ft. expiring</b>	<b>% of square feet</b>
2011	3,601	3.3%
2012	-	-
2013	10,532	9.5%
2014	36,406 <sup>(1)</sup>	32.9%
2015	2,156	2.0%

<sup>(1)</sup> Includes lease expiry of anchor tenant (Metro) at the centre.

Redcliff also provides property management services for Place Val Est under similar terms to those for Cornwall Square.

*Châteauguay Property — 160–180 Anjou Boulevard, Châteauguay (Montréal), Québec*

The Châteauguay Property is a two-storey, 114,650 square-foot mixed-use retail property located in Châteauguay (Montréal), Québec. At December 31, 2010, the Châteauguay Property was 97.9% leased. The property contains a total of 68,029 square feet of ground level retail space and 46,621 square feet of second floor office space. The Châteauguay Property is anchored by Pharmaprix (Shoppers Drug Mart) (18,181 square feet) and Staples (25,885 square feet) on the ground floor, and by two different branches of the Québec government (39,484 square feet) on the second floor.

The average term to maturity of existing leases is approximately five years. In the next five years, leases representing the percentage of leased retail/office square feet set out below will expire:

<b>Year</b>	<b>Leased sq. ft. expiring</b>	<b>% of square feet</b>
2011	2,637	2.3%
2012	11,134	9.7%
2013	-	-
2014	28,350	24.7%
2015	-	-

Crofton also provides property management services for the Châteauguay Property under similar terms to those for the Méga Centre.

*Wellington Southdale Property — 977-995 Wellington Road South, London, Ontario*

The Wellington Southdale Property is a 86,629 square foot, cinema-anchored retail strip centre located near the intersection of Wellington Road and Southdale Road. Wellington Road is a major arterial route through London which provides heavy exposure to vehicular traffic in excess of 40,000 vehicles per day. The total size of the property is 6.97 acres with four freestanding buildings. The site benefits from five access points. The Wellington Southdale Property was built in 1986 and was renovated in 2000, 2004 and 2006. Tenants include: Empire Theatres (33,949 square feet), Dollarama (9,375 square feet), Moxies (8,009 square feet) and HSBC (2,142 square feet).

The average term to maturity of existing leases is approximately five years. In the next five years, leases representing the percentage of leased retail/office square feet set out below will expire:

<b>Year</b>	<b>Leased sq. ft. expiring</b>	<b>% of square feet</b>
2011	-	-
2012	12,668	14.6%
2013	7,566	8.7%
2014	5,423	6.3%
2015	35,449 <sup>(1)</sup>	40.9%

<sup>(1)</sup> Includes lease expiry of anchor tenant (Empire) at the centre.

The REIT has entered into a property management agreement with Redcliff Realty Management Inc. (“Redcliff”) to provide property management and leasing services, but excluding accounting services for the Wellington Southdale Property. Such services are provided for a management fee of 2% of gross revenues, leasing fees ranging from \$0.45 to \$3.25 per square foot and other customary property management fees on market terms. The property management agreement is for a term of one year, automatically renewable unless terminated in accordance with the provisions of the agreement and can be terminated by either party on 90 days notice.

*Canadian Tire Properties*

The Canadian Tire Properties are located in Brockville, Strathroy and Wasaga Beach, Ontario. The leases governing the Canadian Tire Properties were for an initial term of 15 years, expiring September 30, 2023. The rent payable pursuant to the leases increases every five years by 10%. Canadian Tire has seven options of five years each, which can be exercised on 24 months’ notice to the landlord. The first option is set at 110% of basic rent from the previous term, while the additional options are at fair market rents but cannot exceed 110% of basic rent from the previous 12-month period.

The Brockville Property is located at 2360 Parkedale Avenue, Brockville, Ontario. It was built in 1995, expanded in 2006, and has 70,380 square feet of rentable area. The property is in immediate proximity to the Sears-anchored 1000 Islands Mall, an approximately 273,735 square foot enclosed community mall located in one of the prime retail nodes in Brockville. Other surrounding retailers include Staples, Galaxy Theatres, and Shoppers Drug Mart.

The Strathroy Property is located at 24614 Adelaide Rd., Strathroy, Ontario. It was built in 2005 and has 67,834 square feet of rentable area. The asset is situated in Strathroy’s primary retail node and is in immediate proximity to Wal-Mart, Staples, and Giant Tiger.

The Wasaga Beach Property is located at 75-45<sup>th</sup> St. S., Wasaga Beach, Ontario. It was built in 2007 and has 54,081 square feet of rentable area. The property is shadow-anchored by a recently developed Real Canadian Superstore

(Loblaws), in one of the primary retail nodes in Wasaga Beach. Surrounding retailers include Home Hardware Building Centre and Shoppers Drug Mart.

The leases governing the Canadian Tire Properties are triple-net leases, with the tenant responsible for all common area charges associated with the properties as well as the maintenance and repair of the properties. Realty taxes are paid by Canadian Tire directly to the municipalities. Property management services are provided by the REIT as a result of the relatively simple nature of the lease obligations.

#### *The Initial Properties*

The Exeter Property is located at 265 Main Street North in Exeter, Ontario (approximately 50 kilometres northwest of London, Ontario), directly across the street from the main shopping complex servicing the local area, which houses a Canadian Tire, Your Independent Grocer and Shoppers Drug Mart, among other retailers. The retail portion of the Exeter Property has 16,000 square feet of finished sales area. Additionally, the Exeter Property includes three enclosed warehouse spaces, covering an aggregate of 26,780 square feet. The Exeter Property is leased to Rona, pursuant to the terms of a triple-net lease (the “Exeter Lease”).

The Seaforth Property is located at 198 Main Street South in Seaforth, Ontario (approximately 70 kilometres northwest of London, Ontario), just south of the Seaforth “Main Street” retail area. The retail portion of the Seaforth Property has 10,154 square feet of finished sales area, and an additional enclosed warehouse area of 9,468 square feet is attached to the retail building. The Seaforth Property is leased to Rona pursuant to the terms of a triple-net lease (the “Seaforth Lease”).

The Zurich Property is located at 72821 Blind Line in Zurich, Ontario (approximately 70 kilometres northwest of London, Ontario), which is just off Highway No. 84, directly east of the Zurich “Main Street” retail area. The retail portion of the Zurich Property has 8,400 square feet of finished sales area. Additionally, two warehouse buildings of 11,560 square feet and 4,440 square feet, respectively, are also located on the Zurich Property. The Zurich Property is leased to Rona pursuant to the terms of a triple-net lease (the “Zurich Lease”).

The Exeter Lease, Seaforth Lease, and Zurich Lease (collectively, the “Rona Leases”) were all for an initial term of 15 years, expiring on March 12, 2015. On March 13, 2010, the rent payable pursuant to the Rona Leases increases on the basis of a formula which is tied to the increase in the Consumer Price Index over the immediately preceding five year period, up to a maximum increase of 10% of the rental rate payable during the immediately preceding year. At the date of this Annual Information Form, this increase has been calculated as approximately a 9% increase in rent. Rona has an option to renew the initial term for each Rona Lease for an additional five years at fair market rents, which can be exercised on six months notice to the landlord.

As the Rona Leases are all triple-net leases, the tenant pays all area charges associated with the properties and is obligated to maintain and repair the premises. The landlord is not responsible during the term of the Rona Leases for any costs, charges, expenses or outlays of any nature, except for repairs and replacements resulting from reasonable wear and tear. Realty taxes are paid by the landlord to the municipality and collected in their entirety from Rona. Property management services are currently provided by the REIT as a result of the relatively simple nature of the lease obligations.

#### *Shoppers Drug Mart Properties*

The REIT acquired the Shoppers Drug Mart Properties in March 2011. The Shoppers Drug Mart Properties are located in Manitoba and Québec. The six leases governing the Shoppers Drug Mart Properties were each for an initial term of 15 years. Except as discussed below, all common area maintenance costs are recoverable under the terms of the individual leases.

The Brandon Property is located at 139 Victoria Avenue, Brandon, Manitoba. It was built in 2005 and has 16,986 square feet of rentable area on 1.21 acres. Brandon is Manitoba’s second largest city. The property occupies a prominent corner along the major arterial route and benefits from high traffic volume and ease of access from the primary market area. The property is in immediate proximity to Brandon Regional Hospital. It is 100% leased to Shoppers Drug Mart under a 15 year lease with 10 years remaining on the term. Contract rent is at market levels and includes a rent step in year 10 of the lease agreement. Due to Consumer Price Index indexing and specific

exclusions to operating expense recoveries set out in the lease agreement, there is a slight shortfall in common area maintenance recovery costs.

The Gatineau Property is located at 465 Boulevard de L'Hôpital, Gatineau, Québec. It was built in 2006 and has 17,028 square feet of rentable area on 1.61 acres. The property occupies a prominent corner location with high traffic volume and is in immediate proximity to L'Hôpital du Gatineau and various medical buildings. It is 100% leased to Shoppers Drug Mart under a 15 year lease with more than 11 years remaining on the term. Contract rent is at market levels and includes a rent step in year 10 of the lease agreement.

The Pembina Property is located at 2211 Pembina Highway, Winnipeg, Manitoba. It was built in 2004 and has 15,780 square feet of rentable area on 1.61 acres. Located at the northwest corner of Pembina Highway and Southpark Drive, the property occupies a prominent corner location situated along an established retail corridor in the south portion of the city. It is 100% leased to Shoppers Drug Mart under a 15 year lease with more than 8 years remaining on the term. Contract rent is at market levels and includes a rent step in Year 10 of the lease agreement.

The Selkirk Property is located at 230 Main Street, Selkirk, Manitoba. It was built in 2004 and has 16,685 square feet of rentable area on 1.30 acres. The property is situated along an established retail corridor, in a suburban community approximately 34 km north of Winnipeg. It is 100% leased to Shoppers Drug Mart under a 15 year lease with 10 years remaining on the term. Contract rent is at market levels and includes a rent step in years 5 and 10 of the lease agreement. Due to Consumer Price Index indexing and specific exclusions to operating expense recoveries set out in the lease agreement, there is a slight shortfall in common area maintenance recovery costs.

The Sherbrook Property is located at 777 Sherbrook Street, Winnipeg, Manitoba. It was built in 2005 and has 16,839 square feet of rentable area on 1.46 acres. The property is situated along an established retail corridor located northwest of the downtown core and benefits from exposure to a high volume of traffic and ease of access from the primary market area. It is 100% leased to Shoppers Drug Mart under a 15 year lease with 10 years remaining on the term, providing good long-term income security. Contract rent is at market levels and includes a rent step in year 10 of the lease agreement. Due to specific exclusions to operating expense recoveries set out in the lease agreement, there is a slight shortfall in common area maintenance recovery costs.

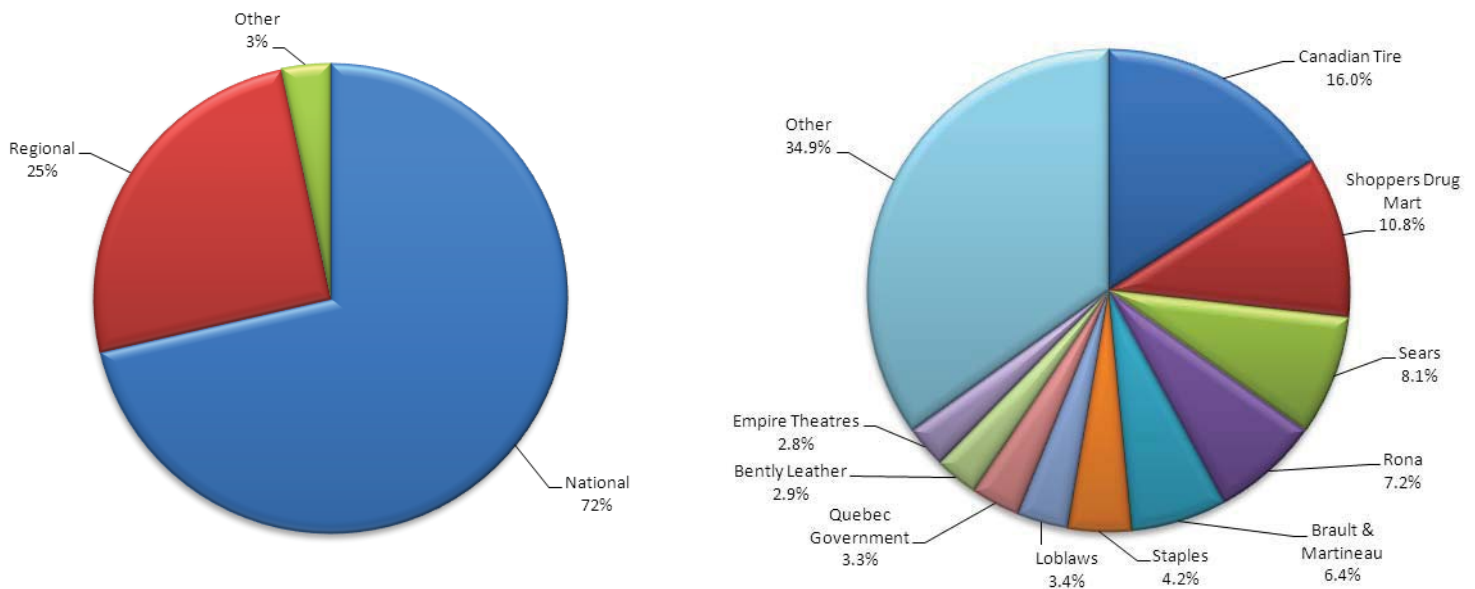
The Steinbach Property is located at 383 & 390 Main Street Steinbach, Winnipeg, Manitoba. It was built in 2006 and has 21,002 square feet of rentable area on 3.27 acres. The property is situated along an established retail corridor, in a suburban community approximately 54 km southeast of Winnipeg. It is 100% leased to two medical tenants and Shoppers Drug Mart. The lease with Shoppers Drug Mart is a 15 year lease with 11 years remaining on the term. Contract rent is at market levels and includes a rent step in year 10 of the lease agreement. Due to specific exclusions to operating expense recoveries set out in the lease agreement, there is a slight shortfall in common area maintenance recovery costs.

## Tenant Mix

The following charts show the ten largest tenants of the Properties at March 31, 2011 as well as the tenant mix of the Properties, based on leased GLA (excluding storage):

<u>Tenant</u>	<u>Property</u>	<u>Occupied GLA</u>	<u>% of Total Retail GLA</u>	<u>Lease Expiry Date</u>
Canadian Tire .....	Canadian Tire Properties	192,295	16.0%	September, 2023
Shoppers Drug Mart .....	Shoppers Drug Mart Properties / Cornwall Square / Châteauguay Property	130,139	10.8%	March, 2019 – July, 2026
Sears .....	Cornwall Square	96,909	8.1%	October, 2014
Rona.....	Initial Properties	86,802	7.2%	March, 2015
Brault & Martineau.....	Méga Centre	77,318	6.4%	May, 2016
Staples.....	Méga Centre/ Châteauguay Property	50,745	4.2%	October, 2013/ July, 2016
Loblaws (No Frills).....	Cornwall Square	41,058	3.4%	October, 2014
Québec Government .....	Châteauguay Property	39,484	3.3%	January, 2012 / November, 2014
Bentley.....	Méga Centre / Cornwall Square	35,306	2.9%	January, 2012 / March, 2015
Empire Theatres.....	Wellington Southdale Property	33,949	2.8%	November, 2015
<b>Total.....</b>		<b><u>784,005</u></b>	<b><u>65.1%</u></b>	

The REIT has a strong mix of national and regional tenants. The tenant mix for the properties at March 31, 2011 is as follows:

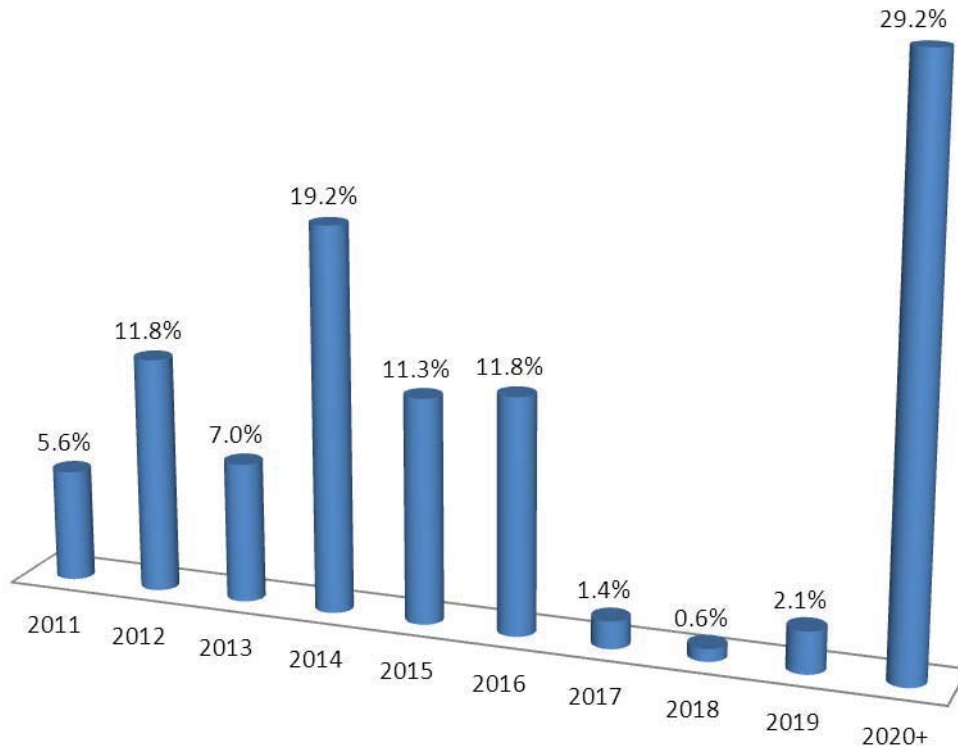


Note: Based on total leased square feet excluding storage.



## Lease Maturities

The average occupancy for the Properties at March 31, 2011 was 95.7% and the weighted average term to maturity of existing leases is approximately seven years. The chart below shows the lease expiration schedule of the Properties as a percentage of leased GLA (excluding storage):



Note: Based on total leased square feet excluding storage.

## Leasing Activity and Occupancy

The total area leased in the REIT's portfolio increased during 2010 by 12,687 square feet (1.2%). For the year ended December 31, 2010, the portfolio had lease expiries of 88,958 square feet; and new or renewed leases of 105,048 square feet. The annual average rental rate on the new leases is slightly lower than that of the expired leases, largely due to the fact that some of the new leases were for short term tenancies allowing time to complete negotiations with long term national tenants.

The average occupancy rate for the portfolio at December 31, 2010 was 95.7%, compared with 95.1% at December 31, 2009 and 95.2% at September 30, 2010. The improved occupancy over the previous quarter was mainly due to the addition to the portfolio of the Wellington Southdale Property and also partially due to a short term lease deal at the Châteauguay Property.

At the Châteauguay Property, the lease for a retail tenant occupying 12,012 square feet expired on March 31, 2010. The REIT entered into a binding offer with a new tenant to take 9,676 square feet of this space. It was originally anticipated that the tenant would begin operations in the fourth quarter. The REIT expects that the tenant will occupy the space commencing in the second quarter of 2011.

At Méga Centre, a local dollar store operator occupying 18,573 square feet vacated its premises in February 2010. For the remainder of 2010, we had a short term tenant in this space. As of the date of this Annual Information Form, the same tenant continues to occupy the space on a month-to-month basis until such time as we are able to secure a long term tenant deal. The net impact to net operating income as a consequence of the original vacancy and subsequent short term lease arrangement is a loss of \$167,500 for the current year. We believe that Méga Centre's location, transportation access, visibility and the surrounding community's demographics are positive in terms of being able to redevelop, renew leases, and stabilize the centre.

At Place Val Est, a new tenant, Rossy, a regional junior department store, has leased approximately 23,000 square feet of space that was vacated by SAAN. Rossy commenced operations at the end of July and began making rental payments in the fourth quarter. The lease contains both a fixed base rent and percentage rent component that could impact net operating income from between \$160,000 to \$220,000 annually.

At Cornwall Square, leases covering 24,758 square feet expired during the first six months of the year. Shoppers Drug Mart ("Shoppers") is leasing approximately 7,600 square feet at this property and its lease constituted the most significant expiry at the centre in the second half of 2010. However, Shoppers has exercised its three year option to renew the lease on the current space. During the fourth quarter of 2010, Shoppers also executed a lease amending agreement with a planned expansion to 13,152 square feet, and committed to extend the lease by 15 years.

