

*A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces and territories of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.*

*These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or the securities laws of any state. Accordingly, these securities may not be offered or sold, directly or indirectly, within the United States of America, its possessions and other areas subject to its jurisdiction, or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the U.S. Securities Act), except in limited circumstances. See "Plan of Distribution".*

*Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from Partners Real Estate Investment Trust at 200-710 Redbrick Street, Victoria, British Columbia V8T 5J3, telephone: (250) 592-3395, and are also available electronically at [www.sedar.com](http://www.sedar.com).*

## PRELIMINARY SHORT FORM PROSPECTUS

New Issue

February 17, 2011

### PARTNERS REAL ESTATE INVESTMENT TRUST



**\$25,000,000**

### **8.0% Extendible Convertible Unsecured Subordinated Debentures**

This short form prospectus qualifies the distribution of \$25,000,000 aggregate principal amount of 8.0% extendible convertible unsecured subordinated debentures (the "**Debentures**") of Partners Real Estate Investment Trust (the "**Trust**") at a price of \$1,000 per \$1,000 principal amount of Debentures (the "**Offering**") pursuant to an underwriting agreement (the "**Underwriting Agreement**") dated February 17, 2011 between the Trust and TD Securities Inc. ("**TD Securities**"), 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. (collectively, the "**Underwriters**").

The Trust is an unincorporated open-ended real estate investment trust governed by the laws of the Province of Ontario.

The Debentures have a maturity date (the "**Maturity Date**") that will initially be April 30, 2011 (the "**Initial Maturity Date**"). If the Acquisition (as defined herein) takes place on or prior to 5:00 p.m. (Toronto time) on April 30, 2011, the maturity date of the Debentures will automatically be extended from the Initial Maturity Date to March 31, 2016 (the "**Final Maturity Date**"). If the Acquisition does not occur on or prior to 5:00 p.m. (Toronto time) on the Initial Maturity Date, the Acquisition Agreement is terminated at an earlier time or the Trust advises the Underwriters or announces to the public that it does not intend to proceed with the Acquisition, the Maturity Date will remain the Initial Maturity Date. 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 (an "**Interest Payment Date**"). Further particulars concerning the attributes of the Debentures are set out under "*Certain Information Concerning the Trust and the Debentures – Debentures*".

#### **Price: \$1,000 per Debenture**

	<b>Price to the Public</b>	<b>Underwriters' Fee<sup>(1)</sup></b>	<b>Net Proceeds to the Trust<sup>(2)</sup></b>
Per Debenture .....	\$1,000	\$55	\$945
Total Debentures <sup>(3)</sup> .....	\$25,000,000	\$1,375,000	\$23,625,000

Notes:

(1) The Underwriters' fee with respect to the Debentures is payable in full upon closing of the Offering and represents 5.5% of the aggregate principal amount of Debentures.

(2) After deducting the Underwriters' fee but before deducting the expenses of the Offering, which are estimated to be approximately \$500,000.

- (3) The Trust has granted the Underwriters an option (the “**Over-Allotment Option**”), exercisable in whole or in part at any time until 30 days following the Closing Date (as defined herein), to purchase at the offering price additional Debentures to cover over-allotments, if any. The principal amount of Debentures to be purchased pursuant to the Over-Allotment Option shall not exceed 15% of the principal amount of Debentures issued pursuant to the Offering. If the Over-Allotment Option is exercised in full, the total offering price to the public, the Underwriters’ fee and the net proceeds to the Trust will be \$28,750,000, \$1,581,250 and \$27,168,750, respectively. This short form prospectus also qualifies the grant of the Over-Allotment Option and the distribution of the Debentures offered upon the exercise of such option. A purchaser who acquires Debentures forming part of the over-allotment position acquires such Debentures under this short form prospectus regardless of whether the over-allotment position is filled through the exercise of the Over-Allotment Option or secondary market purchases. See “Plan of Distribution”.