On December 22, 2010, the REIT completed the acquisition of the Wellington Southdale Property, an 86,612 square foot shopping plaza located in London, Ontario which was 97.2% leased upon acquisition. The plaza is anchored by Empire Theatres.

On March 17, 2011, the REIT completed the acquisition of the Shoppers Drug Mart Properties, collectively comprising of 104,335 square feet. The Shoppers Drug Mart Properties were 100% leased upon acquisition. The six properties have been leased separately to Shoppers Drug Mart, each on a net basis for 15 year terms, with expiry dates ranging between 2019 and 2022.

### **Competitive Conditions**

The real estate business in which the REIT operates is competitive. Numerous other developers, managers and owners of properties compete with the REIT both in respect of seeking tenants and acquisitions. See "Risk Factors – Risks Relating to the Business of the REIT – Competition".

### **Employees**

Pursuant to the Management Agreement, it is the Manager's responsibility to provide the REIT with a management team. As a result, the REIT has no employees. See "*Asset Management of the REIT – Management Agreement*".

## **ASSET MANAGEMENT OF THE REIT**

### **History of the Manager**

The Manager is a wholly-owned subsidiary of IGW Public. An affiliate of LAC, IGW Public is a significant Unitholder of the REIT. Founded in 2005, LAC is a Victoria-based real estate investment manager established to provide investors with access to real estate investments. LAC provides the management team to the Manager.

LAC has provided management services to IGW REIT, a private Real Estate Investment Trust since its inception in 2005.

Under the provisions of the Management Agreement, the Manager is required to manage the affairs of, and provide strategic direction to, the REIT, subject to the overriding supervision of the Trustees. The Manager is responsible for all aspects of the asset management of the REIT. The Manager provides the REIT with a management team that has experience in all aspects of real property asset management, including leasing and tenant relations, property acquisitions and dispositions, real estate and corporate financing and development, redevelopment and construction.

## Management Team of the REIT

The management services are currently provided by Adam Gant, Patrick Miniutti, Dionne Barnes, James Wallace, Cheryl Evans, Mark Hazell, Jay Lin, Jason Ho, Josh Matte and Robert Brown. Adam Gant, Patrick Miniutti, Dionne Barnes, James Wallace and Jay Lin divide their time between the REIT and IGW Real Estate Investment Trust, a private real estate investment trust, and beneficial owner of IGW Public. Cheryl Evans, Mark Hazell, Josh Matte and Robert Brown devote substantially all of their time to the REIT. As the REIT grows, the Manager will provide additional executives and managers to the REIT in order to fulfil its obligations under the Management Agreement.

The REIT's business does not require the full-time services of the Corporate Secretary. As such, the REIT engages the services of external counsel as needed from time to time.

The following are biographies of the management team of the REIT:

**Adam Gant** — Adam Gant is a Trustee of the REIT and the Chief Executive Officer of the REIT. See biography under “*Trustees and Officers*” below.

**Patrick Miniutti** — Patrick Miniutti is a Trustee of the REIT and the President and Chief Operating Officer of the REIT. See biography under “*Trustees and Officers*” below.

**Dionne Barnes** — Dionne Barnes is the Chief Financial Officer of the REIT. See biography under “*Trustees and Officers*” below.

**James Wallace** — Jim Wallace oversees Portfolio Operations of the REIT. His role is to ensure operational effectiveness by implementing strategies, policies and practices to maximize return on investment. In addition, he ensures that the REIT's existing properties, acquisitions, and investments continue to meet its exacting standards. Mr. Wallace is an experienced and skilled manager who began his career in construction in the 1970s, working on numerous projects that required innovative teamwork and management to finish on time and on budget.

**Cheryl Evans** — Cheryl Evans oversees accounting, administration and regulatory filings for the REIT. Ms. Evans is a chartered accountant with over 10 years of experience in public reporting and publicly traded investment funds. Ms. Evans has a Bachelor of Commerce from the University of Victoria.

**Mark Hazell** — Mark Hazell oversees asset management for the REIT focusing on leasing and property management. He is responsible for developing the long-term plans for the REIT's properties. Mr. Hazell previously served as Senior VP and Portfolio Manager for Summit REIT from its inception, for 10 years and has been involved in the commercial real estate industry since 1977.

**Jay Lin** — Jay Lin provides acquisition and development services to the REIT. Mr. Lin is a seasoned real estate executive with experience in development and construction management, real estate acquisition, financing and leasing. Mr. Lin has a Bachelor of Arts from the University of Waterloo and an Urban Land Economics Diploma from the University of British Columbia.

**Jason Ho** — Jason Ho provides leasing and tenant relationship management services to the REIT. Mr. Ho is a senior real estate and business professional with 18 years of experience in management, analysis, leasing, and tenant representation. Mr. Ho is fully licensed as a real estate broker, property manager and additionally holds a real estate agency license.

**Josh Matte** — Josh Matte is the financial controller for the REIT. Mr. Matte is a chartered accountant with a background in public accounting practice. Mr. Matte has a Bachelor of Economics from the University of Victoria.

**Robert Brown** — Robert Brown oversees leasing revenue and cost recoveries for the REIT. Mr. Brown is a chartered accountant with a background in public accounting practice. Mr. Brown has a Bachelor of Management from the University of Lethbridge.

## Management Agreement

The REIT is managed by the Manager pursuant to the Management Agreement. The initial term of the Management Agreement is for a three year period, expiring on June 3, 2013. Upon expiry of the initial term, the Management Agreement will renew automatically for successive three year terms, unless terminated in accordance with its terms. Services provided to the REIT under the Management Agreement include:

- (a) managing the day-to-day operations of the REIT;
- (b) preparing or overseeing the preparation of annual budgets and business plans for presentation to the Trustees;
- (c) advising the Trustees on strategic matters relating to properties, potential acquisitions, dispositions and development, and Unit value maximization;
- (d) searching for, identifying, introducing, evaluating and screening property acquisition opportunities;
- (e) conducting and/or managing due diligence with respect to potential acquisitions;
- (f) structuring, sourcing, negotiating and organizing the financing of acquisitions;
- (g) organizing and coordinating the completion of investments, including structuring and negotiating the business terms on which acquisitions are made;
- (h) monitoring and maintaining the REIT's properties (including retaining property management and leasing agents);
- (i) overseeing the lease negotiations and providing leasing guidelines with respect to the leasing of the REIT's properties;
- (j) re-developing or re-selling the REIT's properties;
- (k) providing investor relations services to the REIT;
- (l) providing advice and assistance in connection with the REIT's borrowings, raising of capital and issuance of securities, including representing the REIT in its dealings with banks and other lenders, investment dealers, institutions and investors;
- (m) conducting day-to-day relations on behalf of the REIT with third parties, including property managers, suppliers, joint venturers, lenders, brokers, consultants, advisors, accountants, lawyers, insurers and appraisers;
- (n) managing and providing direction to the REIT's property manager(s) and negotiating arrangements for the engagement of any new property manager(s) or the renewal of the arrangements with existing property manager(s); and
- (o) such further duties as may be reasonably required by the REIT or its subsidiaries, provided that, if any strategic advisory or asset management services provided by the Manager to the REIT and its subsidiaries may increase the risk that the REIT will be a SIFT trust, the Manager is obliged to notify the Trustees of such risk.

The Manager also provides administrative services to the REIT, including:

- (a) accounting, reporting and financial preparation relating to the REIT and its subsidiaries, including record-keeping, preparation of financial statements and filing tax returns;

- (b) activities related to the REIT's public company and reporting issuer status, assistance in determining and making distributions payable to Unitholders and advice with respect to the REIT's obligations as a reporting issuer (including its continuous disclosure obligations);
- (c) administrative services, including administrative support with respect to the holding of Trustees' and Unitholders' meetings, provision of office space, provision of any necessary equipment and personnel, and provision of all corporate accounting, clerical, secretarial, corporate and administrative services as may be reasonably necessary; and
- (d) such further duties as may be reasonably required by the REIT and its subsidiaries.

The Management Agreement also provides that the Management Agreement may be terminated if the independent Trustees determine to employ individuals directly by the REIT rather than by the Manager where the independent Trustees determine the cost of doing so would be less on an annual basis than the fees paid to the Manager under the Manager Agreement.

All costs associated with the executives and any additional executives shall be borne by the Manager. In accordance with the terms of the Management Agreement, the Manager is required to consult with the Board of Trustees' compensation committee or the Independent Trustees, as applicable, with regard to compensation decisions for executives who devote substantially all of their time to the business of the REIT. In the event that any executive providing services to the REIT ceases to do so for any reason, the Manager will replace such individual with another employee with similar qualifications and experience.

#### *Nomination Rights*

Prior to each annual meeting of holders of Units and any special meeting of holders of Units at which Trustees are to be elected and so long as the number of Trustees to be elected is at least five, the Manager is entitled to designate two individuals pursuant to the Declaration of Trust (which may include the reappointment of an incumbent Trustee) to stand for election as a Trustee at such meeting.

#### *Fees*

Pursuant to the terms of the Management Agreement, the REIT pays the Manager an annual management fee equal to 0.30% of the Adjusted Book Value of the REIT's assets, paid quarterly in arrears, and an acquisition fee equal to 0.50% of the "property cost" of each property acquired by the REIT and/or its subsidiaries during the quarter. For the purposes of the Management Agreement, the property cost means the purchase cost of an acquired property (for greater certainty whether paid in cash, by the assumption of any mortgage or other indebtedness, the issuance of debt or equity, or in any other manner), excluding the fees payable to the Manager for the acquisition and all out-of-pocket costs incurred by the REIT or its subsidiaries in connection with the acquisition, including legal fees and disbursements, registration and filing fees, land transfer and sales taxes, all calculated in accordance with Canadian generally accepted accounting principles applicable to the real estate industry, applied on a consistent basis.

#### *Term and Termination*

The initial term of the Management Agreement is for a three-year period, expiring on June 3, 2013. Upon expiry of the initial term, the Management Agreement will renew automatically for successive three-year terms, unless terminated in accordance with its terms.

The Management Agreement provides that in the event of termination of the Management Agreement by (a) the REIT on an expiry of any term of the agreement or upon the independent Trustees making an Internalization Decision or where IGW REIT LP, IGW Public, League Assets LP, or LAC or their respective affiliates, no longer control the Manager; (b) the Manager (i) following a change of control of the REIT (except where the change of control occurred or was agreed to at any time that IGW REIT LP, IGW Public, League Assets LP, LAC or any of their respective affiliates held or controlled, in aggregate, 20% or more of the issued and outstanding Units immediately prior to the change of control); (ii) following the passing of a resolution by the REIT or its Unitholders or securityholders (as applicable) or authorization of or proceeding with a termination, winding up or dissolution of the REIT, or a sale or transfer of all or substantially all of the assets of the REIT to a person or persons that are not

parties to the Management Agreement (other than pursuant to an internal reorganization); or (iii) following a material breach of the Management Agreement by the REIT and/or its subsidiaries is required to, within ninety days of such termination:

- (e) pay to the Manager an amount equal to two times the annual management fee provided that the Manager pays (i) all costs associated with terminating the employment or services of any named executive officers (and all other employees) and (ii) all other costs and expenses incurred or required to be incurred by the Manager in terminating contracts the Manager (or entities providing services to the Manager) entered into in respect of the performance by the Manager of its obligations under the Management Agreement; and
- (f) pay to the Manager all other amounts owed to it under the Management Agreement.

A “change of control” is defined in the Management Agreement and means (i) in the case a public entity, the direct or indirect acquisition of beneficial ownership of, or control or direction over, voting securities of such entity representing 20% or more of the outstanding voting securities of such entity or any successor to such entity by any person or combination of persons acting “jointly or in concert” (as such term is used in Part XX of the *Securities Act* (Ontario)), and (ii) in the case of a privately held entity, the direct or indirect acquisition of beneficial ownership of, or control or direction over, voting securities of such entity representing 50% or more of the outstanding voting securities of such entity by any person or combination of persons acting “jointly or in concert” (as such term is used in Part XX of the *Securities Act* (Ontario)).

The Manager will not be entitled to any termination payment under the Management Agreement if the Management Agreement is terminated by (a) the REIT, in the event of (i) a material breach of the Management Agreement by the Manager, (ii) the commission by the Manager or any of its agents or employees of an act of fraud, misconduct, breach of fiduciary duty, negligence or wilful breach of applicable laws, or (iii) a breach by the Manager of the Non-Competition Agreement described below (the provisions of (a) are referred to collectively as the “Breach Provision”); (b) the Manager, in the event it terminates the Management Agreement (i) at any time upon not less than 180 days’ prior written notice to the REIT, or (ii) because the REIT makes a filing or takes certain other actions under applicable bankruptcy or insolvency law; or (c) the REIT, in the event the Manager or its Unitholders or securityholders (as applicable) (i) pass a resolution or otherwise authorizes or proceeds with a termination, winding up, dissolution or a sale of all or substantially all of its assets to a person or persons that are not parties to the Management Agreement other than pursuant to an internal reorganization, or (ii) makes a filing or takes certain other actions under applicable bankruptcy or insolvency laws.

#### *Expenses Assumed by the Manager*

The expenses assumed by the Manager under the Management Agreement include expenses of the executives, additional executives and employees providing services to the REIT or its subsidiaries to fulfill the Manager’s obligations under the Management Agreement and includes the Manager’s overhead (such as rent and office supplies) incurred in performing its duties under the Management Agreement. The REIT will be responsible for paying all expenses of the REIT not required to be assumed by the Manager (including fees paid to Trustees, professional advisors and any property managers), and shall reimburse the Manager for any out-of-pocket costs directly incurred by the Manager in performing any of the services required of it under the Management Agreement.

Pursuant to the Management Agreement and the Prior Management Agreement, the REIT incurred management fees of \$477,092 and acquisition fees of \$101,325 for the year ended December 31, 2010.

#### **Non-Competition Agreement**

In connection with entering into the Management Agreement, the Manager, IGW Public, and League Assets LP (collectively, for the purposes of this section, the “Restricted Parties”), entered into the Non-Competition Agreement with the REIT effective June 4, 2010.

Pursuant to the Non-Competition Agreement, each of the Restricted Parties agreed that it will not, and will cause its affiliates not to, directly or indirectly, by way of an investment in shares or other ownership interests in any Person, and either individually or in partnership or jointly or in concert with any other Person:

- (a) create, manage or provide strategic, advisory and asset management services as so described in the Management Agreement to another Person (including a real estate investment trust) which is not LAC, the Manager or an affiliate of the Manager and which carries on the primary business of the acquisition, development and/or management of any property located in Canada that derives substantially all of its revenues from rents paid by tenants whose principal business is the sale of consumer goods and/or services directly to consumers through retail stores (“Retail Property”) or any mixed-use property located in Canada that derives 40% or more of the revenues (calculated based on the most recently prepared financial statements or similar information for the property) from tenants that would normally be found in a Retail Property. For greater certainty, without limitation, a Retail Property shall include restaurants, entertainment facilities (such as movie theatres) or other facilities which are normally found in shopping centres, but shall not include self-storage facilities, nursing home or health care facilities, hotels or sports facilities (the Retail Property and mixed-use property together are referred to as “Restricted Real Estate Assets”);
- (b) purchase any Restricted Real Estate Asset or develop any property that, on completion of development, will be a Restricted Real Estate Asset, other than as permitted under the Non-Competition Agreement; or
- (c) provide strategic, advisory and asset management services for any Restricted Real Estate Asset the equity interests in which are not all held by League, the Manager or their respective affiliates.

The Non-Competition Agreement contains exceptions from the foregoing covenants as follows:

- (a) interests arising as a securityholder of the REIT;
- (b) properties acquired for development pursuant to the terms of any development or joint venture agreement entered into between the Restricted Party and the REIT or any of the REIT’s subsidiaries;
- (c) properties or investments that have been first offered to the REIT pursuant to the terms of the Non-Competition Agreement and which the REIT notified or was deemed to have notified the Restricted Party pursuant to the terms of the Non-Competition Agreement that it was not interested in pursuing such property;
- (d) any loan or mortgage and, in the event of a foreclosure under a loan or mortgage, an ownership interest in any Restricted Real Estate Asset resulting from such foreclosure provided that the loan or mortgage was not made or granted with the intention of using such loan or mortgage as part of a method for subsequently acquiring an interest in a Restricted Real Estate Asset;
- (e) an investment in publicly traded securities, provided that such investment represents less than 10% of the voting interest of the issuer of such publicly traded securities at the time of the investment; or
- (f) any activities that have been specifically approved by the Independent Trustees.

The covenants contained in the Non-Competition Agreement will remain in effect until the earlier of:

- (g) the date that is six months after the date of termination of the Management Agreement if the Management Agreement is terminated by the REIT in accordance with the Breach Provisions or in circumstances where the Management Agreement has been terminated and the REIT is obligated to pay a fee to the Manager; or
- (h) the date of termination of the Management Agreement if the Management Agreement is terminated by the Manager in the event of a material breach by the REIT of its obligations under the Management Agreement or in circumstances where the Management Agreement has been terminated and the REIT is not obligated to pay a fee to the Manager.

## **Prior Non-Competition Agreement**

In connection with entering into the Prior Management Agreement, the Prior Manager and CAB entered into the Prior Non-Competition Agreement with the REIT. The Prior Non-Competition Agreement contained covenants and exceptions consistent with the Non-Competition Agreement discussed above. The Prior Non-Competition Agreement expired upon termination of the Prior Management Agreement on June 4, 2010.

## **INVESTMENT GUIDELINES AND OPERATING POLICIES**

### **Investment Guidelines**

The Declaration of Trust provides for certain restrictions on investments which may be made directly or indirectly by the REIT. The assets of the REIT may be invested directly or indirectly only in accordance with the following investment guidelines:

- (a) subject to the other investment guidelines of the REIT set out below, the REIT may only invest, directly or indirectly, in:
  - (i) interests (including fee ownership and leasehold interest) in income-producing real property;
  - (ii) corporations, trusts, partnerships or other persons which principally have interests (including the ownership of leasehold interests) in income-producing real property (or activities relating or ancillary thereto); and
  - (iii) such other activities as are consistent with the other investment guidelines of the REIT;
- (b) notwithstanding anything in the investment guidelines or operating policies of the REIT, the REIT shall not make any investment, take any action or omit to take any action that would result in Units not being units of a “mutual fund trust” within the meaning of the Tax Act;
- (c) the REIT may, directly or indirectly, invest in a joint venture arrangement for the purposes of owning interests or investments otherwise permitted to be held by the REIT; provided that such joint venture arrangement contains terms and conditions which, in the opinion of the Trustees, are commercially reasonable, including without limitation such terms and conditions relating to restrictions on transfer and the acquisition and sale of the REIT’s and any joint venturer’s interest in the joint venture arrangement, provisions to provide liquidity to the REIT, such as buy-sell mechanisms and provisions that limit the liability of the REIT to third parties. For purposes of this provision, a joint venture arrangement is an arrangement between the REIT and one or more other persons (“joint venturers”) pursuant to which the REIT, directly or indirectly, conducts an undertaking for one or more of the purposes set out above and in respect of which the REIT may hold its interest jointly or in common or in another manner with others either directly or through the ownership of securities of a corporation or other entity (a “joint venture entity”), including without limitation a general partnership, limited partnership or limited liability company;
- (d) except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of Canada or of a province of Canada, short-term government debt securities, or receivables under instalment receipt agreements or money market instruments of, or guaranteed by, a Schedule I Canadian bank maturing within one year from the date of issue or except as permitted pursuant to paragraphs (a), (c), (f), (h) and (i) of these investment guidelines, the REIT may not hold securities other than:
  - (i) securities of any issuer referred to in paragraph (a) above;
  - (ii) securities of a joint venture entity;



- (iii) securities of an entity wholly-owned by the REIT, which has been formed and operated solely for the purpose of holding a particular real property or real properties; and
- (iv) securities of persons described in paragraph (f) and provided further that, notwithstanding anything contained in the Declaration of Trust to the contrary, the REIT may acquire securities of other real estate investment trusts;
- (e) the REIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- (f) notwithstanding the provisions of paragraph (d) above or any other provision of the Declaration of Trust, the REIT may invest in operating businesses which are ancillary to the REIT's ownership of real property or acquire interests in limited partnerships or corporations which may operate businesses related to the REIT's real estate investments, provided that such investments would not result in the REIT failing or ceasing to qualify as a "mutual fund trust" within the meaning of the Tax Act and provided that the REIT shall use its reasonable best efforts not to be a SIFT trust;
- (g) the REIT shall not invest directly in raw land for development and ownership or for other development projects, except:
  - (i) for the purpose of renovating or expanding existing properties or facilities on adjacent properties; or
  - (ii) for the purpose of developing new properties which will be or are expected to be, upon completion, income producing, provided that the aggregate value of investments in raw land for such purpose will not, after giving effect to the proposed investment, exceed 10% of the Adjusted Unitholders' Equity;
- (h) the REIT shall invest in a mortgage or a mortgage bond (including a participating or convertible mortgage) only where:
  - (i) the real property which is security therefor is income-producing real property which otherwise meets the general investment guidelines of the REIT contained in these investment guidelines; and
  - (ii) the aggregate value of the investments of the REIT in mortgages and mortgage bonds, after giving effect to the proposed investment, will not exceed 20% of the Adjusted Unitholders' Equity;
- (i) notwithstanding any of the provisions of paragraph (h) above, the REIT may invest in any mortgage which is not a first ranking mortgage, including mezzanine financings, for purposes of providing, directly or indirectly, financing in connection with a transaction in which the REIT is the vendor or with the intention of using such mortgage as part of a method for subsequently acquiring an interest in or control of a property or a portfolio of properties that would otherwise meet the investment guidelines of the REIT; provided that the aggregate value of the investments of the REIT in these mortgages, after giving effect to the proposed investments, will not exceed 20% of the Gross Book Value; and
- (j) the REIT may invest, from time to time, an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any indebtedness assumed or incurred by the REIT and secured by a mortgage on such property) up to 15% of the Adjusted Unitholders' Equity of the REIT in investments which do not comply with one or more of paragraphs (d) or (g) above.