<b>Underwriters’ Position</b>	<b>Maximum size</b>	<b>Exercise Period</b>	<b>Exercise Price</b>
Over-Allotment Option	\$3,750,000	Exercisable for a period of 30 days following the closing of the Offering	\$1,000 per \$1,000 principal amount of Debenture

As announced on February 15, 2011, Charter Acquisition Corp. (“**Charter Acquisition**”), a wholly-owned subsidiary of the Trust, has entered into an acquisition agreement, as amended from time to time (collectively, the “**Acquisition Agreement**”), with ACI Properties Ltd., Summer Moon Inc., Robert Akman, Trent Investments Ltd. and 0717400 B.C. Ltd. (collectively, the “**Vendors**”) pursuant to which Charter Acquisition agreed to acquire six properties (each an “**SDM Property**” and collectively, the “**SDM Properties**”) for an aggregate purchase price of \$30,970,000 (the “**Acquisition**”), of which approximately \$17,221,836 will be funded by the assumption of existing mortgages on such properties and the balance will be paid in cash. See “*The Acquisition*”. On or before closing of the Acquisition, Charter Acquisition is expected to assign all of its rights and obligations under the Acquisition Agreement to the Trust.

**Debenture Conversion Privilege**

Each Debenture will be convertible into Units (as defined herein- See “*Glossary of Terms*”) at the option of the holder at any time prior to the close of business on the earlier of the Final Maturity Date and the business day immediately preceding the date fixed for redemption of the Debentures at a conversion price of \$2.20 per Unit (the “**Conversion Price**”), being a conversion rate of approximately 454.5455 Units for each \$1,000 principal amount of Debentures subject to adjustment in accordance with the trust indenture governing the terms of the Debentures. Holders converting their Debentures will receive accrued and unpaid interest thereon for the period from the last Interest Payment Date on their Debentures, to, but not including, the date of conversion. Further particulars concerning the conversion privilege, including provisions for the adjustment of the Conversion Price, are set out under “*Certain Information Concerning the Trust and Debentures – Debentures – Conversion Privilege*”. **A holder of Debentures will not be entitled to deferred tax treatment on the conversion, redemption or repayment at maturity of such Debentures. See “Certain Canadian Federal Income Tax Considerations”.**

The Debentures may not be redeemed by the Trust 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 Trust in whole or in part from time to time, at the option of the Trust 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 TSX Venture Exchange (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 Trust at a price equal to their principal amount plus accrued and unpaid interest.

On redemption or at maturity, the Trust 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 Trust 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 (as defined herein) has occurred and is continuing, elect to satisfy its obligation to pay the principal amount of and premium (if any) on the Debentures which are to be redeemed or the principal amount of and premium (if any) on the Debentures which are due on the Final Maturity Date, by issuing freely tradeable Units to the holders of the Debentures. 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 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 fixed for redemption or the Final Maturity Date, as the case may be. The Issuer may elect from time to time, subject to any required regulatory approval and provided that no Event of Default has occurred and is continuing, to satisfy all or part of its interest payment obligations by delivering sufficient freely tradeable Units to a trustee for sale, in which event holders of Debentures will be entitled to receive a cash payment equal to the interest owed, from the proceeds of the sale of the requisite number of Units by the trustee. No fractional Units will be issued on redemption or maturity but in lieu thereof the Trust shall satisfy fractional interests by a cash payment equal to the Current Market Price (as defined herein) of any fractional interest. Further particulars of the interest, redemption, repurchase and maturity provisions of the Debentures are set out under “*Certain Information Concerning the Trust and the Debentures – Debentures*”.

The terms and offering price of the Debentures were determined by negotiation between the Trust and the Underwriters. See “*Plan of Distribution*”. For the purposes of applicable securities legislation, the Trust may be considered to be a connected issuer of TD Securities Inc. as TD Securities Inc. is a wholly-owned subsidiary of a Canadian chartered bank which is a lender to the Trust. See “*Plan of Distribution*”.

**There is currently no market through which the Debentures may be sold and purchasers may not be able to resell Debentures purchased under this short form prospectus. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures, and the extent of issuer regulation. See “Risk Factors”. The Trust has applied to list the Debentures and the Units issuable on conversion, redemption or maturity of the Debentures offered under this short form prospectus on the TSXV. Listing will be subject to the Trust fulfilling all of the listing requirements of the TSXV. The Units of the Trust are listed and posted for trading on the TSXV under the symbol “PAR.UN”. On February 14, 2011, the last trading day prior to the announcement of the Offering, the closing price of a Unit on the TSXV was \$1.70.**

The Underwriters, as principals, conditionally offer the Debentures, subject to prior sale, if, as and when issued by the Trust and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under “*Plan of Distribution*”, and subject to the approval of certain legal matters in Canada on behalf of the Trust by McCarthy Tétrault LLP, and on behalf of the Underwriters by Torys LLP.

Subject to applicable laws, the Underwriters may, in connection with the Offering, over-allot or effect transactions which stabilize or maintain the market price of the Debentures at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time. The Underwriters propose to offer the Debentures initially at the offering price. **After the Underwriters have made reasonable efforts to sell all of the Debentures under this short form prospectus at such price, the offering price may be decreased, and further changed from time to time, to an amount not greater than the offering price. However, in no event will the Trust receive less than net proceeds of \$945 per Debenture. See “*Plan of Distribution*”.**

Subscriptions for Debentures will be received subject to rejection or allotment in whole or in part, and the Underwriters reserve the right to close the subscription books at any time without notice. The Debentures will be issued in “book-entry form” through the facilities of CDS Clearing and Depository Services Inc. (“*CDS*”). Except as otherwise stated herein, holders of beneficial interests in the Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures. The closing of the Offering is expected to occur on or about March 8, 2011, or such other date as the Trust and the Underwriters may agree but in any event not later than March 31, 2011 (the “*Closing Date*”).

**The earnings coverage ratios and the adjusted earnings coverage ratios for the Trust for the year ending December 31, 2009, and for the 12-month period ending September 30, 2010, are less than one-to-one. See “*Earnings Coverage Ratio*”.**

**The Trust is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on or intend to carry on the business of a trust company. The Trust is not a partnership. The Trust qualifies as a mutual fund trust for the purposes of the *Income Tax Act* (Canada) (the “*Tax Act*”) and the regulations thereunder (the “*Regulations*”) and offers and sells its Units to the public. Neither the Debentures, nor the Units issuable upon conversion of the Debentures, are “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation.**

**Subject to certain conditions set out under “*Eligibility for Investment*”, a Debenture offered hereby and a Unit issuable upon a conversion, redemption or repayment at maturity of a Debenture will constitute a qualified investment for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, tax-free savings accounts, registered education savings plans and registered disability savings plans. As set out under “*Eligibility for Investment*”, prospective holders of Debentures and Units who intend to hold their Debentures and Units in their tax-free savings accounts should consult their own advisors regarding their particular circumstances.**

Investors should be aware that the acquisition, holding and disposition of the securities described in this short form prospectus may have tax consequences in Canada or elsewhere depending on each particular investor’s specific circumstances. Investors should consult their own tax advisors with respect to such tax considerations. See “*Certain Canadian Federal Income Tax Considerations*”. **Investors who are not residents of Canada for tax purposes should consult their own tax advisors concerning the consequences to them of the Offering.**

The head and registered office of the Trust is located at 200-710 Redbrick Street, Victoria, British Columbia V8T 5J3.

**An investment in the Debentures involves certain risks that are described in the “*Risk Factors*” section of, and elsewhere in, this short form prospectus, including in the documents incorporated herein by reference and should be considered by any prospective purchaser of the Debentures.**

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## NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This short form prospectus contains forward-looking statements within the meaning of Canadian securities laws that reflect the current expectations of management regarding our future growth, results of operations, performance and business prospects and opportunities. See “*Business of the Trust – Business Overview*” and “*The Acquisition*”. Forward-looking statements are only predictions and are not guarantees of performance. Wherever possible, words such as “may”, “would”, “could”, “will”, “believe”, “expect”, “estimate”, “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 short form prospectus include the completion of the proposed property acquisitions described in this short form prospectus (see “*The Acquisition*”), expansion plans, proposed capital expenditures, the market for retail space, economic conditions, particularly in the retail sector, competitive 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 discussed under the heading “*Risk Factors*” and elsewhere in our documents incorporated by reference. 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 short form prospectus. 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 short form prospectus 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 short form prospectus or, in the case of documents incorporated by reference herein, as of the date of such documents, 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. Investors are cautioned that forward-looking statements are not guarantees of future performance and accordingly investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein.