### **Operating Policies**

The Declaration of Trust provides that the operations and affairs of the REIT shall be conducted in accordance with the following operating policies:

- (a) the REIT shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof; the term “hedging” shall have the meaning ascribed thereto by National Instrument 81-102 adopted by the Canadian Securities Administrators, as amended from time to time;
- (b) (i) any written instrument creating an obligation which is or includes the granting by the REIT of a mortgage, and (ii) to the extent management of the REIT determines to be practicable, any written instrument which is, in the judgment of management of the REIT, a material obligation, shall contain a provision or be subject to an acknowledgement in the form provided by the Declaration of Trust;
- (c) the REIT may engage (i) in construction or development of real property in order to maintain its real properties in good repair and/or to enhance the income-producing potential of properties in which the REIT has an interest; and (ii) in the development of raw land and/or other development projects; provided that investments by the REIT in such developments are within the investment guidelines;
- (d) title to each real property shall be held by and registered in the name of the REIT, the Trustees or in the name of a corporation or other entity owned, directly or indirectly, by the REIT or jointly-owned, directly or indirectly, by the REIT, with joint venturers or a corporation which is a nominee of the REIT which holds registered title to such real property pursuant to a nominee agreement with the REIT;
- (e) the REIT may directly or indirectly guarantee indebtedness or liabilities of a third party, provided that such guarantee is related to the direct or indirect ownership or acquisition by the REIT of real property that would otherwise comply with the REIT’s investment guidelines and operating policies;
- (f) the REIT will obtain an independent appraisal of each property that it intends to acquire;
- (g) the REIT shall obtain and maintain at all times insurance coverage in respect of potential liabilities of the REIT and the accidental loss of value of the assets of the REIT from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties and the cost of such coverage; and
- (h) the REIT shall obtain or review a Phase I environmental audit of each real property to be acquired by it, dated within twelve months of the proposed date of acquisition, and, if the Phase I environmental audit report recommends or recommended a Phase II environmental audit be obtained, the REIT shall obtain or review a Phase II environmental audit, in each case prepared by an independent environmental consultant.

For the purposes of the foregoing investment guidelines and operating policies, the assets, liabilities and transactions of a corporation or other entity wholly or partially owned by the REIT will be deemed to be those of the REIT on a proportionate, consolidated basis. In addition, any references in the foregoing investment guidelines and operating policies to investment in real property will be deemed to include an investment in a joint venture entity.

#### **Amendments to Investment Guidelines and Operating Policies**

Pursuant to the Declaration of Trust, all of the investment guidelines set out under the heading “Investment Guidelines” and the operating policies contained in subparagraph (b) under the heading “Operating Policies” may be amended only with the approval of at least two-thirds of the votes cast by Voting Unitholders of the REIT at a meeting of Voting Unitholders called for such purpose. The remaining operating policies may be amended with the approval of a majority of the votes cast by holders of Voting Units at a meeting of Voting Unitholders called for such purpose.

## RISK FACTORS

*The risks described below are not the only ones facing the REIT and Unitholders. Additional risks not currently known to the REIT or that the REIT currently deems immaterial may also impair business operations. The business, financial condition, revenues or profitability of the REIT could be materially adversely affected by any of these risks. The trading price of the Units could decline due to any of these risks. This Annual Information Form contains forward-looking statements that involve risks and uncertainties. The REIT's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by the REIT described below and elsewhere in this Annual Information Form. See "Caution Regarding Forward-Looking Statements".*

### **Risks Relating to the REIT**

#### ***Investment Concentration***

Méga Centre and Cornwall Square account for approximately 54% of the REIT's base rental revenues on an annualized basis. As a result, the REIT is particularly susceptible to adverse market conditions in the areas of greater Montréal, Québec (where Méga Centre is located) and Cornwall, Ontario (where Cornwall Square is located), such as business layoffs or downsizing, industry slowdowns, relocations of businesses, changing demographics and other factors. Any adverse economic or real estate developments in the area of greater Montréal, Québec or Cornwall, Ontario, or in the future in any of the other markets in which the REIT operates, or any decrease in demand for commercial retail real estate space resulting from the local economic or business climate could adversely affect the REIT's rental revenues, which could impair its ability to satisfy its debt service obligations and generate stable positive cash flow from its operations. In addition, because the REIT's investments will consist mainly of commercial retail real estate interests, it will be subject to risks inherent in investments in a single industry and will not benefit from diversification by property type. Demand for commercial retail real estate space could be adversely affected by weakness in the national, regional and local economies, changes in supply of, or demand for, similar or competing properties in an area and the excess amount of commercial retail real estate space in a particular market. In addition, under certain circumstances, Sears and Loblaws (No Frills) at Cornwall Square are permitted under the terms of their leases to cease business operations at the premises leased to them provided that they continue to pay the same rent for such premises. While such clauses are not uncommon in leases with key tenants of commercial retail properties, if any key tenant were to cease business operations at the premises leased to them, it could have a material adverse effect on the relevant property. To the extent that any of these conditions occur, they are likely to affect market rents for space, which could cause a decrease in the REIT's rental revenue from any of its properties at the expiry of the initial terms of any leases. Any such decrease could impair the REIT's ability to satisfy any debt service obligations and generate stable positive cash flow from its operations.

#### ***Acquisition Strategy***

The REIT's business strategy involves expansion of its rental property asset base through acquisitions and, potentially in the future, development of projects for rental purposes. These activities require the REIT to identify acquisition or development candidates or investment opportunities that meet its criteria and are compatible with its growth strategy. The REIT may not be successful in identifying commercial retail real estate facilities that meet its acquisition or development criteria or in completing acquisitions, developments or investments on satisfactory terms. The REIT may also not be able to raise the funds necessary to complete an acquisition, development or investment. Failure to identify or complete acquisitions or developments will slow the REIT's growth. The REIT could also face significant competition for acquisitions and development opportunities. Some of the REIT's competitors have greater financial resources than the REIT and, accordingly, have a greater ability to borrow or raise funds to acquire properties. These competitors may also be willing and/or able to accept more risk than the REIT can prudently manage, including risks with respect to the geographic concentration of investments and the payment of higher prices to acquire properties. This competition for investments may reduce the number of suitable investment opportunities available to the REIT, may increase acquisition costs and may reduce demand for commercial retail real estate space in certain areas where the REIT's real estate properties are located and, as a result, may adversely affect the REIT's operating results. In addition, even if the REIT were successful in identifying suitable acquisitions or development projects, newly acquired real estate properties may fail to perform as expected and management of the REIT may underestimate the costs associated with the integration of the acquired facilities. In addition, any property expansions the REIT undertakes in the future are subject to a number of

risks, including, but not limited to, construction delays or cost overruns that may increase project costs, financing risks, the failure to meet anticipated occupancy or rent levels, failure to receive required zoning, land use and other governmental permits and authorizations and changes in applicable zoning and land use laws. If any of these problems occur, expansion costs for a project will increase, and there may be significant costs incurred for projects that are not completed. In deciding whether to acquire or expand a particular property, the REIT will make certain assumptions regarding the expected future performance of that property. If the REIT's acquisition or expansion facilities fail to perform as expected or incur significant increases in projected costs, the REIT's rental revenues could be lower, and its operating expenses higher, than expected.

### ***Integration of Additional Properties***

The REIT intends to acquire additional properties in the future. The REIT cannot assure securityholders that it will be able to successfully integrate these additional properties into its existing portfolio without operating disruptions or unanticipated costs. As the REIT acquires or develops additional properties, the REIT will be subject to risks associated with managing new properties, including tenant retention and mortgage default. In addition, acquisitions or developments may cause disruptions in the REIT's operations and divert management's attention away from day-to-day operations. Furthermore, the REIT's profitability may suffer because of acquisition related costs or amortization costs for acquired intangible assets. The REIT's failure to successfully integrate any future properties into its portfolio could have an adverse effect on the REIT's operating costs and its ability to generate stable positive cash flow from its operations.

### ***Occupancy and Rental Rates***

Delays in re-leasing properties and/or units of properties as vacancies arise would reduce the REIT's revenues and could adversely affect its operating performance. In addition, lower than expected rental rates could adversely affect the REIT's rental revenues and impede its growth. At January 1, 2011, the REIT has vacancies of approximately 50,000 square feet. As well, the REIT has approximately 60,000 square feet of lease expiries in 2011.

### ***Dependence on and Relationship with the Manager***

The Manager provides management and administrative services to the REIT pursuant to the Management Agreement and the REIT depends on the Manager for all aspects of the day-to-day management of its business and the execution of its business plan. There can be no assurance that if the Manager stopped providing these services, a suitable replacement would be found in a timely manner or at all. The Manager will not be required to provide services exclusively to the REIT and may in some circumstances, subject to a non-competition agreement, manage real estate properties for others.

### ***Potential Undisclosed Liabilities Associated with Acquisitions***

The REIT expects to acquire properties that are subject to existing liabilities, some of which may be unknown at the time of the acquisition or which the REIT may fail to uncover in its due diligence. Unknown liabilities might include liabilities for clean-up or remediation of undisclosed environmental conditions, claims by tenants, vendors or other persons dealing with the vendor or predecessor entities (that have not been asserted or threatened to date), tax liabilities, and accrued but unpaid liabilities incurred in the ordinary course of business. While in some instances the REIT may have the right to seek reimbursement against an insurer or another third party for certain of these liabilities, the REIT may not have recourse to the vendor of the properties for any of these liabilities.

### ***Restrictive Covenants***

Mortgage indebtedness and/or other credit facilities obtained by the REIT will contain covenants, including limitations on the REIT's ability to incur secured and unsecured indebtedness, sell all or substantially all of its assets and engage in mergers and consolidations and various acquisitions. In addition, mortgage indebtedness and other credit facilities will contain limitations on the REIT's ability to transfer or encumber the mortgaged properties without lender consent. These provisions may restrict the REIT's ability to pursue business initiatives or acquisition transactions that may be in its best interests. They also may prevent the REIT from selling properties at times when, due to market conditions, it may be advantageous to do so. In addition, failure to meet any of the covenants could

cause an event of default under and/or acceleration of some or all of the REIT's indebtedness, which would have an adverse effect on the REIT.

### ***Debt Financing***

The REIT has incurred both unsecured debt and mortgage debt by obtaining loans secured by some or all of the Properties. In addition, the REIT may borrow funds if necessary to make distributions to Unitholders. Future debt may harm its business and operating results by:

- (a) requiring the REIT to use a substantial portion of its cash flow from operations to pay principal and interest, which will reduce the amount available for distributions;
- (b) making the REIT more vulnerable to economic and industry downturns and reducing its flexibility in responding to changing business and economic conditions; and
- (c) limiting the REIT's ability to borrow more money for operating or capital needs or to finance acquisitions in the future.

In addition to the risks discussed above and those normally associated with debt financing, including the risk that the REIT's cash flow will be insufficient to meet required payments of principal and interest, the REIT will also be subject to the risk that it will not be able to refinance the existing indebtedness on its facilities (including the Acquisition Facility) and that the terms of any refinancing it could obtain would not be as favourable as the terms of its existing indebtedness. If the REIT is not successful in refinancing debt when it becomes due, it may be forced to dispose of facilities or assets on disadvantageous terms, which might adversely affect its ability to service other debt and to meet its other obligations.

### ***Potential Conflicts of Interest***

The REIT is subject to various potential conflicts of interest because of the fact that its officers and trustees are engaged in a wide range of business activities. See "*Trustees and Officers – Potential Conflicts of Interest*".

### ***Competition***

The REIT competes with numerous developers, owners and operators in the commercial retail real estate industry, some of which own or may in the future own facilities that compete directly with the REIT's properties, and some of which may have greater capital resources. If the REIT's competitors build new facilities that compete with the REIT's properties or offer space at rental rates below current market rates or below the rental rates the REIT charges its tenants, the REIT may lose existing and potential tenants and it may be pressured to reduce its rental rates below those it would otherwise charge in order to retain tenants. As a result, the REIT's rental revenues may decrease, which could impair the REIT's ability to satisfy its debt service obligations and to pay distributions to Unitholders. In addition, increased competition for tenants may require the REIT to make capital improvements to facilities that it would not have otherwise made. Any unbudgeted capital improvement the REIT undertakes may reduce cash available for distributions to Unitholders.

### ***Reliance on Key Personnel***

The REIT and the Manager depend on the services of certain key personnel, including Adam Gant, Patrick Miniutti and Dionne Barnes. These individuals perform the management functions of the Manager pursuant to the terms of the Management Agreement. The loss of the services of any of these key personnel (as a result of, among other things, resignation, termination of employment, or termination of the Management Agreement) could have an adverse effect on the REIT. In addition, each of these individuals does not currently devote his or her time exclusively to the affairs of the REIT.

### ***Litigation***

The REIT may become subject to disputes with tenants, or other commercial parties with whom it maintains relationships or other parties with whom it does business. Any such dispute could result in litigation between the REIT and the other parties. Whether or not any dispute actually proceeds to litigation, the REIT may be required to

devote significant resources, including management time and attention, to its successful resolution (through litigation, settlement or otherwise), which would detract from management's ability to focus on the REIT's business. Any such resolution could involve the payment of damages or expenses by the REIT, which may be significant. In addition, any such resolution could involve the REIT's agreement to certain settlement terms that restrict the operation of its business.

### ***Joint Venture Investments***

Although the REIT does not presently have any joint venture investments, it may in the future co-invest with third parties through joint ventures, including with the Manager and certain affiliates of the Manager if permitted or required by the terms of the Non-Competition Agreement. In any such joint venture, the REIT may not be in a position to exercise sole decision making authority regarding the properties owned through joint ventures. Investments in joint ventures may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that joint venture partners might become bankrupt or fail to fund their share of required capital contributions. Joint venture partners may have business interests or goals that are inconsistent with the REIT's business interests or goals and may be in a position to take actions contrary to the REIT's policies or objectives. Such investments also have the potential risk of impasse on strategic decisions, such as a sale, because neither the REIT nor the joint venture partner would have full control over the joint venture. Any disputes that may arise between the REIT and its joint venture partners could result in litigation or arbitration that could increase the REIT's expenses and distract its officers and/or trustees from focusing their time and effort on the REIT's business. In addition, the REIT might in certain circumstances be liable for the actions of its joint venture partners.

### ***Risks Relating to Current Economic Conditions***

Canadian real estate investment trusts are subject to risks generally incident to the Canadian real estate, credit, capital and financial markets. The global recessionary economic conditions and the global financial liquidity crisis that existed in 2008 and 2009 have resulted in persistent interruptions in the credit and capital markets, devaluations of assets directly or indirectly linked to the Canadian real estate finance markets and the concurrent elimination of long and short-term liquidity from the capital markets. These conditions have had, and the REIT expects will continue to have, an adverse effect on the REIT as well as the assets the REIT has invested in.

Sensitivity to the global economic conditions, and their impact in Canada, may negatively affect the income received from the REIT's real property assets. Inherent illiquidity may limit the REIT's ability to vary its portfolio in response to changes in the global, national and/or local economic conditions and may ultimately prevent the REIT from implementing its acquisition and investment strategies. Increased vacancy rates and difficulties re-leasing properties, commonly associated with recessionary economic conditions, may occur and may adversely affect the income received from the REIT's real property assets. All of these conditions could have an adverse effect on the REIT including causing an event of default under any of the REIT's mortgage indebtedness and/or credit facilities. Finally, the extent to which the REIT relies on debt or equity financing and the difficulty associated with obtaining such financing increases the likelihood the REIT will be unable to raise equity capital for its ongoing operations or its acquisition and investment strategies, refinance existing indebtedness or result in the REIT receiving less favourable terms than that of existing financing arrangements.

### ***Tax Risks Including Risks Related to Qualification as a "Mutual Fund Trust" and a "Real Estate Investment Trust"***

Management of the REIT believes that the REIT currently qualifies as a "mutual fund trust" for purposes of the Tax Act and will continuously so qualify at all material times. If the REIT were not to so qualify, the income tax consequences could be materially and adversely different than if the REIT so qualifies.

Unless the REIT Exception applies to the REIT, the SIFT Rules may have an adverse impact on the taxation of the REIT and on the taxation of distributions to Unitholders. The Declaration of Trust requires that the REIT use its reasonable best efforts not to be a SIFT trust. Management of the REIT believes that the REIT, as currently structured, will be able to meet the requirements of the REIT Exception throughout 2011; however, there can be no assurance that the REIT will be able to qualify for the REIT Exception throughout 2011 or in future years.

In the event the SIFT Rules apply to the REIT, the impact to Unitholders will depend on the status of the Unitholder, and in part, on the amount of income distributed which would not be deductible by the REIT in computing its income in a particular year and what portions of the distributions constitute “non-portfolio earnings”, other income and returns of capital. Furthermore, the likely effect of the SIFT Rules on the market for the Units and for the Debentures, and on the REIT’s ability to finance acquisitions through the issue of Units or other securities, is unclear. In the event that the SIFT Rules apply to the REIT, they may adversely affect the marketability to Unitholders of the Units and of the Debentures, the amount of cash available for distributions to Unitholders and the portion of distributions to Unitholders that is treated as a non-taxable return of capital. All of the distributions made during the 2010 taxation year were returns of capital. As such, the SIFT Rules would not have materially affected the REIT or its Unitholders for 2010.

Interest on the subordinated debt of Charter Realty accrues at the REIT level for Canadian federal income tax purposes, whether or not actually paid. The Declaration of Trust generally provides that a sufficient amount of the REIT’s net income and net realizable capital gains will be distributed each year to Unitholders in cash or otherwise to eliminate the REIT’s liability for tax under Part I of the Tax Act. Where such amount of net income and net realized capital gains in a taxation year exceeds the cash available for distribution in the year, such excess net income and net realized capital gains will generally be distributed to Unitholders in the form of additional Units. Unitholders will generally be required to include an amount equal to the fair market value of those Units (excluding an amount corresponding to the non-taxable portion of any net realized capital gains) in their taxable income.

Real estate investment trust structures often involve significant amounts of debt. The structure of the REIT and its subsidiaries (including Charter Realty) may involve significant amounts of such debt. There can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted. If such a challenge were to succeed, it could adversely affect the amount of cash available to the REIT for distribution to Unitholders. On October 31, 2003 the Department of Finance released, for public comment, proposed amendments to the Tax Act that relate to the deductibility of interest and other expenses for income tax purposes for taxation years commencing after 2004. Under the October 31, 2003 proposal, a taxpayer would be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize cumulative profit from the business or property during the time that the taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. Management believes that the proposed amendments would not have a material effect on its tax position. On February 23, 2005, the Minister of Finance announced that an alternative proposal would be released for comment which would address concerns that had been expressed during the consultation process on the “reasonable expectation of profit” test and the potential limitation on deductibility of ordinary commercial expenses. No such legislative proposal has been released to date.

Although Management is of the view that all expenses to be claimed by the REIT will be reasonable and that the cost amount and capital cost allowance claims of the REIT and the price at which non-arm’s length transfers of property have taken or will take place have been or will be correctly determined, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that the CRA will agree. If the CRA successfully challenges the deductibility of such expenses or the proceeds realized on a non-arm’s length transfer of property, the taxable income of the REIT (or its subsidiaries) and indirectly the Unitholders may increase or change. The extent to which distributions will be non-taxable in the future will depend in part on the extent to which the REIT is able to deduct capital cost allowance relating to its properties.

There can be no assurance that the Department of Finance (Canada) or other governmental authority will not undertake initiatives which have an adverse effect on the REIT or its Unitholders or Debentureholders.

## **Risks Related to the Structure of the REIT**

### ***Reliance on External Sources of Capital***

Because the REIT expects to make regular cash distributions, it may not be able to fund all of its future capital needs, including capital for acquisitions and property development, with income from operations. The REIT therefore will have to rely on third-party sources of capital, which may or may not be available on favourable terms, if at all. The REIT’s access to third-party sources of capital depends on a number of things, including the current state of capital markets, the market’s perception of the REIT’s growth potential and its current and potential future

earnings. If the REIT is unable to obtain third-party sources of capital, it may not be able to acquire or develop assets when strategic opportunities exist, satisfy its debt obligations or make regular distributions to Unitholders.

### ***Cash Distributions Are Not Guaranteed and May Fluctuate with the REIT's Performance***

Although the REIT currently intends, to the extent possible, to make equal monthly cash distributions of income to the Unitholders, such cash distributions are not guaranteed and may fluctuate with its performance. The REIT will depend on revenue generated from its properties to make such distributions. There can be no assurance regarding the amount of revenue that will be generated by its properties. The amount of distributions may exceed actual cash available to the REIT from time to time and will depend upon numerous factors, including the profitability of its properties, funds used to fund the REIT's growth initiatives, fluctuations in working capital, interest rates, capital expenditures, principal repayments, redemption of Units, if any, and other factors which may be beyond the control of the REIT. The REIT may be required to borrow funds in order to accommodate any such items, including distributions. If the Trustees determine that it would be in the best interests of the REIT, they may reduce for any period the distributions to be made to the Unitholders.

### ***Structural Subordination of Units***

In the event of a bankruptcy, liquidation or reorganization of the REIT or any of its subsidiaries, holders of certain of their indebtedness and certain trade creditors will generally be entitled to payment of their claims from the assets of the REIT and those subsidiaries before any assets are made available for distribution to the Unitholders. The Units will be effectively subordinated to most of the indebtedness and other liabilities of the REIT and its subsidiaries. Neither the REIT nor any of its subsidiaries will be limited in its ability to incur additional secured or unsecured indebtedness.

### ***Unitholder Liability***

The Declaration of Trust provides that no Unitholder shall be subject to any liability whatsoever to any person in connection with a holding of Units. However, in certain jurisdictions, there remains a risk, which is considered by the REIT to be remote in the circumstances, that a Unitholder could be held personally liable, despite such statement in the Declaration of Trust to the contrary, for the obligations of the REIT to the extent that claims are not satisfied out of the assets of the REIT. The affairs of the REIT will be conducted to minimize such risk wherever possible.

### ***Nature of Investment***

A Unit is not a share of a body corporate. Holders of Units do not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The rights of holders of Units will be based primarily on the Declaration of Trust. There is no statute governing the affairs of the REIT equivalent to the OBCA or the Canada Business Corporations Act which sets out the rights and entitlements of shareholders of corporations in various circumstances. The Units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act, nor are they insured under the provisions of that Act or any other legislation. Furthermore, the REIT is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

### ***Dilution***

The number of Units the REIT is authorized to issue is unlimited. The REIT may, in its sole discretion, issue additional Units from time to time, and the interests of the holders of Units may be diluted thereby.

### ***Potential Volatility of Unit Price***

The market price of the Units may be volatile and could be subject to wide fluctuations due to a number of factors, including but not limited to: actual or anticipated fluctuations in the REIT's results of operations; changes in estimates of the REIT's future results of operations by management or securities analysts; and general industry changes. In addition, the financial markets have in the past experienced significant price and value fluctuations that have particularly affected the market prices of equity securities of many TSXV and real estate issuers and that sometimes have been unrelated to the operating performance of these companies. Broad market fluctuations, as well



as economic conditions generally and in the real estate industry specifically, may adversely affect the market price of the Units.

### ***Limited Prior Public Market***

The REIT cannot predict at what price the Units will trade and there can be no assurance that an active trading market will be maintained or, if maintained, that such a market will be sustained. A publicly traded REIT will not necessarily trade at values determined solely by reference to the underlying value of its assets.

### ***Restriction on Ownership of Units***

Pursuant to the terms of the Declaration of Trust, the REIT must not be established or maintained primarily for the benefit of non-residents of Canada for purposes of the Tax Act. As a result, the Declaration of Trust contains provisions limiting the ownership of Units by Non-Residents. These restrictions may limit or remove the rights of certain Unitholders, including Non-Residents. As a result, these restrictions may limit the demand for Units and thereby adversely affect the liquidity and market value of the Units.

### ***Restriction on Ownership of Debentures***

Pursuant to the terms of the Declaration of Trust, the REIT must not be established or maintained primarily for the benefit of non-residents of Canada for purposes of the Tax Act. As a result, the Indenture contains provisions limiting the ownership of Debentures by Non-Residents. These restrictions may limit or remove the rights of certain Debentureholders, including Non-Residents. As a result, these restrictions may limit the demand for Debentures and thereby adversely affect the liquidity and market value of the Debentures.

### ***Restrictions on Redemptions***

It is anticipated that the redemption right will not be the primary mechanism for holders of Units to liquidate their investments. Redemption Notes (as defined in the Declaration of Trust) which may be distributed in specie to holders of Units in connection with a redemption will not be listed on any stock exchange and no established market is expected to develop for such securities, and such securities may be subject to an indefinite “hold period” or other resale restrictions under applicable securities laws. Redemption Notes so distributed may not be qualified investments for Plans, depending upon the circumstances at the time. Regulatory approvals will be required in connection with the distribution of Redemption Notes in specie to holders of Units in connection with a redemption. See “*Declaration of Trust and Description of Units — Redemption Right*”.

The entitlement of Unitholders to receive cash upon the redemption of their Units will not be applicable to Units tendered for redemption if: (i) the total amount payable by the REIT in respect of such Units and all other Units tendered for redemption in the same calendar month exceeds \$50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such Units are tendered for redemption, the outstanding Units are not listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides fair market value prices for the Units; (iii) the trading of Units is suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the redemption date or for more than five trading days during the 10 day trading period prior to the redemption date; and (iv) the redemption of Units would result in the delisting of the Units on the principal stock exchange on which the Units are listed.

## **Risks Relating to Real Property Ownership**

### ***General***

The REIT is subject to risks generally incident to the ownership of real property. The underlying value of its properties and the REIT’s income and ability to make distributions to Unitholders will depend on the ability of the REIT to maintain or increase revenues from its properties and to generate income in excess of operating expenses. Income from the REIT’s properties may be adversely affected by changes in national or local economic conditions, changes in interest rates and in the availability, cost and terms of mortgage financing, the impact of present or future environmental legislation and compliance with environmental laws, the ongoing need for capital improvements,

particularly in older structures, changes in real estate assessed values and taxes payable on such values (including as a result of possible increased assessments caused by the acquisition of properties by the REIT) and other operating expenses, changes in governmental laws, regulations, rules and fiscal policies, changes in zoning laws, civil unrest, acts of God, including earthquakes and other natural disasters and acts of terrorism or war (which may result in uninsured losses). Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing income. In addition, almost all of the Méga Centre leases require payment by the tenant of operating costs at a fixed rate with annual adjustments for changes in the Consumer Price Index. Actual increases or decreases in operating costs may vary significantly from the amounts recoverable in respect thereof. When interest rates increase, the cost of acquiring, developing, expanding or renovating real property increases and real property values may decrease as the number of potential buyers decreases. Similarly, as financing becomes less available, it becomes more difficult to both acquire and to sell real property. Finally, governments can expropriate or take real property for less compensation than an owner believes a property is worth. Almost all of these factors are beyond the REIT's control.

### ***Government Regulation and Environmental Matters***

The REIT is subject to federal, provincial and local environmental regulations that apply generally to the ownership of real property. If it fails to comply with those laws, the REIT could be subject to significant fines or other governmental sanctions. Under various federal, provincial and local laws, ordinances and regulations, an owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances or petroleum product releases at a property and may be held liable to a governmental entity or to third parties for property damage and for investigation and clean-up costs incurred by such parties in connection with contamination. Such liability may be imposed whether or not the owner or operator knew of, or was responsible for, the presence of these hazardous or toxic substances. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral. In addition, in connection with the ownership, operation and management of real properties, the REIT could potentially be liable for property damage or injuries to persons and property.

In order to assess the potential for liabilities arising from the environmental condition at its properties, the REIT is required to obtain or examine environmental assessments prepared by environmental consulting firms. The environmental assessments received in respect of the Properties did not reveal, nor is the REIT aware of, any environmental liability that the REIT believes will have a material adverse effect on it. However, the REIT cannot assure Unitholders that any environmental assessments performed have identified or will identify all material environmental conditions, that any prior owner of any property did not create a material environmental condition not known to the REIT or that a material environmental condition does not or will not otherwise exist with respect to its Properties.

### ***Illiquidity***

Real estate investments are relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the REIT were to need to sell a property, the proceeds to the REIT might be significantly less than the aggregate carrying value of such property.

### ***Uninsured Losses***

The Declaration of Trust requires that the REIT obtain and maintain at all times insurance coverage in respect of its potential liabilities and the accidental loss of value of its assets from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties. There are, however, certain types of risks, generally of a catastrophic nature, such as wars, acts of terrorism or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or under-insured loss occur, the REIT could lose its investment in, and anticipated profits and cash flows from, the affected property, but the REIT would continue to be obliged to repay any recourse mortgage indebtedness on such property. There can be no assurance that a claim in excess of the insurance coverage or claims not covered by insurance coverage will not arise or that the liability coverage will

continue to be available on acceptable terms. A successful claim against the REIT not covered by, or in excess of, the insurance coverage could have a material adverse effect on the REIT's business, financial condition or results of operations and distributions.

## **Risks Related to the Debentures**

### ***Market Price***

The Debentures may trade at lower than issued prices depending on many factors, including liquidity of the Debentures, prevailing interest rates and the markets for similar securities, the market price of the Units, general economic conditions and the REIT's financial condition, historic financial performance and future prospects.

### ***Credit Risk and Prior Ranking Indebtedness: Absence of Covenant Protection***

The likelihood that Debentureholders will receive payments owing to them under the terms of the Debentures will depend on the financial health of the REIT and its creditworthiness. In addition, the Debentures are unsecured obligations of the REIT and are subordinate in right of payment to all the REIT's existing and future senior indebtedness. Therefore, if the REIT becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, the REIT's assets will be available to pay its obligations with respect to the Debentures only after it has paid all of its senior and secured indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Debentures then outstanding. The Debentures are also effectively subordinate to claims of creditors of the REIT's subsidiaries except to the extent the REIT is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors. The indenture does not prohibit or limit the ability of the REIT or its subsidiaries to incur additional debt or liabilities (including senior indebtedness) or to make distributions, except, in respect of distributions, where an event of default has occurred and such default has not been cured or waived. The Indenture does not contain any provision specifically intended to protect Debentureholders in the event of a future leveraged transaction involving the REIT.

### ***Conversion Following Certain Transactions***

In the case of certain transactions, each Debenture will become convertible into the securities, cash or property receivable by a Unitholder in the kind and amount of securities, cash or property into which the Debenture was convertible immediately prior to the transaction. This change could substantially lessen or eliminate the value of the conversion privilege associated with the Debentures in the future. For example, if the REIT was acquired in a cash merger, each Debenture would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on the REIT's future prospects and other factors.

## **DISTRIBUTIONS**

### **Distribution Policy**

The amount of the REIT's cash distributions is determined by, or in accordance with, guidelines established from time to time by the Trustees. It is the intention of the Trustees that the aggregate amount of cash distributions made in respect of a calendar year not be less than the amount necessary to ensure that the REIT will not be liable to pay income tax under Part I of the Tax Act for such year. The Trustees have discretion in declaring distributions and review these distributions on a regular basis. Distributions are paid monthly in the month following declaration.

## Distributions

For the financial year ended December 31, 2010, the REIT declared distributions to Unitholders totalling \$0.16 per Unit (2009 - \$0.16 per Unit; 2008 - \$0.26 per unit). For 2010, all of the distributions made will not be included in the income of a Unitholder for tax purposes but will reduce the adjusted cost base of that Unitholder's Units. The monthly distributions declared by the REIT in each month during the fiscal years 2008, 2009 and 2010 are shown below. Also shown are the distributions declared in 2011 as of the date of this Annual Information Form.

Month	2008 (\$/unit)	2009 (\$/unit)	2010 (\$/unit)	2011 (\$/unit)
January	\$0.02587	\$0.01333	\$0.01333	\$0.01333
February	\$0.02587	\$0.01333	\$0.01333	\$0.01333
March	\$0.02587	\$0.01333	\$0.01333	\$0.01333
April	\$0.02587	\$0.01333	\$0.01333	
May	\$0.02587	\$0.01333	\$0.01333	
June	\$0.02587	\$0.01333	\$0.01333	
July	\$0.02587	\$0.01333	\$0.01333	
August	\$0.02587	\$0.01333	\$0.01333	
September	\$0.01333	\$0.01333	\$0.01333	
October	\$0.01333	\$0.01333	\$0.01333	
November	\$0.01333	\$0.01333	\$0.01333	
December	\$0.01333	\$0.01333	\$0.01333	
<b>TOTAL:</b>	<b>\$0.26028</b>	<b>\$0.15996</b>	<b>\$0.15996</b>	

## Distribution Reinvestment and Optional Unit Purchase Plan

On January 11, 2008, the REIT adopted the DRIP to permit eligible Unitholders to reinvest monthly distributions (each a "Distribution") in additional Units. To the extent permitted by applicable law and regulatory rulings, a participating Unitholder (a "Plan Participant") also has the option to purchase Units with additional cash payments (each an "Optional Cash Payment"), provided that Optional Cash Payments by any Plan Participant shall not be less than \$1,000 per Distribution Payment Date and not more than \$12,000 per calendar year. Plan Units will be issued directly from the treasury of the REIT at a price based on the volume-weighted average of the closing price for the 20 trading days immediately preceding the relevant distribution date. Plan Participants will receive "bonus units" in an amount equal in value to 3% of each cash distribution.

To enrol in the DRIP, beneficial Unitholders must contact their broker who is a CDS participant and who holds the Unitholder's uncertificated Units. Registered Unitholders must contact Computershare Trust Company of Canada. Once enrolled, participation in the DRIP will continue automatically unless terminated. At this time Non-Residents are not eligible. Subject to any relevant agreement governing the account in which Units are held, participation in the DRIP may be terminated at any time prior to the CDS cut-off date in respect of a Distribution.

As of the date of this Annual Information Form, holders of approximately 4% of the issued and outstanding Units have enrolled in the DRIP.

## CAPITALIZATION

As of December 31, 2010, there were 30,909,067 issued and outstanding Units and no issued and outstanding Special Voting Units.

## Normal Course Issuer Bid

On August 15, 2008 the REIT announced its intention to purchase for cancellation up to 894,262 Units, representing approximately 5% of the issued and outstanding Units, by way of a normal course issuer bid (“NCIB”) through the facilities of the Exchange. Purchases under the NCIB terminated on August 19, 2009. The REIT did not purchase in any 30-day period more than 357,704 Units, being 2% of the issued and outstanding Units as at the date of acceptance of the notice of the NCIB by the Exchange. For the year ended December 31, 2009, 112,000 Units were purchased by the REIT under the NCIB at an average price of \$0.86 per Unit. From inception of the NCIB to its termination, 283,900 Units have been purchased by the REIT under the NCIB at an average price of \$1.03 per Unit.

## MARKET FOR SECURITIES

The Units are listed and posted for trading on the Exchange under the symbol “PAR.UN”. The Debentures were listed on the Exchange in March 2011 under the symbol “PAR.DB”. The following table sets forth the reported high and low prices and the trading volume for the Units on the Exchange for the periods indicated:

<u>Month</u>	<u>High (C\$)</u>	<u>Low (C\$)</u>	<u>Volume</u>
<b>2010</b>			
January .....	1.55	1.31	169,083
February .....	1.53	1.36	161,034
March .....	1.55	1.35	204,227
April .....	1.60	1.41	153,587
May .....	1.52	1.31	192,790
June .....	1.49	1.31	241,014
July .....	1.44	1.30	278,329
August .....	1.40	1.10	1,777,507
September .....	1.68	1.22	781,767
October .....	1.85	1.56	1,600,159
November .....	2.00	1.61	407,408
December .....	1.75	1.55	595,756

## TRUSTEES AND OFFICERS

### Board of Trustees

#### *General*

The investment guidelines and operating policies of the REIT are subject to the control and direction of the Board of Trustees, a majority of whom must be resident Canadians and a majority of whom must be independent within the meaning of applicable securities laws (the “Independent Trustees”). The Manager provides the officers, advisory, asset management and administrative services to the REIT, pursuant to the Management Agreement.

The Board of Trustees of the REIT consists of six Trustees, four of whom are Independent Trustees. Each Trustee’s term expires at the next annual meeting of Voting Unitholders. The Board of Trustees consists of Paul Dykeman, Adam Gant, John van Haastreht, Louis Maroun, Patrick Miniutti, and Saul Shulman. John F. Driscoll and Richard J. Zarzeczny, both nominees of the Prior Manager, resigned their positions with the Board of Trustees effective June 4, 2010. Janet Graham resigned her position with the Board of Trustees effective August 17, 2010. Pursuant to the terms of the Management Agreement, the Manager presently has the right to nominate two individuals to stand for election as Trustees. The number of individuals to be nominated by the Manager will be proportionately adjusted to reflect any increase or decrease in the number of Trustees. See “*Declaration of Trust and Description of Units — Trustees*”.

The standard of care and duties of the Trustees provided in the Declaration of Trust are similar to those imposed on directors of a corporation governed by the OBCA. Accordingly, each Trustee is required to exercise the powers and discharge the duties of his or her office honestly, in good faith and in the best interests of the REIT and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

### ***Conflict of Interest Restrictions and Provisions***

The Declaration of Trust contains “conflict of interest” provisions to protect Unitholders without creating undue limitations on the REIT. As the Trustees are engaged in a wide range of real estate and other activities, the Declaration of Trust contains provisions, similar to those contained in the OBCA, that require each Trustee to disclose to the REIT any interest in a material contract or transaction or proposed material contract or transaction with the REIT (including a contract or transaction involving the making or disposition of any investment in real property or a joint venture agreement) or the fact that such person is a director or officer of, or otherwise has a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT. Such disclosure is required to be made at the first meeting at which a proposed contract or transaction is considered. In any case, a Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating to (i) his or her remuneration as a Trustee, director or officer of the REIT or a subsidiary thereof, or (ii) insurance or indemnity.

### ***Mandate of the Board of Trustees***

The role of the REIT’s Board of Trustees is one of stewardship and oversight of the REIT and its business. The Board of Trustees is responsible for overseeing management and approving major decisions. In fulfilling its mandate, the Board of Trustees is responsible, among other things, for: (i) participating in the development of and approving the strategy of the REIT; (ii) identifying and managing risk exposure; (iii) ensuring the integrity and adequacy of the REIT’s internal controls and management information systems; (iv) defining the roles and responsibilities of management (including the Manager); (v) reviewing and approving the business and investment objectives to be met by management of the REIT; (vi) assessing the performance of management; (vii) reviewing the REIT’s debt management strategy; (viii) succession planning; (ix) ensuring effective and adequate communication with the Unitholders and other stakeholders as well as the public at large; and (x) establishing committees of the Board of Trustees, where required or prudent, and defining their mandate.

### ***Relationship of the Board of Trustees and Management***

The REIT’s Board of Trustees has in place appropriate structures to ensure that it can function independently of management, including the requirement that all committees, with the exception of the audit committee, be comprised of a majority of Independent Trustees. The audit committee will be comprised entirely of Independent Trustees.

The responsibilities of the Chair of the Board of Trustees, Louis Maroun, include overseeing the Board’s discharge of its responsibilities. The Chair’s role and responsibility is to manage the affairs of the Board of Trustees and monitor its effectiveness.

Management’s responsibilities are determined by the REIT’s Board of Trustees. All major policy decisions relating to the business of the REIT are made by the Board of Trustees or a committee thereof.

### ***Corporate Governance of the REIT***

In lieu of a corporate governance committee, the Trustees are directly responsible for developing the REIT’s approach to governance issues, filling vacancies among the Trustees and periodically reviewing the composition and effectiveness of the Trustees and the contribution of individual Trustees.