## ELIGIBILITY FOR INVESTMENT

In the opinion of McCarthy Tétrault LLP, counsel to the Trust, and Torys LLP, counsel to the Underwriters, based on the provisions of the Tax Act and the Regulations in effect on the date hereof, provided that:

- (a) in the case of the Debentures, (i) the Debentures are listed on the TSXV (or other designated stock exchange) or (ii) the Trust qualifies as a “mutual fund trust” for purposes of the Tax Act and the Regulations and the Units are listed on the TSXV (or other designated stock exchange); and
- (b) in the case of the Units, (i) the Trust qualifies as a “mutual fund trust” for purposes of the Tax Act and the Regulations or (ii) the Units are listed on the TSXV (or other designated stock exchange),

the Debentures will, on the date of the closing of the Offering, be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, registered disability savings plans, deferred profit sharing plans, tax-free savings accounts (“**TFSA**s”) and registered education savings plans (collectively, “**Registered Plans**”) other than a deferred profit sharing plan to which payments are made by the Trust or a person or partnership with which the Trust does not deal at arm’s length for purposes of the Tax Act, and the Units will, on the date the Units are issued, be qualified investments for trusts governed by Registered Plans.

Notwithstanding that the Debentures and the Units may be qualified investments for a trust governed by a TFSA, the holder of a TFSA will be subject to a penalty tax if the Debentures or Units are a “prohibited investment” for the TFSA. A Debenture or Unit will generally be a “prohibited investment” if the holder of a TFSA does not deal at arm’s length (for purposes of the Tax Act) with the Trust or has a “significant interest” (within the meaning of the Tax Act) in the Trust or a corporation, partnership or trust with which the Trust does not deal at arm’s length for purposes of

the Tax Act. A “significant interest” of a holder in a trust generally means the ownership by the holder, either alone or together with persons and partnerships with which the holder does not deal at arm’s length for purposes of the Tax Act, of interests as a beneficiary under the trust that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the trust. Prospective holders of Debentures or Units who intend to hold Debentures or Units in their TFSA’s should consult their own advisors regarding their particular circumstances.

## NON-GAAP FINANCIAL MEASURES

Net operating income (“NOI”) and funds from operations (“FFO”) are non-GAAP measures often used by Canadian real estate investment trusts as measures of operating performance. “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 to be made.

NOI and FFO are presented herein and in the documents incorporated by reference herein because management believes these non-GAAP measures are relevant measures of the operating performance of the Trust. NOI is defined as gross revenues from income producing properties less operating costs from income producing properties. Operating expenses do not include costs associated with financing, administration, amortization and depreciation, income taxes, realized and unrealized gains and losses, and the equity pickup of an investment’s net earnings. The Trust calculates FFO in accordance with the recommendations of the Real Property Association of Canada. The definition is meant to standardize the calculation and disclosure of FFO across real estate entities in Canada, and is modeled on the definition adopted by the National Association of Real Estate Investment Trusts (“NAREIT”) in the United States. NAREIT’s definition of FFO is net income (calculated in accordance with GAAP) excluding gains or losses from the sale of property; plus depreciation and amortization; and after adjustments for unconsolidated partnerships and joint ventures (which is also calculated to reflect FFO on the same basis).

**NOI and FFO are not measures recognized under GAAP and do not have a standardized meaning prescribed by GAAP. NOI and FFO should not be construed as an alternative to net earnings or cash flow from operating activities determined in accordance with GAAP. Management’s method of calculating NOI and FFO may differ from other issuers’ methods of calculating NOI and FFO and accordingly, may not be comparable to the NOI or FFO reported by other issuers.**

In the Trust’s Management’s Discussion and Analysis of financial condition and results of operations for the three and nine months ended September 30, 2010, which is incorporated by reference herein, management of the Trust believed that a comparison of FFO year over year and quarter to quarter produced inequitable results because of the significant incurrence of one-time transaction costs that took place in 2010 (primarily in the second quarter of 2010). Consequently, in order to provide relevant analysis of year over year and quarter to quarter results, the Trust also used the 2010 quarterly and year to date FFO amounts excluding these costs. **This adjustment to FFO is not calculated in accordance with the recommendations of Real Property Association of Canada described above and may not be comparable to adjustments to FFO reported by other issuers.**

## GENERAL MATTERS

In this short form prospectus, “we”, “us” and “our” refer to the Trust unless the context otherwise requires.

All references in this short form prospectus to “dollars” or “\$” are to Canadian dollars unless otherwise noted. The Trust’s financial statements incorporated herein by reference have been prepared in accordance with Canadian generally accepted accounting principles.

You should rely only on the information contained in this short form prospectus. We have not authorized anyone to provide you with information different from that contained in this short form prospectus. We are offering the Debentures only in jurisdictions where, and to persons to whom, such offering is lawfully permitted. The information contained in this short form prospectus is accurate only as of the date of this short form prospectus, regardless of the time of delivery of this short form prospectus or of any sale of the Debentures.