### ***Audit Committee***

Form 52-110F1 – Audit Committee Information Required in an AIF is attached as “Schedule A”.

The REIT's audit committee is comprised of the four Independent Trustees. The audit committee consists of Paul Dykeman, John van Haastrecht, Louis Maroun, and Saul Shulman, with Mr. Dykeman serving as Chair. All members of the audit committee are financially literate. John F. Driscoll, Janet Graham and Richard J. Zarzeczny all resigned their positions with the audit committee, effective concurrently with their resignations from the Board of Trustees during 2010. The audit committee assists the Trustees in fulfilling their responsibilities of oversight and supervision of the accounting and financial reporting practices and procedures of the REIT, the adequacy of internal accounting controls and procedures, and the quality and integrity of financial statements of the REIT. In addition, the audit committee is responsible for directing the auditors' examination of specific areas and for the selection of independent auditors to be appointed by the holders of Voting Units.

### ***Remuneration of Trustees***

Each of the Trustees who are not officers of the REIT receive from the REIT an annual retainer initially in the amount of \$20,000 per year plus a fee of \$1,000 for each meeting of the Trustees attended. The Chair of the Board of Trustees also receives an annual honorarium of \$25,000. The Chair of the Audit Committee receives an extra \$500 for each meeting of the audit committee attended. Trustees are also reimbursed for reasonable travel and other expenses incurred by them in attending meetings of the Trustees or any committee meeting. The Trustees may also be granted Unit Options from time to time.

### **Trustees and Officers**

The following table sets forth the name of each Trustee and executive officer of the REIT, their province or state and country of residence, their position(s) with the REIT, their principal occupation during the preceding five years, the date they first became a Trustee, and the number of Securities held, directly or indirectly, by such Trustee or officer of the REIT.

<b>Name and Residence</b>	<b>Position(s) with the REIT</b>	<b>Principal Occupation During Past Five Years</b>	<b>Trustee/ Officer Since<sup>(1)</sup></b>	<b>Number of Securities Owned/ Controlled</b>
Louis Maroun <sup>(2)(4)</sup> Devonshire, Bermuda	Chair and Trustee of the REIT	Executive Chairman of Sigma Real Estate Advisors LLP/ Sigma Capital Corporation since 2009. From 2006 to 2009 Mr. Maroun was the Executive Chairman and Real Estate Advisor and Asset Manager of ING Real Estate Canada. Prior to that, Mr. Maroun served as Chief Executive Officer to Summit Real Estate Investment Trust (2002 to 2006).	June 2010	228,400 <sup>(6)</sup>
Patrick Miniutti Victoria, British Columbia	Trustee, President and Chief Operating Officer of the REIT	Since September 2009, Mr. Miniutti has been the Chief Financial Officer of League Assets Corp. From 2001 to August 2009, Mr. Miniutti served as Managing Director of Sunset Realty Services, a financial and management advisory services firm.	Trustee since June 2010; Chief Operating Officer since September 2010	255,000 <sup>(7)</sup>
Dionne Barnes Victoria, British Columbia	Chief Financial Officer of the REIT	Since January 2010, Ms. Barnes has been the Vice President Finance, Real Estate Operations of League Assets Corp. From 2006 to 2008, Ms. Barnes served as Treasury Manager for Carma Development LP, a subsidiary of Brookfield Properties, and from 2004 to 2006 she served as Senior Manager with Deloitte and Touche.	August 2010	150,000 <sup>(7)</sup>

<u>Name and Residence</u>	<u>Position(s) with the REIT</u>	<u>Principal Occupation During Past Five Years</u>	<u>Trustee/ Officer Since<sup>(1)</sup></u>	<u>Number of Securities Owned/ Controlled</u>
Adam Gant Victoria, British Columbia	Trustee and Chief Executive Officer of the REIT	Mr. Gant is Founding Partner of League Assets Corp., which was started in 2005, and he was instrumental in the founding of IGW REIT and IGW REIT LP in 2007.	Trustee since August 2010; Chief Executive Officer since September 2010	12,837,860 <sup>(5)</sup> <sup>(6)</sup> 265,000 <sup>(7)</sup>
John van Haastreht <sup>(2)</sup> Toronto, Ontario	Trustee of the REIT	Mr. van Haastreht is currently the President of Vanreal Ltd., an operator and developer of commercial retail shopping centres that was founded by Mr. van Haastreht in 2001.	March 2007	56,338 <sup>(6)</sup> 50,000 <sup>(7)</sup> 100 <sup>(8)</sup>
Saul Shulman <sup>(2)</sup> Toronto, Ontario	Trustee of the REIT	Since January 1, 2005, Mr. Shulman has been the Chief Executive Officer of MLG Management Inc.	March 2009	40,000 <sup>(6)</sup> 100 <sup>(8)</sup>
Paul Dykeman <sup>(2)(3)</sup> Dartmouth, Nova Scotia	Trustee of the REIT	Mr. Dykeman is the Chief Executive Officer of Sigma Real Estate Advisors LLP (since 2009). From 2006 to 2009, Mr. Dykeman was Chief Executive Officer of ING Real Estate Canada. Prior to that Mr. Dykeman served as Chief Financial Officer to Summit Real Estate Investment Trust (1998-2006).	September 2010	180,000 <sup>(6)</sup> 100 <sup>(8)</sup>

Notes:

- (1) Under the Declaration of Trust, each Trustee holds office until the next annual meeting of Unitholders.
- (2) Member of the Board of Trustee's Audit Committee.
- (3) Chair of the Board of Trustee's Audit Committee.
- (4) Chair of the Board of Trustees.
- (5) 12,812,860 Units are held by IGW Public, an entity controlled by Mr. Gant and 25,000 Units are held directly by Mr. Gant.
- (6) Number of Units owned or controlled.
- (7) Number of Unit Options owned or controlled presented as number of underlying Units.
- (8) Number of \$1,000 face value Debentures owned or controlled.

As of the date of this Annual Information Form, the Trustees and officers of the REIT as a group, directly or indirectly, beneficially own or exercise voting control over 13,342,598 Units, representing approximately 43% of the issued and outstanding Units.

The following are biographies of the Trustees and officers of the REIT:

**Louis Maroun** — Louis Maroun is the Chair of the Board of Trustees of the REIT. Mr. Maroun became a Trustee of the REIT in June 2010, and was appointed Chair of the Board of Trustees on September 13, 2010. Mr. Maroun began his real estate career in 1982 following seven years with the Nova Scotia Department of the Attorney General. In 1996 he launched Summit Real Estate Investment Trust, and under his tenure as Chief Executive Officer, Summit grew to become one of Canada's largest REIT's and the country's largest publicly-traded owner and manager of industrial real estate with approximately \$3.5 billion in assets. Following Summit's successful privatization by ING Real Estate in 2006, he became Executive Chairman of ING Real Estate Canada until 2009. Mr. Maroun is currently Executive Chairman of Sigma Real Estate Advisors LLP, an investment advisory firm specializing in the Canadian,



United States and Bermuda real estate markets. He is also a Board member and Lead Director of Acadian Timber Income Fund, and an advisor to and board member of two emerging Canadian technology companies.

**Patrick Miniutti** — Patrick Miniutti is a Trustee of the REIT and the President and Chief Operating Officer of the REIT. Mr. Miniutti became a Trustee of the REIT on June 4, 2010 and was appointed Chief Operating Officer on September 10, 2010. Patrick Miniutti is an accomplished executive with a broad range of proven skills and talents. From his early days in public accounting at KPMG to his more recent executive-level operating and finance role as LAC's Chief Financial Officer, Mr. Miniutti has distinguished himself by directing a ground-breaking IPO and consistently delivering higher-than-expected returns for shareholders.

Most recently, Mr. Miniutti served as Managing Director with Sunset Realty Services, a financial and management advisory services firm, which assisted in the acquisition and asset management of community and outlet centres and the development and management of low income and multi-family housing. Prior to this, he served concurrently as Executive Vice President, Chief Financial Officer and Chief Operating Officer and also on the Board of Directors for Konover Property Trust, a public company which owned, developed and managed grocery-anchored centres and outlet centres. Mr. Miniutti has also served as: Executive Vice President, Chief Financial Officer and as a Director on the Board for Crown American Realty Trust, a public company and an operator of regional malls; Chief Financial Officer at New Market Companies, one of the first developers of power centres; Executive Vice President, Chief Operating Officer and Chief Financial Officer of Western Development Corporation (predecessor to The Mills Corporation, owner and developer of Mills Malls); and, Vice President-Financial Services and Chief Accounting Officer for Cadillac Fairview Corporation's Urban Business Unit, a public company and a developer and owner of office and mixed-used properties. He began his career in accounting with KPMG and then moved to Kenneth Leventhal & Company, where he continued to specialize in commercial and residential real estate.

Mr. Miniutti has a Bachelor of Science degree in Accounting from the University of Bridgeport and substantially completed his MBA studies at Michigan State University. He is a Certified Public Accountant and was a member of the AICPA's Real Estate Accounting Committee.

**Dionne Barnes** — Dionne Barnes was announced as the Chief Financial Officer of the REIT on August 18, 2010. Dionne Barnes joined LAC in January 2010 and currently holds the position of Vice President Finance, Real Estate Operations. Before joining LAC, Ms. Barnes served as Treasury Manager for Carma Development LP, a subsidiary of Brookfield Properties, and Senior Manager with Deloitte and Touche. She also has extensive experience in the energy sector, serving as Tax Manager with Suncor Energy Corp., Tax Analyst with Mobil Oil Canada, Tax Manager with ENMAX Corp., a supplier of renewable energy. Ms. Barnes received her CA designation in 1997.

**Adam Gant** — Adam Gant is a Trustee of the REIT and the Chief Executive Officer of the REIT. Mr. Gant became a Trustee of the REIT on August 12, 2010, and was appointed as Chief Executive Officer on September 10, 2010. Mr. Gant co-founded LAC in 2005 and serves as LAC's Chief Executive Officer. He also serves as Chief Executive Officer of the Manager and has worked primarily for the League group of companies for the last five years. Mr. Gant is a real estate entrepreneur with a special interest in the financial aspects and mathematical analysis of real estate economics and valuation.

Mr. Gant has been a board member and part owner of a number of corporations offering a range of products and services in the real estate sector, and as a licensed broker, where he used his experience gained while a licensed commercial real estate agent in British Columbia (2004-2007). Among these are a property management company, a financing company, a real estate investment company, and a residential construction company.

Mr. Gant was instrumental in the founding of IGW REIT and IGW REIT LP in 2007. Since January 2004, he has engaged in the organizing of over 30 other limited partnerships and has overseen the acquisition or sale of properties in Canada having an aggregate market value of \$700 million consisting of light industrial properties, multi-unit residential properties, commercial premises and shopping mall properties.

**John van Haastreht** — John van Haastreht is a Trustee of the REIT. Mr. van Haastreht is a Chartered Director and is currently the President of Vanreal Ltd., an operator and developer of commercial retail shopping centres that was founded by Mr. van Haastreht in 2001. Prior to that, Mr. van Haastreht was a trustee and the President and Chief Executive Officer of Morguard Real Estate Investment Trust, a publicly traded real estate investment trust. In addition to his business activities, Mr. van Haastreht was also past President of the Board of the Royal Military

College Foundation. Mr. van Haastrecht graduated from the Royal Military College with an Applied Science Degree.

**Saul Shulman** — Saul Shulman is a Trustee of the REIT. Since January 1, 2005, Mr. Shulman has been the Chief Executive Officer of MLG Management Inc. Prior to this, he was a partner at Goodman and Carr LLP for 39 years. He is also a trustee of Brookfield Renewable Power Trust, a hydro company, a director of Tricon Capital Group Inc., a leading provider of equity and mezzanine loans to North America's real estate development industry and a director of 1281216 Ontario Inc. (Castlemore Golf & Country Club/Intracorp Developments Ltd.), a residential developer. He also serves as a chairman for a number of private companies. Mr. Shulman is a former trustee of Summit Real Estate Investment Trust (now ING Real Estate Investment Trust), a public real estate investment trust and has previously held directorship positions with: Brookfield Asset Management, a public real estate, hydro and asset management company; Brookfield Power Inc., a power operation; and JDS Investment Limited, a public real estate company. In 1983, Mr. Shulman was appointed as Special Counsel to the Board of Directors of Mascan Corp. (the Board was appointed by the Supreme Court of Ontario), a publicly traded property developer. Mr. Shulman earned a law degree from Osgoode Hall in 1963 and was appointed Queen's Counsel in 1984. He also earned a Bachelor of Commerce degree from the University of Windsor in 1960.

**Paul Dykeman** — Paul Dykeman is a Trustee of the REIT and Chairman of the Audit Committee of the REIT. Mr. Dykeman became a Trustee of the REIT on September 20, 2010. Mr. Dykeman began his real estate career in 1990 as Controller of Roycom, a pension and mutual fund real estate advisor. Prior to this he spent six years in a variety of increasingly senior roles with an international audit and accounting firm. In 1996, he, along with Mr. Maroun, launched Summit REIT and was appointed the REIT's Chief Financial Officer in 1998. With Summit's acquisition by ING Real Estate in 2006, Mr. Dykeman was appointed Chief Executive Officer of ING Real Estate Canada, responsible for all aspects of the Company's operations, including real estate transactions, investment and property management, finance and the Company's strategic direction. Currently he is Chief Executive Officer of Sigma Real Estate Advisors LLP, an investment advisory firm specializing in the Canadian, United States and Bermuda real estate markets. Mr. Dykeman is a member of the Real Property Association of Canada (RealPAC) and the Institute of Chartered Accountants of Nova Scotia.

#### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

Other than as follows, no Trustee or executive officer of the REIT is, as at the date hereof, or was within 10 years before the date hereof, a trustee, director, chief executive officer or chief financial officer of any trust or company (including the REIT) that was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant issuer access to any exemption under securities legislation that (a) was in effect for a period of more than 30 consecutive days (a "Cease Trade Order") that was issued while the Trustee or executive officer was acting in the capacity as trustee, director, chief executive officer or chief financial officer of such issuer, or (b) was subject to a Cease Trade Order that was issued after the Trustee or executive officer ceased to be a trustee, director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as trustee, director, chief executive officer or chief financial officer. Mr. Gant is, and was at the time of the orders described below, a director and officer of Colwood City Centre GP Inc., the general partner of Cityzen Properties Limited Partnership (now Colwood City Centre Limited Partnership) ("CCCLP"); League REIT Investco Inc., the trustee of IGW Real Estate Investment Trust ("IGW REIT"); and IGW Properties GP I Inc., the general partner of IGW Properties Limited Partnership I ("IGW LP"). On December 21, 2007, the British Columbia Securities Commission ("BCSC") issued cease trade orders against the securities of CCCLP, IGW REIT and IGW LP. The cease trade orders were issued on the basis that an offering memorandum of each entity was not prepared in the form required under British Columbia's securities legislation. These orders were revoked by the BCSC after each entity filed an updated offering memorandum and made a rescission offer to investors. An additional cease trade order was subsequently issued against the securities of IGW REIT on the basis that its amended offering memorandum was not prepared in the form required under British Columbia's securities legislation. The BCSC fully revoked this order after IGW REIT filed an updated offering memorandum.

No Trustee or executive officer of the REIT nor, to the knowledge of the REIT, any Unitholder holding a sufficient number of securities of the REIT to affect materially the control of the REIT (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a trustee, director or executive officer of any trust or company (including the REIT) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was

subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such trustee, director, executive officer or securityholder.

No Trustee or executive officer of the REIT nor, to the knowledge of the REIT, any Unitholder holding a sufficient number of securities of the REIT to affect materially the control of the REIT, has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Potential Conflicts of Interest**

The REIT is subject to various potential conflicts of interest because of the fact that its officers and Trustees are engaged in a wide range of business activities. In particular, the REIT's executive officers may devote time to their outside business interests. In some cases, the REIT's executive officers may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the REIT's business and affairs and that could adversely affect the REIT's operations. These business interests could require significant time and attention of the REIT's executive officers. For instance, many of the officers of the REIT are also officers of the Manager. As well, the officers of the REIT are employed by LAC. The Manager will have economic interests that are different from the REIT, which will create conflicts of interest between the REIT and the Manager. The independent trustees on the Board of Trustees of the REIT will monitor and manage these conflicts of interest.

In addition, the REIT may also become involved in other transactions which conflict with the interests of its trustees and the officers who may from time to time deal with persons, firms, institutions or corporations with which the REIT may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the REIT. From time to time, these persons may be competing with the REIT for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under the Declaration of Trust, which are similar to those set out in the OBCA.

### **Unit Option Plan**

The REIT has adopted a unit option plan (the "Unit Option Plan") that authorizes the REIT to grant options for the purchase of Units ("Unit Options") to any employee, officer, Trustee, director or consultant of the REIT, its subsidiaries and/or the Manager to whom Unit Options can be granted in reliance on a prospectus and registration exemption under applicable securities laws ("Eligible Persons", and each such person holding Unit Options and participating in the Unit Option Plan is hereinafter referred to as an "Optionee"). The number of Unit Options issuable under the Unit Option Plan is subject to the following restrictions:

- (a) No single Optionee may be granted Unit Options to purchase a number of Units equalling more than 5% of the issued Units in any one 12-month period;
- (b) Unit Options shall not be granted if the exercise thereof could result in the issuance of more than 2% of the issued Units in any one 12-month period to any one consultant of the REIT or its subsidiaries;
- (c) Unit Options shall not be granted if the exercise thereof could result in the issuance of more than 2% of the issued Units in any one 12-month period to persons employed to provide "Investor Relations Activities" (as such terms are defined in the policies of the applicable stock exchange) for the REIT. Unit Options granted to consultants performing Investor Relations Activities for the REIT will contain vesting provisions such that vesting occurs over at least 12 months with no more than 25% of the options vesting in any three month period; and
- (d) The number of Units reserved for issuance under the Unit Option Plan to Eligible Persons, at any time, cannot exceed 10% of issued and outstanding securities.

The Unit Option Plan provides that the terms of the Unit Options granted and the Unit Option prices shall be fixed by the Trustees subject to the price and other restrictions imposed by the relevant regulatory authorities, but shall not be less than the market price per Unit at the time of grant less the permissible discount permitted by the rules of any stock exchange or other regulatory body having jurisdiction. Unit Options granted under the Unit Option Plan are not transferable or assignable. Unit Options granted under the Unit Option Plan shall be for a term determined by the Trustees but in any event must be exercisable for a period not in excess of five years. Unit Options granted under the Unit Option Plan shall vest in such a manner as determined by the Trustees and the exercise price must be paid in full upon exercise of the Unit Option. The administration and operation of the Unit Option Plan may be delegated by the Board of Trustees to a committee of the Trustees, any officer of the REIT or to a duly appointed manager of the affairs of the REIT.

If an Optionee ceases to be an Eligible Person for any reason other than death, retirement or permanent disability, the Optionee will have a period not in excess of 90 days from the date the person ceased to be an Eligible Person to exercise Unit Options held to the extent that the Optionee was entitled to exercise the Unit Options at the date of such cessation. In the event of death of the Optionee, Unit Options previously granted are exercisable for a period not in excess of 180 days next succeeding such death to the extent that the Optionee was entitled to exercise the Unit Option at the date of death. In the event of termination of employment by reason of retirement or disability, the Optionee will have a period not in excess of 90 days from the date the person ceased to be an Eligible Person to exercise the Unit Options held to the extent that the Optionee was entitled to exercise the Unit Options at the date of such cessation, provided that if the Optionee dies during such period, then such period shall be extended for 90 days following death. Notwithstanding the foregoing, Unit Options granted to an Optionee engaged or employed by the REIT in investor relations must expire within 30 days after the Optionee ceases to be engaged or employed by the REIT to provide investor relations activities. The Board of Trustees may at any time discontinue the Unit Option Plan and, subject to applicable regulatory approval, may amend the terms of the Unit Option Plan, provided that no amendment may be made without the consent of an Optionee, if it in any manner adversely affects an Optionee's rights under any option previously granted to such Optionee under the Unit Option Plan.

#### **Trustees' and Officers' Liability Insurance and Indemnification**

Under the REIT's trustees', directors' and officers' insurance coverage, the REIT will be reimbursed for payments made under indemnity provisions on behalf of their respective Trustees, directors and officers contained in its and its subsidiaries' respective constating documents, subject to a deductible for each loss. Individual Trustees, directors and officers will also be reimbursed for losses arising during the performance of their duties for which they are not indemnified by the REIT, subject to a deductible that will be paid by the REIT. The Declaration of Trust also provides for the indemnification in certain circumstances of Trustees, directors and officers and persons serving in an equivalent capacity (including the Manager and its directors, officers and employees) from and against liability and costs in respect of any action or suit against them in respect of the execution of their duties of office. The Trustees and officers have also entered into contractual indemnities with regard to the above indemnification obligations.

#### **DECLARATION OF TRUST AND DESCRIPTION OF UNITS**

The following is a summary of the material attributes and characteristics of the Units and certain provisions of the Declaration of Trust, which summary does not purport to be complete. Reference is made to the Declaration of Trust for a complete description of the Units and the full text of its provisions.

#### **Rights of Unitholders**

The rights of the Unitholders are established by the Declaration of Trust. Although the Declaration of Trust confers upon a Unitholder many of the same protections, rights and remedies an investor would have as a shareholder of a corporation governed by the OBCA, significant differences exist, some of which are described below. Many OBCA requirements relating to the governance and management of a corporation have been incorporated in the Declaration of Trust. For example, Unitholders are entitled to exercise voting rights in respect of their holdings of Units in a manner comparable to shareholders of an OBCA corporation and to elect the Trustees and appoint the auditors of the REIT. The Declaration of Trust also includes provisions comparable to those of the OBCA dealing with the calling and holding of meetings of Voting Unitholders and Trustees, and procedures at such meetings and the right

of Voting Unitholders to participate in the decision-making process when certain fundamental actions are proposed. The matters in respect of which Voting Unitholder approval is required under the Declaration of Trust are generally less extensive than the rights conferred on shareholders of an OBCA corporation. Such Voting Unitholder approval rights are supplemented by securities laws that are generally applicable to issuers (whether corporations, trusts or other entities) that are “reporting issuers” or the equivalent or listed on the Exchange.

The Declaration of Trust contains “conflicts of interest” provisions similar to those contained in the OBCA that serve to protect Unitholders without creating undue limitations on the REIT. See “*Trustees and Officers — Board of Trustees — Conflict of Interest Restrictions and Provisions*”. Unitholders do not have recourse to dissent rights under which shareholders of an OBCA corporation are entitled to receive the fair value of their shares if certain fundamental changes affecting the corporation are undertaken (such as an amalgamation, a continuance under the laws of another jurisdiction, the sale of all or substantially all of its property, a going private transaction or the addition, change or removal of provisions restricting (i) the business that the corporation can carry on, or (ii) the issue, transfer or ownership of shares). As an alternative, Unitholders seeking to terminate their investment in the REIT are entitled to receive, subject to certain conditions and limitations, their pro rata share of the REIT’s net assets through the exercise of the redemption rights provided by the Declaration of Trust as described under “*Redemption Right*” below. Unitholders similarly do not have recourse to the statutory oppression remedy available to shareholders of an OBCA corporation where a corporation’s actions are oppressive, unfairly prejudicial or disregard the interests of securityholders and certain other parties. Shareholders of an OBCA corporation may also apply to a court to order the liquidation and dissolution of the corporation in such circumstances, whereas Unitholders may rely only on the general provisions of the Declaration of Trust, which permit the dissolution of the REIT pursuant to a special resolution. Shareholders of an OBCA corporation may also apply to a court for the appointment of an inspector to investigate the manner in which the business of a corporation and its affiliates is carried on where there is reason to believe that fraudulent, dishonest or oppressive conduct has occurred. The Declaration of Trust does not allow Unitholders to pass resolutions appointing an inspector to investigate the Trustees’ performance of their responsibilities and duties. The OBCA also permits shareholders to bring or intervene in derivative actions in the name of the corporation or any of its subsidiaries, with the leave of a court. The Declaration of Trust does not include a comparable right of the Unitholders to commence or participate in legal proceedings with respect to the REIT.

### **Units and Special Voting Units**

The beneficial interests in the REIT are divided into interests of two classes, described and designated as “Units” and “Special Voting Units”, respectively. An unlimited number of Units and Special Voting Units are issuable pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the REIT whether of net income, net realized capital gains or other amounts and in the net assets of the REIT in the event of a termination or winding-up of the REIT. Units are not subject to future calls or assessments and entitle a holder thereof to one vote for each whole Unit held at all meetings of Voting Unitholders. Except as set out under “*Redemption Right*” below, the Units have no conversion, retraction, redemption or pre-emptive rights.

Special Voting Units may only be issued in connection with or in relation to securities exchangeable, directly or indirectly, for Units (“Exchangeable Securities”), in each case for the purpose of providing voting rights with respect to the REIT to the holders of such securities. Currently, there are no Special Voting Units outstanding. However, if the Trustees so determine, Special Voting Units may be issued in the future in conjunction with, and will be attached to Exchangeable Securities to which they relate, and will be evidenced only by the certificates representing such Exchangeable Securities. Special Voting Units will not be transferable separately from the Exchangeable Securities to which they are attached. Each Special Voting Unit will entitle the holder thereof to that number of votes at any meeting of Voting Unitholders that is equal to the number of Units that may be obtained upon the exchange (direct or indirect) of the Exchangeable Security to which it is attached. Upon the exchange, redemption or conversion of an Exchangeable Security for Units, the Special Voting Unit that is attached to such Exchangeable Security will immediately be cancelled without any further action of the Trustees, and the former holder of such Special Voting Unit will cease to have any rights with respect thereto. Issued and outstanding Units and Special Voting Units may be subdivided or consolidated from time to time by the Trustees without the approval of Voting Unitholders.

Fractions of Units may be issued, including pursuant to distributions of additional Units to all Unitholders. No certificates will be issued for fractional Units. Fractional Units shall not, except to the extent that they may represent in the aggregate one or more whole Units, entitle the holder thereof to notice of, or to attend or to vote at meetings of Unitholders. The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of such act or any other legislation. Furthermore, the REIT is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

## **Trustees**

The Declaration of Trust provides that the REIT must have a minimum of three and a maximum of 11 trustees, a majority of whom must be Independent Trustees and must be “resident in Canada” for purposes of the Tax Act. So long as the Management Agreement is in effect, prior to each annual meeting of Voting Unitholders and any special meeting of Voting Unitholders at which Trustees are to be elected, and so long as the number of Trustees to be elected is five the Manager shall be entitled to designate two individuals (the “Proposed Manager Trustees”) (which may include the reappointment of incumbent Trustees) to stand for election as Trustees at such meeting. The designation of the Proposed Manager Trustees shall be made by written notice (the “Proposed Manager Trustee Notice”) signed by an authorized signatory of the Manager to the Chair of the Trustees. The Manager shall ensure prior to the designation of a Proposed Manager Trustee that such individual is qualified to act as a Trustee pursuant to the requirements of the Declaration of Trust, and that the Proposed Manager Trustees, individually and collectively, meet all applicable legal and other requirements respecting the qualifications of individuals acting as Trustees, including, without limitation, with respect to residency, financial literacy and independence. Upon notification by the REIT that any Proposed Manager Trustee is not qualified to act as a Trustee, the Manager shall forthwith designate a substitute Trustee who is qualified to act as a Trustee. Notwithstanding anything else contained herein, if the Manager fails to provide the Proposed Manager Trustee Notice to the Chair within five Business Days after the record date of the meeting at which the Trustees will stand for election, the existing Trustees shall designate the Proposed Manager Trustees (which may include the reappointment of incumbent Trustees).

The number of Proposed Manager Trustees designated by the Manager shall be adjusted proportionately to reflect any increase or decrease in the number of Trustees. In the event that any such adjustment results in a fractional number of Proposed Manager Trustees to be designated by the Manager, such fraction shall be rounded upwards to the closest whole number unless this would cause the number of Proposed Manager Trustees to constitute more than 49% of all of the Trustees in which case such fractional number shall be rounded downward to the closest whole number. Trustees will be elected at each annual meeting of Voting Unitholders to hold office for a term expiring at the close of the next annual meeting. A quorum of Trustees may designate an individual to fill a vacancy in the Trustees, except a vacancy resulting from an increase in the number of Trustees (other than as noted below) or from a failure of the Voting Unitholders to elect the required number of Trustees at a meeting of Voting Unitholders called for such purpose. If the vacancy has arisen from a failure of the Voting Unitholders to elect the required number of Trustees at a meeting of Voting Unitholders called for such purpose, the Trustees will promptly call a special meeting of Voting Unitholders to fill the vacancy. If the Trustees fail to call that meeting or if there are not Trustees then in office, any Voting Unitholder may call the meeting. The Trustees may, between annual meetings of Voting Unitholders, appoint one or more additional Trustees to serve until the next annual meeting of Voting Unitholders, but the number of additional Trustees so appointed may not at any time exceed one-third of the number of Trustees who held office at the expiration of the immediately preceding annual meeting of Voting Unitholders.

A Trustee may resign upon written notice to the REIT and/or may be removed by a resolution passed by a majority of the Voting Unitholders. A vacancy created by the removal or resignation of a Trustee may be filled at the same meeting of Voting Unitholders, failing which it may be filled by the remaining Trustees. The Declaration of Trust provides that, subject to its terms and conditions, the Board of Trustees will have full, absolute and exclusive power, control and authority over the assets of the REIT and over the affairs of the REIT to the same extent as if the Trustees were the sole and absolute legal and beneficial owners of the assets of the REIT and may, in respect of the assets of the REIT, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof. Subject to such terms and conditions and the terms and conditions contained in the Management Agreement, the Trustees are responsible for, among other things:

- (a) supervising the activities and managing the investments and the affairs of the REIT;

- (b) maintaining records and providing reports to Voting Unitholders;
- (c) effecting payments of distributions from the REIT to Unitholders;
- (d) lending and borrowing money or other property on behalf of the REIT; and
- (e) appointing the officers of the REIT.

The Declaration of Trust provides that the Trustees must act honestly and in good faith with a view to the best interests of the REIT and in connection therewith must exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that each Trustee, as well as former Trustees, and their respective heirs and legal representatives, or any other person acting in a similar capacity, will be entitled to indemnification from the REIT in respect of the exercise of that person's powers, and the discharge of that person's duties, provided that the person acted honestly and in good faith with a view to the best interests of the REIT and the Unitholders and, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the person had reasonable grounds for believing that his or her conduct was lawful.

### **Meetings of Voting Unitholders**

The Declaration of Trust provides that meetings of Voting Unitholders will be required to be called and held annually, commencing in 2008, for the purpose of (a) presenting the audited financial statements of the REIT for the immediately preceding fiscal year; (b) electing Trustees; (c) appointing auditors of the REIT; and (d) transacting such other business as the Trustees may determine or as may be properly brought before the meeting.

A meeting of Voting Unitholders may be convened at any time and for any purpose by the Trustees and must be convened, except in certain circumstances, if requisitioned in writing by the Voting Unitholders representing not less than 10% of the votes attached to all outstanding Voting Units. A requisition must state in reasonable detail the business proposed to be transacted at the meeting. Voting Unitholders may attend and vote at all meetings of the Voting Unitholders either in person or by proxy and a proxyholder need not be a Voting Unitholder. Two persons present in person or represented by proxy and representing in the aggregate at least 10% of the votes attached to all outstanding Voting Units shall constitute a quorum for the transaction of business at all such meetings. At any meeting at which a quorum is not present within 30 minutes after the time fixed for the holding of such meeting, the meeting, if convened upon the request of the Voting Unitholders, shall be dissolved, but in any other case, the meeting will stand adjourned to a day not less than seven days later and to a place and time as chosen by the Chair of the meeting, and if at such adjourned meeting a quorum is not present, the Voting Unitholders present either in person or by proxy shall be deemed to constitute a quorum.

The Declaration of Trust provides that without approval by special resolution at a meeting of Voting Unitholders called for such purpose, the Trustees shall not, among other things, authorize:

- (a) any combination, merger, amalgamation or arrangement of the REIT or any of the REIT's subsidiaries, as the case may be, any sale of all or substantially all of the assets of the REIT or any of the REIT's subsidiaries, as the case may be, or the liquidation or dissolution of the REIT or any of the REIT's subsidiaries, as the case may be, (other than in each case as part of an internal reorganization of the assets of the REIT and/or any of the REIT's subsidiaries, as the case may be, as approved by the Trustees);
- (b) any amendment to the investment guidelines or any amendment contained in paragraph (b) of the REIT's operating policies, provided that the other operating policies may be amended by ordinary resolution;
- (c) an exchange, reclassification or cancellation of all or part of the Units or Special Voting Units;
- (d) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Units or Special Voting Units;
- (e) the termination of the REIT; or

- (f) the constraint on the issue, transfer or ownership of Units or Special Voting Units or the change or removal of such constraint.

### **Purchases of Units**

The REIT may from time to time purchase Units for cancellation in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies.

### **Redemption Right**

Units are redeemable at any time on demand by the holders thereof upon delivery to the REIT of a duly completed and properly executed notice requesting redemption in a form approved by the Trustees specifying the number of Units to be redeemed. For Units issued in book-entry form, a Unitholder who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer, who will be required to deliver the completed redemption notice form to the REIT at its head office and to CDS. As of the close of business on the date the Units are surrendered for redemption, all rights to and under the Units tendered for redemption shall (subject to the following) be surrendered and the holder thereof shall be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of:

- (a) 90% of the Market Price of the Units on the principal stock exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) during the period of the last 10 trading days on such stock exchange or market ending immediately prior to the date on which the Units were tendered for redemption; and
- (b) the Closing Market Price of the Units on the date on which the Units were tendered for redemption on the principal stock exchange on which Units are listed (or, if Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading).

For the purposes of determining the Redemption Price, "Market Price" will be the amount equal to the weighted average of the trading prices of the Units on the applicable market or exchange for each of the trading days on which there was a trade during the specified trading day period; provided that if there was trading on the applicable exchange or market for fewer than five of the trading days during the specified trading day period, "Market Price" will be the average of the following prices established for each of the trading days during the specified trading day period: the average of the last bid and ask prices for each trading day on which there was no trading and the weighted average trading prices of the Units for each trading day on which there was trading. For the purposes of determining the Redemption Price, "Closing Market Price" will be: (i) an amount equal to the closing price of the Units on the applicable market or exchange if there was a trade on the specified date and the applicable market or exchange provides a closing price; (ii) an amount equal to the average of the highest and lowest prices of Units on the applicable market or exchange if there was trading on the specified date and the applicable market or exchange provides only the highest and lowest trading prices of Units traded on a particular day; or (iii) the average of the last bid and ask prices on the applicable market or exchange if there was no trading on the specified date.

The aggregate Redemption Price payable by the REIT in respect of any Units surrendered for redemption during any calendar month will be satisfied by way of a cash payment by the REIT no later than the last day of the calendar month following the calendar month in which the Units were tendered for redemption, provided that the entitlement of the Unitholders to receive cash upon the redemption of their Units will not be applicable to Units tendered for redemption by a Unitholder, if:

- (a) the total amount payable in cash by the REIT in respect of such Units and all other Units tendered for redemption in the same calendar month exceeds \$50,000 (the "Monthly Limit"), provided that the Trustees may, in their sole discretion, waive such limitation in respect of all Units tendered for redemption in any calendar month;
- (b) on the date the Units are tendered for redemption, the outstanding Units are not listed for trading or quoted on any stock exchange or market that the Trustees consider, in their sole discretion, to provide a representative fair market value price for the Units;



- (c) on the date the Units are tendered for redemption or if, for more than five trading days during the 10 trading day period immediately prior to the date on which such Units were tendered for redemption, the normal trading of the outstanding Units is suspended or halted on any stock exchange on which the Units are listed for trading or, if not so listed, on any market on which the Units are quoted for trading; or
- (d) the redemption of the Units will result in the delisting of the Units on the principal stock exchange on which the Units are listed.

If a Unitholder is not entitled to receive cash upon the redemption of the Units as a result of the Monthly Limit, then such holder of Units shall, instead of the Redemption Price per Unit otherwise payable in respect of such Units, be entitled to receive a price per Unit (the "In specie Redemption Price") equal to the fair market value of a Unit as determined by the Trustees, and the In specie Redemption Price shall, subject to all necessary regulatory approvals, be paid and satisfied by the REIT issuing redemption notes ("Redemption Notes") having an aggregate principal amount equal to the aggregate In specie Redemption Price of the Units tendered for redemption. In the event of distributions of Redemption Notes, each Redemption Note so distributed to the redeeming holder of Units shall be in the principal amount of \$100 or such other amount as may be determined by the Trustees. The term of such Redemption Notes would be no later than five years and would bear an interest equal to the market rate of interest as determined at the time of issuance by the Trustees. No fractional Redemption Notes shall be distributed and where the number of Redemption Notes to be received upon redemption by a holder of Units would otherwise include a fraction, that number shall be rounded down to the next lowest whole number.

It is anticipated that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Units. The Redemption Notes that may be distributed in specie to Unitholders in connection with a redemption will not be listed on any stock exchange, no market is expected to develop in Redemption Notes and such Redemption Notes may be subject to an indefinite "hold period" or other resale restrictions under applicable securities laws.

### **Issuance of Units**

Subject to the investment guidelines and operating policies of the REIT, the REIT may issue new Units and other securities of the REIT (including Special Voting Units issued in conjunction with the issuance of Exchangeable Securities) from time to time, in such manner, for such consideration and to such person, persons or class of persons as the Trustees shall determine. Unitholders do not have any pre-emptive rights whereby securities proposed to be issued are first offered to existing Unitholders.

Any income of the REIT that is unavailable for cash distribution will, to the extent necessary to ensure that the REIT does not have any income tax liability under Part I of the Tax Act, be distributed to Unitholders in the form of additional Units. Such additional Units will be issued pursuant to exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing. The Declaration of Trust provides that immediately after any pro rata distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution (except where tax was required to be withheld in respect of the Unitholder's share of the distribution as described below). In this case, the number of Units held by a Unitholder prior to the non-cash distribution will be deemed to represent the same number of Units held by the Unitholder after the non-cash distribution and the consolidation. Where amounts so distributed represent income, Non-Resident Unitholders will be subject to withholding tax and the consolidation will not result in such Non-Resident Unitholders holding the same number of Units.

### **Limitation on Ownership**

The REIT will not be considered a "mutual fund trust" under the Tax Act if, among other things, it is established or maintained primarily for the benefit of non-residents of Canada for purposes of the Tax Act unless all or substantially all of its property is property other than "taxable Canadian property" as defined in the Tax Act. Accordingly, the Declaration of Trust and the Indenture provide that the Trustees may require declarations as to the jurisdictions in which beneficial owners of Units and Debentures are resident. The Trustees may require the REIT to

refuse to accept a subscription for securities of the REIT (including Units and Debentures) from, or issue or register a transfer of securities of the REIT to, a person (including a partnership or trust) unless the person provides a declaration that the securities of the REIT to be issued or transferred to such person will not when issued or transferred be beneficially owned by a Non-Resident. The Trustees may send a notice to Non-Resident holders of Debentures or Units, chosen in inverse order to the order of acquisition or registration of the Debentures or Units, as the case may be, or in such manner as the Trustees may consider equitable and practicable, requiring them to sell such Debentures or Units or a portion thereof within a period of not less than 60 days, unless otherwise specified by the Trustees. If the Debenture holders or Unitholders receiving such notice have not sold the specified number of Debentures or Units, as the case may be, or provided the Trustees with satisfactory evidence that the Debentures or Units are not beneficially owned by Non-Residents within such period, the Trustees may, on behalf of such registered Debenture holder or Unitholder, as the case may be, sell such Debentures or Units and, in the interim and to the extent applicable, suspend the rights attached to such Debentures or Units.

The Trustees may take such actions as the Trustees determine, in their sole discretion, are appropriate in the circumstances that will reduce or limit the number of securities of the REIT held by Non-Residents. These restrictions may limit or remove the rights of certain Debenture holders and Unitholders, including Non-Residents. As a result, these restrictions may limit the demand for Debentures and Units from certain holders and thereby adversely affect the liquidity and market value of the Debentures and Units.

### **Information and Reports**

The REIT will furnish to Voting Unitholders such financial statements (including quarterly and annual financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Voting Unitholders' tax returns under the Tax Act and equivalent provincial legislation. Prior to each annual or special meeting of Voting Unitholders, the Trustees will provide the Voting Unitholders (along with notice of such meeting) information similar to that required to be provided to shareholders of a public corporation governed by the OBCA. In preparing its management's discussion and analysis of financial condition and results of operations, the REIT will provide, to the extent possible, comparative financial information.