## **DOCUMENTS INCORPORATED BY REFERENCE**

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of documents incorporated herein by reference may be obtained on request without charge from the Trust at 200-710 Redbrick Street, Victoria, BC V8T 5J3, telephone (250) 592-3395, and are also available electronically at [www.sedar.com](http://www.sedar.com). The following documents, as filed with the various securities commissions or similar authorities in each of the provinces and territories of Canada are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (a) the Annual Information Form of the Trust dated April 12, 2010;
- (b) the audited consolidated financial statements of the Trust for the financial years ended December 31, 2009 and 2008 together with the notes thereto and the auditors report thereon included as supplemental information;
- (c) the Management's Discussion and Analysis of financial condition and results of operations for the Trust for the financial year ended December 31, 2009;
- (d) the amended unaudited interim consolidated financial statements of the Trust as at and for the three and nine months ended September 30, 2010 together with the notes thereon;
- (e) the Management's Discussion and Analysis of financial condition and results of operations for the Trust for the three and nine months ended September 30, 2010;
- (f) the Management Information Circular dated June 4, 2010 relating to the Annual and Special Meeting of unitholders held on June 30, 2010;
- (g) the material change report dated June 8, 2010 relating to, among other matters, the sale by C.A. Bancorp Inc. of approximately 33% of the issued and outstanding Units to IGW Public Limited Partnership ("IGW");
- (h) the material change report dated July 30, 2010 relating to, among other matters, the issuance of Units pursuant to the Trust's previously announced rights offering and the closing of the Trust's standby purchase commitment with IGW;
- (i) the material change reports dated November 15, 2010 and December 22, 2010 relating to the acquisition of the Wellington Plaza;
- (j) the material change report dated December 20, 2010 relating to the borrowing by the Trust of \$25.5 million secured against the Cornwall Square shopping centre owned by the Trust;
- (k) the material change reports dated December 21, 2010 and December 30, 2010 relating to the offering of Units by the Trust which closed on December 30, 2010; and
- (l) the material change report dated February 16, 2011 relating to the property acquisition described under the heading "The Acquisition" in this short form prospectus and the Offering.

Any document of the types referred to above, any material change reports and business acquisition reports (but excluding confidential material change reports) and any other document referred to in National Instrument 44-101F1, item 11.1 filed by the Trust with any securities regulatory authorities after the date of this short form prospectus and prior to the termination of this distribution will be deemed to be incorporated by reference into this short form prospectus.

**Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded, for purposes of this short form**

prospectus, to the extent that a statement contained in this short form prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not, except as so modified or superseded, be deemed to constitute a part of this short form prospectus.

## THE TRUST

The Trust 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.

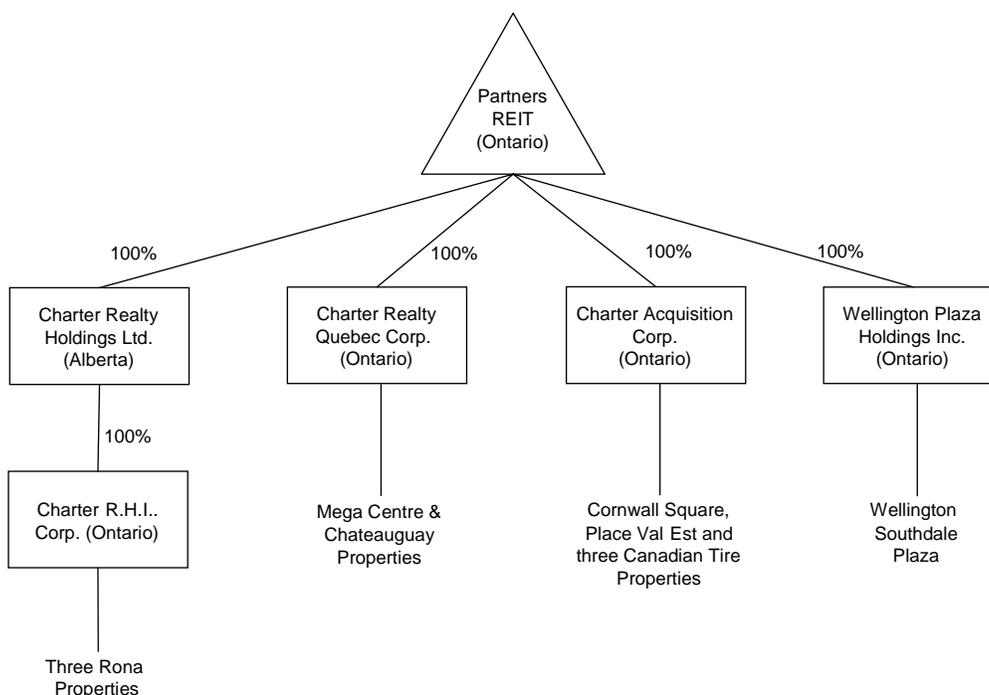
On March 29, 2005, Charter Realty Holdings Ltd. (“**Charter Realty**”), the predecessor to the Trust, was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta). The common shares of Charter Realty were listed and posted for trading on the TSXV commencing on September 2, 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 Trust continued the business of Charter Realty from and after May 10, 2007.