### **Amendments to Declaration of Trust**

The Declaration of Trust may be amended or altered from time to time. Certain amendments require approval by special resolution at a meeting of the Voting Unitholders called for such purpose. Other amendments to the Declaration of Trust require approval by a majority of the votes cast in respect of the amendment at a meeting of the Voting Unitholders called for such purpose. The Trustees may, without the approval of the Voting Unitholders, make certain amendments to the Declaration of Trust, including amendments:

- (a) aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over (i) the Trustees or the REIT, (ii) the status of the REIT as a "mutual fund trust" under the Tax Act, or (iii) the distribution of Voting Units, and to the extent reasonably practicable, ensuring the REIT will not be a SIFT Trust for the purposes of the SIFT Rules or any final legislation implementing the SIFT Rules;
- (b) which, in the opinion of the Trustees, provide additional protection or added benefits for the Voting Unitholders;
- (c) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Voting Unitholders;
- (d) which, in the opinion of the Trustees, are necessary or desirable to remove conflicts or inconsistencies between the disclosure in the Information Circular and the Declaration of Trust;
- (e) which, in the opinion of the Trustees, are necessary or desirable as a result of changes in generally accepted accounting principles (including accounting guidelines) or taxation or other laws or the administration or enforcement thereof;

- (f) which, in the opinion of the Trustees, are necessary or desirable to enable the REIT to issue Units for which the purchase price is payable on an instalment basis; or
- (g) for any purpose (except one in respect of which a vote is specifically otherwise required) which, in the opinion of the Trustees, is not prejudicial to Voting Unitholders and is necessary or desirable.

### **Book-Based System**

Although the REIT may issue Units directly to Unitholders in registered certificate form, the Units held by most Unitholders will be represented in the form of one or more fully registered global unit certificates (the “Global Unit Certificates”) held by, or on behalf of, CDS, as depository for the participants of CDS, registered in the name of CDS or its nominee, and registration of ownership and transfers of such Units will be effected only through the book-based system administered by CDS. No holder of a beneficial interest in a Unit (a “Beneficial Owner”) represented by a Global Unit Certificate will be entitled to a certificate or other instrument from the REIT evidencing that holder’s ownership thereof, and no Beneficial Owner will be shown on the records maintained by CDS except through book-entry accounts of a participant of CDS acting on behalf of the Beneficial Owners. CDS will be responsible for establishing and maintaining book-entry accounts for its participants having interests in the Global Unit Certificates. Sales of interests in the Global Unit Certificates can only be completed through participants in the depository services of CDS.

The REIT has the option to terminate registration of the Units through the CDS book-based system, in which case certificates for the Units in fully registered form would be issued to beneficial owners of those Units or their nominees.

### **Term of the REIT**

The REIT has been established for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on March 27<sup>th</sup>, 2007. On a date selected by the Trustees that is not more than two years prior to the expiry of the term of the REIT, the Trustees are obligated to commence to wind-up the affairs of the REIT so that it will terminate on the expiration of the term. In addition, at any time prior to the expiry of the term of the REIT, the Voting Unitholders may, by special resolution, require the Trustees to commence the termination, liquidation or wind-up of the affairs of the REIT.

The Declaration of Trust provides that, upon being required to commence the termination, liquidation or winding-up of the affairs of the REIT, the Trustees will give notice thereof to the Voting Unitholders, which notice shall designate the time or times at which Unitholders may surrender their Units and Special Voting Units for cancellation and the date at which the register of Units and Special Voting Units will be closed. After the date the register is closed, the Trustees will proceed to wind up the affairs of the REIT as soon as may be reasonably practicable and for such purpose will, subject to any direction to the contrary in respect of a termination authorized by a resolution of the Voting Unitholders, cause the REIT to fulfill or discharge the contracts of the REIT, perform or cause the auditor of the REIT to perform any final audit of the REIT’s assets, cause the REIT to collect its assets, sell, convey, assign, exchange, transfer or otherwise dispose of all or any part of its remaining assets, to one or more persons in one transaction or a series of transactions at public or private sale for consideration that may consist in whole or in part of cash, securities or other property of any kind, discharge or pay its liabilities, and do all other acts appropriate to liquidate the REIT. After paying, retiring, discharging or making provision for payment, retirement or discharge of all known liabilities and obligations of the REIT, the Trustees will distribute the remaining part of the proceeds of the sale of the Units, the Redemption Notes and other assets comprising the REIT together with any cash forming part of the assets of the REIT among the Unitholders in accordance with their pro rata interests. If the Trustees are unable to sell all or any of the Units, the Redemption Notes or other assets which comprise part of the REIT by the date set for termination, the Trustees may distribute the remaining Units, Redemption Notes or other assets in specie directly to the Unitholders in accordance with their pro rata interests subject to obtaining all required regulatory approvals.

### **Transfer and Exchange of Units**

Transfers of beneficial ownership of Units represented by Global Unit Certificates will be effected through records maintained by the depository for such Global Unit Certificates or its nominees (with respect to interests of

participants) and on the records of participants (with respect to interests of persons other than participants). Unless the REIT elects, in its sole discretion, to prepare and deliver definitive Unit certificates, Beneficial Owners who are not participants in the depository's book-entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interest in Global Unit Certificates, may do so only through participants in the depository's system.

The ability of a Beneficial Owner of an interest in a Unit represented by a Global Unit Certificate to pledge the Unit or otherwise take action with respect to such owner's interest in the Unit represented by a Global Unit Certificate (other than through a participant) may be limited due to the lack of a physical certificate.

## DESCRIPTION OF DEBENTURES AND INDENTURE

The following is a summary of the material attributes and characteristics of the Debentures. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to the Indenture.

### Debentures

#### *General*

The Debentures were issued under and pursuant to the provisions of the Indenture. The Debentures were issued in the aggregate principal amount of \$25,000,000 (plus the aggregate principal amount of \$3,750,000 issued upon exercise of the over-allotment option). The REIT may, however, from time to time, without the consent of the holders of the outstanding debentures of the REIT, issue additional debentures.

The Debentures were dated March 8, 2011 and were issuable only in denominations of \$1,000 and integral multiples thereof. The Debentures mature on March 31, 2016.

The Debentures are available for delivery in book-entry form only through the facilities of CDS. Holders of beneficial interests in the Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures except under certain circumstances described under "*Book-Entry System for Debentures*". No fractional Debentures will be issued.

The Debentures bear interest from the date of issue at 8.0% per annum. Interest is payable semi-annually in arrears on March 31 and September 30 in each year, commencing on September 30, 2011. The first such interest payment will include interest accrued from March 8, 2011 to, but excluding, September 30, 2011.

The principal amount of the Debentures will be payable in lawful money of Canada or, at the option of the REIT and subject to applicable regulatory approval, by the issuance of Units as further described under "*Payment upon Redemption or Maturity*". The interest on the Debentures is payable in lawful money of Canada including, at the option of the REIT and subject to applicable regulatory approval, in accordance with the Unit Interest Payment Election as described under "*Interest Payment Option*".

The Debentures are direct obligations of the REIT and are not secured by any mortgage, pledge, hypothec or other charge and are subordinated to other liabilities of the REIT as described under "*Subordination*". The Indenture does not restrict the REIT from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its properties to secure any indebtedness.

#### *Conversion Privilege*

The Debentures are convertible at the holder's option into fully paid and non-assessable Units at any time prior to the close of business on the earlier of the day the Debentures mature and the business day immediately preceding the date specified by the REIT for redemption of the Debentures, at a conversion price of \$2.20 per Unit, being a conversion rate of approximately 454.5455 Units for each \$1,000 principal amount of Debentures, subject to adjustment upon the occurrence of certain events in accordance with the provisions of the Indenture. Holders converting their Debentures will receive accrued and unpaid interest from the last Interest Payment Date to, but not including, the date of conversion. If all conversion rights attaching to the Debentures are exercised, the REIT will be required to issue approximately 13,068,183 Units, subject to anti-dilution adjustments.

Subject to the provisions thereof, the Indenture provides for the adjustment of the conversion price in certain events including: (a) the subdivision or consolidation of the outstanding Units; (b) the distribution of Units or securities exchangeable or convertible into Units to holders of all or substantially all of the outstanding Units by way of distribution or otherwise; (c) the issuance of options, rights or warrants to all or substantially all holders of Units entitling them to acquire Units or other securities convertible into Units at less than 95% of the then Current Market Price of the Units; and (d) the distribution to all holders of Units of any securities or assets. There is no adjustment of the conversion price in respect of certain events described in (b), (c) or (d) above if the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date, as the case may be. The REIT is not required to make adjustments in the conversion price unless the cumulative effect of such adjustments would change the conversion price by at least 1%.

In the case of any reclassification or capital reorganization (other than a change resulting from consolidation or subdivision) of the Units or in the case of any consolidation, amalgamation, merger, arrangement, acquisition or business combination of the REIT with or into any other entity, or in the case of any sale or conveyance of the properties and assets of the REIT as, or substantially as, an entirety to any other entity, or a liquidation or termination of the REIT, the terms of the conversion privilege shall be adjusted so that each holder of a Debenture will, after such reclassification, capital reorganization, consolidation, merger, arrangement, business combination, acquisition, sale or conveyance or liquidation or termination, be entitled to receive the number of Units or other securities or property on the exercise of the conversion right such holder would be entitled to receive if on the effective date thereof, it had been the registered holder of the number of Units into which the Debenture was convertible prior to the effective date of such reclassification, capital reorganization, consolidation, merger, arrangement, business combination, acquisition, sale or conveyance or liquidation or termination.

No fractional Units will be issued on any conversion but in lieu thereof the REIT will satisfy fractional interests by a cash payment equal to the Current Market Price of any fractional interest.

#### ***Redemption and Purchase***

The Debentures may not be redeemed by the REIT before March 31, 2014 (except in certain limited circumstances following a Change of Control). On and after March 31, 2014 and prior to March 31, 2015, the Debentures may be redeemed by the REIT, in whole or in part from time to time, at the option of the REIT on not more than 60 days and not less than 30 days prior notice at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the Units on the TSXV during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On and after March 31, 2015, the Debentures may be redeemed in whole or in part from time to time at the option of the REIT at a price equal to their principal amount plus accrued and unpaid interest.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a pro rata basis or in such other manner as the Debenture Trustee deems equitable.

Provided that the REIT is not in default under the Indenture, the REIT will have the right to purchase Debentures in the market, by tender or by private contract.

#### ***Payment upon Redemption or Maturity***

On the date of redemption or on March 31, 2016, the REIT will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the aggregate principal amount of the outstanding Debentures which are to be redeemed or which have matured, together with accrued and unpaid interest thereon. The REIT may, at its option, on not more than 60 and not less than 40 days prior notice, subject to applicable regulatory approval and provided no Event of Default has occurred and is continuing, elect to satisfy its obligation to pay the principal amount of the Debentures which are to be redeemed or the principal amount of the Debentures which are due on March 31, 2016, as the case may be, by issuing freely tradeable Units to the holders of the Debentures. Any accrued and unpaid interest thereon will be paid in cash. The number of Units to be issued will be determined by dividing the aggregate principal amount of the outstanding Debentures which are to be redeemed or which have matured by 95% of the Current Market Price of the Units on the date of redemption or March 31, 2016, as the case may be.

No fractional Units will be issued on redemption or maturity but in lieu thereof the REIT shall satisfy fractional interests by a cash payment equal to the Current Market Price of any fractional interest.

### ***Cancellation***

All Debentures converted, redeemed or purchased will be cancelled and may not be reissued or resold.

### ***Subordination***

The payment of the principal of, and interest on, the Debentures is subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness. Subject to statutory or preferred exceptions or as may be specified by the terms of any particular securities, each debenture issued under the Indenture ranks *pari passu* with each other debenture except for sinking fund provisions (if any) applicable to different series of debentures.

The Indenture provides that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the REIT, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the REIT, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the REIT, then those holders of Senior Indebtedness will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon. The Indenture also provides that the REIT will not make any payment, and the holders of the Debentures will not be entitled to demand, institute proceedings for the collection of, or receive any payment or benefit (including without any limitation by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures (a) in a manner inconsistent with the terms (as they exist on the date of issue) of the Debentures, (b) at any time when a default, an event of default or an acceleration has occurred under any credit facility of the REIT, as amended, restated or replaced from time to time, or (c) at any time when a default with respect to any Senior Indebtedness permitting the holders thereof to accelerate the maturity thereof has occurred under the Senior Indebtedness and is continuing and the notice of the event of default has been given by or on behalf of the holders of Senior Indebtedness to the REIT, unless the Senior Indebtedness has been repaid in full.

The Debentures are also effectively subordinate to claims of creditors of the REIT and the REIT's subsidiaries relating to all indebtedness, liabilities and obligations of the REIT or its subsidiaries for the payment of which the REIT is responsible or liable, whether absolutely or contingently. Specifically, the Debentures are subordinated and postponed in right of payment to the prior payment in full of all indebtedness under any credit facility of the REIT.

### ***Change of Control of the REIT***

Within 30 days following the occurrence of a Change of Control, the REIT will be required to make an offer in writing to purchase all of the Debentures then outstanding (the "Debenture Offer"), at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest thereon (the "Debenture Offer Price"). A "Change of Control" is defined in the Indenture as the acquisition by any Person, or group of Persons acting jointly or in concert, of voting control or direction over an aggregate of 66-2/3% or more of the outstanding Units of the REIT or securities convertible into or carrying the right to acquire Units of the REIT.

The Indenture contains notification and repurchase provisions requiring the REIT to give written notice to the Debenture Trustee of the occurrence of a Change of Control within 30 days of such event together with the Debenture Offer. The Debenture Trustee will thereafter promptly mail to each holder of Debentures a notice of the Change of Control together with a copy of the Debenture Offer to repurchase all the outstanding Debentures.

If 90% or more of the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered to the REIT pursuant to the Debenture Offer, the REIT will have the right to redeem all the remaining Debentures at the Debenture Offer Price. Notice of such redemption must be given by the REIT to the Debenture Trustee within ten days following the expiry of the Debenture Offer, and as soon as

possible thereafter, by the Debenture Trustee to the holders of the Debentures not tendered pursuant to the Debenture Offer.

### ***Interest Payment Option***

Unless an Event of Default has occurred and is continuing, the REIT may elect, from time to time, subject to applicable regulatory approval, to satisfy its obligation to pay interest on the Debentures (the “Interest Obligation”), on an Interest Payment Date, (i) in cash; (ii) by delivering sufficient freely tradeable Units to the Debenture Trustee, for sale, to satisfy the Interest Obligation on the Interest Payment Date, in which event holders of the Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Units (the “Unit Interest Payment Election”); or (iii) any combination of (i) and (ii) above.

The Indenture provides that, upon the REIT making a Unit Interest Payment Election, the Debenture Trustee shall (i) accept delivery from the REIT of Units; (ii) accept bids with respect to, and consummate sales of, such Units, each as the REIT shall direct in its absolute discretion through the investment banks, brokers or dealers identified by the REIT; (iii) invest the proceeds of such sales in securities issued or guaranteed by the Government of Canada which mature prior to the applicable Interest Payment Date, and use the proceeds received from investment in such permitted government securities, together with any additional cash provided by the REIT, to satisfy the Interest Obligation; and (iv) perform any other action necessarily incidental thereto.

The Indenture sets forth the procedures to be followed by the REIT and the Debenture Trustee in order to effect the Unit Interest Payment Election. If a Unit Interest Payment Election is made, the sole right of a holder of Debentures in respect of interest will be to receive a cash payment equal to the interest owed on their Debentures from the Debenture Trustee out of the proceeds of the sale of Units (plus any amount received by the Debenture Trustee from the REIT) in full satisfaction of the Interest Obligation, and the holder of such Debentures will have no further recourse to the REIT in respect of the Interest Obligation.

Neither the REIT’s making of the Unit Interest Payment Election nor the consummation of sales of Units will (a) result in the holders of the Debentures not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the interest payable on such Interest Payment Date; or (b) entitle such holders to receive any Units in satisfaction of the Interest Obligation.

### ***Events of Default***

The Indenture provides that an event of default (“Event of Default”) in respect of the Debentures will occur if any one or more of the following described events has occurred and is continuing with respect to the Debentures: (a) failure for 15 days to pay interest on the Debentures when due, (b) failure to pay principal or premium, if any, on the Debentures when due whether at maturity, upon redemption, by declaration or otherwise (whether such payment is due in cash, Units or other securities or property or a combination thereof), (c) if a decree or order of a court having jurisdiction is entered adjudging the REIT a bankrupt or insolvent under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or issuing sequestration or process of execution against, or against any substantial part of, the property of the REIT, or appointing a receiver of, or of any substantial part of, the property of the REIT or ordering the winding-up or liquidation of its affairs, and any such decree or order continues unstayed and in effect for a period of 60 days, (d) if the REIT institutes proceedings to be adjudicated a bankrupt or insolvent, or consents to the institution of bankruptcy or insolvency proceedings against it under the *Bankruptcy and Insolvency Act* (Canada) or any other bankruptcy, insolvency or analogous laws, or consents to the filing of any such petition or to the appointment of a receiver of, or of any substantial part of, the property of the REIT or makes a general assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due, (e) if a resolution is passed for the winding-up or liquidation of the REIT, except in the course of carrying out or pursuant to a transaction in respect of which certain conditions are duly observed and performed, (f) if, after the date of the Indenture, any proceedings with respect to the REIT are taken with respect to a compromise or arrangement with respect to creditors of the REIT generally, under the applicable legislation of any jurisdiction, (g) default in the delivery, when due, of all cash and any Units or other consideration payable on conversion with respect to the Debentures, which default continues for 15 days, (h) the REIT fails to comply with the restrictions on amalgamation, merger and sale of certain assets pursuant to Article 12 of the Indenture, or (i) default in the observance or performance of a material covenant contained in certain sections of the Indenture regarding covenants of the REIT by the REIT for a period of 30 days after notice in writing has been

given by the Debenture Trustee to the REIT specifying such default and requiring the REIT to remedy such default. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon request of holders of not less than 25% in principal amount of the debentures issued under the Indenture, declare the principal of and interest on all outstanding debentures issued under the Indenture to be immediately due and payable. In certain cases, the holders of debentures representing more than 50% of the outstanding principal amount of the debentures issued under the Indenture may, on behalf of the holders of all the debentures issued under the Indenture, waive any Event of Default and/or cancel any such declaration upon such terms as such holders shall prescribe.

### ***Offers for Debentures***

The Indenture contains provisions to the effect that if an offer is made for Debentures which would be a take-over bid for Debentures within the meaning of MI 62-104 if Debentures were considered equity securities and not less than 90% of the debentures issued under the Indenture (other than debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the debentures issued under the Indenture held by the holders of debentures issued under the Indenture who did not accept the offer on the terms offered by the offeror.

### ***Modification***

The rights of the holders of the Debentures as well as any other series of debentures that may be issued under the Indenture may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture contains certain provisions which will make binding on all Debentureholders resolutions passed at meetings of the holders of debentures by votes cast thereat by holders of debentures representing not less than 66 2/3% of the principal amount of the debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66 2/3% of the principal amount of the debentures. In certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of debentures of each affected series.

### ***Book-Entry System for Debentures***

Except as described below, the Debentures will be issued in “book-entry only” form and must be purchased or transferred through a participant in the depository service of CDS (a “Participant”). The Debenture Trustee caused the Debentures to be delivered to CDS and registered in the name of its nominee.

Unless the book-entry only system is terminated as described below, a purchaser acquiring a beneficial interest in the Debentures (a “Beneficial Debenture Owner”) will not be entitled to receive a certificate for Debentures, or, unless requested, for the Units issuable on the conversion of the Debentures. Purchasers of Debentures will not be shown on the records maintained by CDS, except through a Participant.

Beneficial interests in Debentures will be represented solely through the book-entry only system and such interests will be evidenced by customer confirmations of purchase from the registered dealer from which the applicable Debentures are purchased in accordance with the practices and procedures of that registered dealer. In addition, registration of interests in and transfers of the Debentures will be made only through the depository service of CDS.

Investors should be aware that they (subject to the situations described below): (a) may not have Debentures registered in their name; (b) may not have physical certificates representing their interest in the Debentures; (c) may not be able to sell the Debentures to institutions required by law to hold physical certificates for securities they own; and (d) may be unable to pledge Debentures as security.

The Debentures will be issued to Beneficial Debenture Owners thereof in fully registered and certificate form (the “Debenture Certificates”) only if: (a) required to do so by applicable Law; (b) the book-entry only system ceases to exist; (c) CDS advises the Debenture Trustee that CDS is no longer willing or able to properly discharge its responsibilities as depository with respect to the Debentures and the REIT is unable to locate a qualified successor; (d) the REIT, at its option, decides to terminate the book-entry only system through CDS; or (e) after the occurrence of an Event of Default, Participants acting on behalf of Beneficial Debenture Owners representing, in the aggregate, more than 25% of the aggregate principal amount of the Debentures then outstanding advise CDS in writing that the



continuation of a book-entry only system through CDS is no longer in their best interest provided the Debenture Trustee has not waived the Event of Default in accordance with the terms of the Indenture.