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

The Trust’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 Trust to those entities that hold the 11 properties comprising the current portfolio of properties held by the Trust and its controlled entities, as well as the jurisdiction of incorporation or organization of each entity. The properties listed under each subsidiary of the Trust are held in the name of the applicable subsidiary. However, Charter Realty is the beneficial owner of the three Rona properties pursuant to nominee agreements entered into between Charter Realty and Charter R.H.I. Corp. The Trust is the beneficial owner of all of the other properties pursuant to nominee agreements entered into between the Trust and the subsidiary that holds each property.



## RECENT DEVELOPMENTS

### New Management Agreement and Non-Competition Agreement

On June 4, 2010, C.A. Bancorp Inc. (“**CAB**”) sold 6,047,095 Units of the Trust, representing all of the Units beneficially held by CAB and its affiliates, to IGW, an affiliate of League Assets Corp. On the same date, C.A. Realty Management Inc., an affiliate of CAB, agreed with the Trust to terminate the management agreement that was in place at that time between it and the Trust without penalty to the Trust, and the Trust entered into a management agreement with LAPP Global Asset Management Corp. (the “**Manager**”), an affiliate of IGW, pursuant to which the Manager provides the Trust with strategic, advisory, asset management and administrative services (the “**Management Agreement**”). In addition, the Manager, IGW and League Assets LP entered into a non-competition agreement with the Trust on such date (the “**Non-Competition Agreement**”). For a description of these agreements, see the section entitled “Management Contracts” beginning on page 22 of the Management Information Circular dated June 4, 2010.

### Rights Offering

On June 16, 2010, the Trust 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 Trust 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 Trust 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, the Trust’s largest Unitholder. Pursuant to the terms of a standby purchase agreement between the Trust and IGW dated June 4, 2010, as amended (the “**Standby Purchase Agreement**”), on July 29, 2010 IGW purchased an additional 4,420,749 Units at a purchase price of \$1.39 per Unit. As of December 10, 2010, IGW held 49.8% of the outstanding Units. Substantially all

of the funds raised by the Rights Offering were used by the Trust to repay outstanding indebtedness under its operating and acquisition facility.

### **Purchase of Wellington Southdale Plaza**

On December 22, 2010, the Trust acquired the beneficial ownership of Wellington Southdale Plaza (“**Wellington Plaza**”) in London, Ontario. Such property is held in the name of the Trust’s wholly-owned subsidiary Wellington Plaza Holdings Inc.

Located at 979 & 995 Wellington Road, London, Ontario, Wellington Plaza was originally completed in 1986 and was extensively renovated in 2000, 2004 and 2006. Wellington Plaza’s gross leasable area consists of 86,600 square feet of retail space in an open format, single-storey neighbourhood plaza, situated on 6.97 acres in the heart of London’s Wellington Road retail node. The retail centre comprises five separate structures: the main building which anchors the property’s western most edge, and four free-standing retail pads. The City of London is located roughly midway between the Greater Toronto Area and the City of Windsor. London is the regional economic centre for southwestern Ontario and is located along Highway 401. Wellington Plaza is located on Wellington Road, a major arterial route connecting Highway 401 to downtown London.

Anchored by Empire Theatres, other key tenants of Wellington Plaza include Dollarama, Moxie’s Grill, 2001 Audio Video, Harvey’s, Jones New York, Dairy Queen and Pizza Pizza. Various other retailers and restaurants are located immediately south of the property along Wellington Road, including Toys R Us, HomeSense, Chapters and Future Shop.