Upon the occurrence of any of the events described in the immediately preceding paragraph, the Debenture Trustee must notify CDS, for and on behalf of Participants and Beneficial Debenture Owners, of the availability through CDS of Debenture Certificates. Upon surrender by CDS of the global certificates representing the Debentures, and receipt of instructions from CDS for the new registrations, the Debenture Trustee will deliver the Debentures in the form of Debenture Certificates and thereafter the REIT will recognize the holders of such Debenture Certificates as Debentureholders under the Indenture.

Interest on the Debentures will be paid directly to CDS while the book-entry only system is in effect. If Debenture Certificates are issued, interest will be paid by cheque drawn on the REIT and sent by prepaid mail to the registered holder or by such other means as may become customary for the payment of interest. Payment of principal, including payment in the form of Units if applicable, and the interest due, at maturity or on a redemption date, will be paid directly to CDS while the book-entry only system is in effect. If Debenture Certificates are issued, payment of principal, including payment in the form of Units if applicable, and interest due, at maturity or on a redemption date, will be paid upon surrender thereof at any office of the Debenture Trustee or as otherwise specified in the Indenture.

The REIT will not assume any liability for: (a) any aspect of the records relating to the Beneficial Debenture Owners or the Debentures held by CDS or any payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Debentures; or (c) any advice or representation made by or with respect to CDS and contained in this short form prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of a Participant. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and Beneficial Debenture Owners must look solely to Participants for any payments relating to the Debentures, paid by or on behalf of the REIT to CDS.

#### ***Reports to Holders of Debentures***

The REIT shall file with the Debenture Trustee, within 15 days after the filing thereof with the securities commission or securities regulatory authority in the provinces and territories in which the REIT is a reporting issuer (the "Securities Commissions"), copies of the REIT's information, documents and other reports that the REIT is required to file with the Securities Commissions and deliver to Unitholders. Notwithstanding that the REIT may not be required to remain subject to the reporting requirements of the Securities Commissions, the REIT shall provide to the Debenture Trustee (a) within 90 days after the end of each fiscal year (or such later date as may be permitted by the principal Canadian securities regulator for the REIT), the annual financial statements of the REIT, and (b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year (or such later date as may be permitted by such regulator), interim financial statements of the REIT which shall, at a minimum, contain such information as is required to be provided in annual filings and quarterly reports under the laws of Canada or any province thereof to security holders of a reporting issuer with securities listed on the TSXV, whether or not the REIT has any of its securities so listed. Each of such reports will be prepared in accordance with Canadian disclosure requirements for Canadian reporting issuers. The REIT will provide copies of such information, documents and reports to holders of Debentures upon request.

#### ***Governing Law***

Each of the Indenture and the Debentures will be governed by, and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein applicable to contracts executed and to be performed entirely in such Province.

#### **PROMOTER**

There were no promoters within the two years immediately preceding the date of this Annual Information Form.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The REIT and its subsidiaries may be subject to certain claims and lawsuits from time to time in the course of carrying on business. The REIT has been named with Canadian Tire Corporation Limited as co-defendants in a personal injury lawsuit with regard to a slip and fall accident. This claim is being actively disputed. Except as previously noted, management is not aware of any material litigation outstanding, threatened or pending as of the date of this Annual Information Form by or against the REIT.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as described elsewhere in this Annual Information Form, no Trustee, executive officer or Unitholder that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the issued securities of the REIT, or any of their respective associates or affiliates, has any material interest, direct or indirect, in any transaction which has materially affected or is reasonably expected to materially affect the REIT within the three years preceding the date of this Annual Information Form.

## REGISTRAR AND TRANSFER AGENT

The transfer agent and registrar for the Units is Computershare Investor Services Inc. at its principal offices located in Toronto, Canada. The transfer agent for the Debentures is Computershare Trust Company of Canada at its principal offices located in Toronto, Canada.

## MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts which the REIT has entered into since the beginning of the most recently completed financial year, or before the most recently completed financial year but still in effect, are as follows:

- (a) the Declaration of Trust, described above under “*Declaration of Trust and Description of Units*”;
- (b) the Acquisition Facility, described above under “*General Development of the Business – Acquisition Facility*”;
- (c) the Management Agreement, described above under “*Asset Management of the REIT – Management Agreement*”;
- (d) the Non-Competition Agreement, described above under “*Asset Management of the REIT – Non-Competition Agreement*”;
- (e) the Credit Facilities, described above under “*General Development of the Business – Credit Facilities*”;
- (f) the Standby Purchase Agreement, described above under “*General Development of the Business – Rights Offering*”;
- (g) the acquisition agreement between Charter Acquisition and Wellington Southdale Limited Partnership relating to the acquisition of the Wellington Southdale Property, described above under “*General Development of the Business – Acquisition of the Wellington Southdale Property*”;
- (h) the Cornwall Square Loan Agreement, described above under “*General Development of the Business – Refinancing of Cornwall Square*”;
- (i) the underwriting agreement relating to the Unit offering described above under “*General Development of the Business – Unit Offering*”;

- (j) the acquisition agreement between the REIT and ACI Properties Ltd., Summer Moon Inc., Robert Akman, Trent Investments Ltd. and 0717400 B.C. Ltd. relating to the acquisition of the Shoppers Drug Mart Properties, as amended, described above under “*General Development of the Business – Shoppers Drug Mart Properties*”;
- (k) the Indenture described above under “*Description of Debentures and Indenture*”; and
- (l) the underwriting agreement relating to the convertible debenture offering described above under “*General Development of the Business – Convertible Debenture Offering*”.

Copies of the foregoing may be inspected at the head office of the REIT during normal business hours upon reasonable prior notice.

#### **INTEREST OF EXPERTS**

Deloitte & Touche LLP of Calgary, Alberta, is the auditor of the REIT and is independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

#### **ADDITIONAL INFORMATION**

Additional information relating to the REIT may be found on the System for Electronic Document Analysis and Retrieval which can be accessed at [www.sedar.com](http://www.sedar.com). Additional information, Trustees’ and officers’ remuneration and indebtedness, principal holders of Units and securities authorized for issuance under equity compensation plans, if applicable, will be contained in the REIT’s information circular for its annual meeting of Unitholders anticipated to be held in June 2011. Additional financial information is also provided in the REIT’s financial statements and management’s discussion and analysis for the year ended December 31, 2010.

**SCHEDULE A – FORM 52-110F1**

**AUDIT COMMITTEE INFORMATION REQUIRED IN AN AIF**

**Audit Committee Charter**

Exhibit “A” sets out the full text of the charter of the Audit Committee.

**Composition and Education**

At the date of this Annual Information Form, the Audit Committee was composed of the persons named in the table below. The education and experience of each Audit Committee member that is relevant to such members’ responsibilities as a member of the Audit Committee are also set out below.

<u>Name</u>	<u>Relevant Education and Experience</u>
LOUIS MAROUN.....	<ul style="list-style-type: none"> <li>• Executive Chair of Sigma real Estate Advisors, an international real estate investment advisory company</li> <li>• Former Chief Executive Officer of Summit Real Estate Investment Trust</li> <li>• Former Executive Chairman of ING Real Estate Canada, a subsidiary of ING Group/ING REIM, one of the world’s largest real estate investment advisory groups</li> <li>• Former Chairman of InStorage Real Estate Investment Trust, member of the Audit Committee and Governance Committee</li> <li>• Lead Director of Acadian Timber Corp., Chair of the Governance Committee, member of the Audit Committee</li> <li>• Director of Brookfield Infrastructure Partners, member of the Audit Committee and the Compensation Committee</li> <li>• Bachelor degree from University New Brunswick, post graduate studies in Mortgage Underwriting and Valuation, Canadian Securities Course, US General Securities Course</li> </ul>
PAUL DYKEMAN.....	<ul style="list-style-type: none"> <li>• Chief Executive Officer of Sigma Real Estate Advisors</li> <li>• Former Chief Executive Officer of ING Real Estate Canada LP</li> <li>• Former Chief Financial Officer of Summit Real Estate Investment Trust</li> <li>• Chartered Accountant</li> <li>• Bachelor of Commerce degree from the University of Dalhousie</li> </ul>
JOHN VAN HAASTRECHT ...	<ul style="list-style-type: none"> <li>• President of Vanreal Ltd., a past operator and developer of commercial retail shopping centres</li> <li>• Former trustee and President and Chief Executive Officer of Morguard Real Estate Investment Trust, a publicly traded real estate investment trust</li> <li>• Applied Science degree from Royal Military College</li> </ul>

Name	Relevant Education and Experience
SAUL SHULMAN .....	<ul style="list-style-type: none"> <li>• Chief Executive Officer of MLG Management Inc.</li> <li>• Trustee and member of the Audit Committee of Brookfield Renewable Power Trust, a renewable power company</li> <li>• Former Chair, Trustee and member of the Audit Committee of Summit Real Estate Investment Trust (now ING Real Estate Investment Trust), a public real estate investment trust</li> <li>• Former director and member of the Audit Committee of Triumph Energy Inc.</li> <li>• Bachelor of Commerce degree from the University of Windsor</li> <li>• Bachelor of Laws degree from Osgoode Hall</li> </ul>

The Board has determined that each member of the Audit Committee is “independent” and “financially literate” as defined in Multilateral Instrument 52-110 – *Audit Committees*.

### Reliance on Certain Exemptions

At no time since May 10, 2007 (the date of formation of the REIT) has the REIT relied on any exemptions set forth in National Instrument 52-110 — *Audit Committees*.

### Pre-approval Policies and Procedures

The Audit Committee approves, on a case by case basis, all non-audit services provided to the REIT thereof by the REIT’s external auditors, Deloitte & Touche LLP.

### External Auditor Service Fees (By Category)

The fees paid or payable by the REIT to Deloitte & Touche LLP, the REIT’s external auditors, for the periods noted below for audit and non-audit services were as follows:

	2010	2009
<b>Deloitte &amp; Touche LLP</b>		
Audit Fees <sup>(1)</sup>	\$149,000	\$143,000
Audit-Related Fees <sup>(2)</sup>	18,000	15,000
Tax Fees <sup>(3)</sup>	25,000	13,000
All Other Fees <sup>(4)</sup>	149,000	-
<b>Total.....</b>	<b>\$341,000</b>	<b>\$171,000</b>

### Notes:

- (1) This category is intended to capture all fees in respect of services performed in order to comply with Canadian generally accepted auditing standards (“GAAS”). In some cases, these may include an appropriate allocation of fees for tax services or accounting consultations, to the extent such services were necessary to comply with GAAS.
- (2) This category generally consists of fees in respect of assurance and related services reasonably related to the performance of the audit or review of the financial statements not reported under “audit fees”. Included are such things as employee benefit plan audits, due diligence relating to mergers and acquisitions, accounting consultations and audits in connection with acquisitions, internal control reviews, attest services that are not required by statute or regulation, and consultation concerning financial accounting and reporting standards.
- (3) This category includes all fees in respect of services performed by the auditors’ tax professionals, except those services required in order to comply with GAAS which are included under “audit fees”.
- (4) This category captures fees in respect of all services not falling under any of the foregoing three categories. Included are amounts incurred with regard to due diligence and French translations required for unit and rights offerings.

**EXHIBIT “A”**  
**AUDIT COMMITTEE CHARTER**  
**OF**  
**PARTNERS REAL ESTATE INVESTMENT TRUST**

**PURPOSE**

The Audit Committee (the “**Committee**”) is appointed by the board of trustees (the “**Board**”) of Partners Real Estate Investment Trust (the “**REIT**”) to assist in the oversight and evaluation of:

- the quality and integrity of the financial statements of the REIT;
- the internal control and financial reporting systems of the REIT;
- the compliance by the REIT with legal and regulatory requirements in respect of financial disclosure;
- the qualification, independence and performance of the REIT’s independent auditors;
- the performance of the REIT’s Chief Financial Officer; and
- any additional duties set out in this Charter or otherwise delegated to the Committee by the Board.

In addition, the Committee provides an avenue for communication between the independent auditor, financial management, other employees and the Board concerning accounting and auditing matters.

The Committee is directly responsible for the appointment, compensation, retention (and termination) and oversight of the work of the independent auditor (including oversight of the resolution of any disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing audit reports or performing other audit, review or attest services for the REIT.

The Committee is not responsible for:

- planning or conducting audits,
- certifying or determining the completeness or accuracy of the REIT’s financial statements or that those financial statements are in accordance with generally accepted accounting principles, or
- guaranteeing the report of the REIT’s independent auditor.

The fundamental responsibility for the REIT’s financial statements and disclosure rests with management. It is not the duty of the Committee to conduct investigations, to itself resolve disagreements (if any) between management and the independent auditor or to ensure compliance with applicable legal and regulatory requirements.

**REPORTS**

The Committee shall report to the Board on a regular basis and, in any event, before the public disclosure by the REIT of its quarterly and annual financial results. The reports of the Committee shall include any issues of which the Committee is aware with respect to:

- the quality or integrity of the REIT’s financial statements;
- compliance by the REIT with legal or regulatory requirements in respect of financial matters and disclosure;
- the performance and independence of the REIT’s independent auditor;

- the effectiveness of systems of control (including risk management) established by management to safeguard the assets (real and intangible) of the REIT; and
- the proper maintenance of accounting and other records.

The Committee shall also prepare, as required by applicable law, any audit committee report required for inclusion in the REIT's publicly filed documents.

## **COMPOSITION**

The members of the Committee shall be three or more individuals who are appointed by the Board (and may be replaced) by the Board. Each of the members of the Committee shall meet the standards for independence required by applicable regulatory, stock exchange and securities law requirements and, without limitation, shall be financially literate (or acquire that familiarity within a reasonable period after appointment). This shall, at a minimum, include the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity that can reasonably be expected to be raised by the REIT's financial statements. No member of the Committee shall accept (directly or indirectly) any consulting, advisory or other compensatory fee from the REIT, LAPP Global Asset Management Inc., and the REIT's subsidiaries or affiliates (collectively, the "**Partners Group**") (other than remuneration for acting in his or her capacity as a Trustee) or be an "affiliated person" of the Partners Group. (For this purpose, an "affiliate" of a person is a person that, directly or indirectly, through one or more intermediaries, controls, or is controlled by, or is under common control with the first person.) Without the approval of the board, no member of the Committee shall concurrently serve on the audit committee of more than two other public companies or on the audit committee of a competitor or client.

## **RESPONSIBILITIES**

### **Independent Auditors**

The Committee shall:

- Recommend to the Board the independent auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attestation services for the REIT.
- Establish the compensation of the independent auditor.
- Obtain confirmation from the independent auditor that it ultimately is accountable, and will report directly, to the Committee and the Board.
- Oversee the independent auditor and, in the context thereof, require the independent auditor to report to the Committee (among other things) any disagreement between management and the independent auditor regarding financial reporting and the resolution of each such disagreement.
- Adopt policies and procedures for the pre-approval of the retention of the REIT's independent auditor for all audit and permitted non-audit services (subject to any restrictions on such services imposed by applicable legislation), including procedures for the delegation of authority to provide such approval to one or more members of the Committee.
- At least annually, review the qualifications, performance and independence of the independent auditor. In doing so, the Committee should, among other things, undertake the measures set forth in Exhibit "B".

## The Audit Process, Financial Statements and Related Disclosure

The Committee shall, as it determines to be appropriate:

- Review with management and the independent auditor:
  - the planning and staffing of the audit by the independent auditor;
  - before public disclosure, the REIT's annual audited financial statements and quarterly unaudited financial statements, the REIT's accompanying disclosure of Management's Discussion and Analysis ("MD&A") and earnings press releases and make recommendations to the Board as to the approval and dissemination of those statements and disclosure;
  - the adequacy of the procedures for the review of the REIT's public disclosure of financial information extracted or derived from the REIT's financial statements, other than the public disclosure referred to in the immediately preceding paragraph;
  - financial information and any earnings guidance provided to analysts and rating agencies, recognizing that this review and discussion may be done generally (consisting of a discussion of the types of information to be disclosed and the types of presentations to be made) and need not take place in advance of the disclosure of each release or provision of guidance;
  - any significant financial reporting issues and judgments made in connection with the preparation of the REIT's financial statements, including any significant changes in the selection or application of accounting principles, any major issues regarding auditing principles and practices, and the adequacy of internal controls that could significantly affect the REIT's financial statements;
  - all critical accounting policies and practices used;
  - all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent auditor;
  - the use of "pro forma" or "adjusted" non-GAAP information;
  - the effect of regulatory and accounting initiatives, as well as any off-balance sheet structures, transactions, arrangements and obligations (contingent or otherwise), on the REIT's financial statements;
  - any disclosures concerning any weaknesses or any deficiencies in the design or operation of internal controls or disclosure controls made to the Committee by the Chief Executive Officer and the Chief Financial Officer during their certification process in documents filed with applicable securities regulators;
  - the adequacy of the REIT's internal accounting controls and management information systems and its financial, auditing and accounting organizations and personnel and any special steps adopted in light of any material control deficiencies; and
  - the establishment, and periodic review, of procedures for the review of financial information extracted or derived from the REIT's consolidated financial statements.



- Review with management the REIT's guidelines and policies with respect to risk assessment and the REIT's major financial risk exposures and the steps management has taken to monitor and control such exposures.
- Review with the independent auditor:
  - the quality as well as the acceptability of the accounting principles that have been applied;
  - any problems or difficulties the independent auditor may have encountered during the provision of its audit-related services, including any restrictions on the scope of activities or access to requested information and any significant disagreements with management, any management letter provided by the independent auditor or other material communication (including any schedules of unadjusted differences) to management and the REIT's response to that letter or communication; and
  - any changes to the REIT's significant auditing and accounting principles and practices suggested by the independent auditor and members of management.
- Review with management all related party transactions and the development of policies and procedures related to those transactions.
- Oversee appropriate disclosure of the Committee's charter, and other information required to be disclosed by applicable legislation, in the REIT's Annual Information Form and all other applicable disclosure documents, including any management information circular distributed in connection with the solicitation of proxies from the REIT's securityholders.

## **Compliance**

The Committee shall, as it determines appropriate:

- Review with the REIT's Chief Financial Officer, other members of management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports, which raise material issues regarding the REIT's financial statements or accounting policies.
- Review with the REIT's Chief Financial Officer legal matters that may have a material impact on the financial statements or accounting policies
- Establish procedures (which are currently set out in the REIT's Whistleblower Policy) for:
  - the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters; and
  - the confidential, anonymous submission by employees of the Partners Group with concerns regarding any accounting or auditing matters.
- Periodically review with management the need for an internal audit function.

## **Delegation**

To avoid any confusion, the Committee responsibilities identified above are the sole responsibility of the Committee and may not be delegated to a different committee.

## **MEETINGS**

The Committee shall meet at least quarterly and more frequently as circumstances require. All members of the Committee should strive to be at all meetings. The Committee shall meet separately, periodically, with management and the independent auditors and may request any officer or employee of the Partners Group or the REIT's outside counsel or independent auditor to attend meetings of the Committee or with any members of, or advisors to, the Committee. The Committee also may meet with the investment bankers, financial analysts and rating agencies that provide services to, or follow, the REIT. The Committee may form and delegate authority to individual members and subcommittees where the Committee determines it is appropriate to do so.

## **INDEPENDENT ADVICE**

In discharging its mandate, the Committee shall have the authority to retain, at the expense of the REIT, special advisors as the Committee determines to be necessary to permit it to carry out its duties.

## **ANNUAL EVALUATION**

At least annually, the Committee shall, in a manner it determines to be appropriate:

- Perform a review and evaluation of the performance of the Committee and its members, including the compliance of the Committee with this charter.
- Review and assess the adequacy of its charter (including with respect to the procedures regarding the review of the REIT's public disclosure of financial information extracted or derived from the REIT's financial statements) and recommend to the Board any improvements to this charter that the Committee determines to be appropriate.

## **EXHIBIT “B”**

### **Qualifications, Performance and Independence of Independent Auditor**

- Review the experience and qualifications of the senior members of the independent auditor’s team.
- Confirm with the independent auditor that it is in compliance with applicable legal, regulatory and professional standards relating to auditor independence.
- Review and approve clear policies for the hiring by the Partners Group of employees or partners or former employees or former partners of the current and former independent auditor.
- Review annual reports from the independent auditor regarding its independence and consider whether there are any non-audit services or relationships that may affect the objectivity and independence of the independent auditor and, if so, recommend that the Board take appropriate action to satisfy itself of the independence of the independent auditor.
- Obtain and review such report(s) from the independent auditor as may be required by applicable legal and regulatory requirements.