### **Unit Offering**

On December 20, 2010, the Trust filed a short form prospectus in each of the provinces and territories of Canada qualifying the distribution of 4,680,000 Units as well as the distribution of 468,000 Units by way of 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 net proceeds to the Trust from that offering, after deducting the Underwriters’ fee and other expenses of the Offering, were used by the Trust for general working capital purposes.

### **Changes to Trustees and Management**

#### *New Management Team*

On August 18, 2010, the Trust announced the appointment of Dionne Barnes as Chief Financial Officer of the Trust, and on September 10, 2010, the Trust announced the appointment of Adam Gant as Chief Executive Officer of the Trust and of Patrick Miniutti as President and Chief Operating Officer of the Trust. See “*Trustees and Officers*” below.

#### *Changes to Trustees*

On August 12, 2010, the Trust announced the appointment of Mr. Gant as a trustee of the Trust. On August 17, 2010, the Trust announced that Janet Graham has tendered her resignation as a trustee of the Trust. On September 13, 2010, the Trust announced the appointment of Louis Maroun as Chair of the Trust’s board of trustees, and on September 20, 2010 the Trust announced the appointment of Paul Dykeman, CA as a trustee of the Trust. As a result of these changes, the Trust’s board of trustees now consists of Messrs. Maroun, Dykeman, Gant and Miniutti, as well as John van Haastrecht and Saul Shulman. See “*Trustees and Officers*” below.

### **Refinancing of Cornwall Square**

On December 16, 2010, Charter Acquisition, a wholly-owned subsidiary of the Trust, 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 Trust. 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 Trust 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 three parties (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 Wellington Southdale Plaza.

In connection with the advance made under the Cornwall Square Loan Agreement, the Trust paid out a \$1.4 million five-year facility maturing in 2013 that bore interest at 8.75% per annum (effective interest rate of 10%) on an interest-only basis for the first two years and was then self-amortizing over the final three years. That facility was secured by a second charge on the Cornwall Square shopping centre. The Trust also repaid all but \$1.00 of a line of credit from a Canadian chartered bank which was secured against the Cornwall Square property.

The \$1.4 million facility was the second of two facilities under credit agreements entered into by the Trust dated September 5, 2008 (the “**Credit Facilities**”). The first facility, which remains, is an \$8.6 million five-year facility maturing in 2013 that bears interest at 8.75% per annum (effective interest rate of 9.69%) on an interest-only basis. The facility is secured by (a) a first charge on the three Rona properties indirectly owned by the Trust that are located in Exeter, Seaforth and Zurich, Ontario; (b) second charges on the Trust’s Méga Centre property, Châteauguay property and Canadian Tire properties; and (c) a general security agreement relating to the above properties. This facility can be prepaid without penalty at any time.

## **BUSINESS OF THE TRUST**

### **Business Overview**

The Trust is a real estate investment trust focused on acquiring and managing a portfolio of retail and mixed-use retail community and neighbourhood centres, generally in the mid-market deal size range of \$10 to \$50 million, from both primary and secondary markets throughout Canada. The Trust’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 Trust 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 Trust’s portfolio consists of eleven properties located in Ontario and Québec comprising approximately 1.2 million square feet of gross leasable area.

The Trust is currently managed by the Manager, an affiliate of IGW. Pursuant to the terms of the Management Agreement dated June 4, 2010, the Manager provides strategic, advisory, asset management and administrative services to the Trust. See “*Recent Developments*”.

## TRUSTEES AND OFFICERS

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

<u>Name and Residence</u>	<u>Position(s) with the Trust</u>	<u>Principal Occupation During Past Five Years</u>	<u>Trustee/ Officer Since<sup>(1)</sup></u>	<u>Number of Units Owned/ Controlled</u>
Louis Maroun <sup>(2)(4)</sup> Devonshire, Bermuda	Chairman and Trustee of the Trust	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
Patrick Miniutti Victoria, British Columbia	Trustee, President and Chief Operating Officer of the Trust	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	nil
Dionne Barnes Victoria, British Columbia	Chief Financial Officer of the Trust	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	nil
Adam Gant Victoria, British Columbia	Trustee and Chief Executive Officer of the Trust	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>
John van Haastrecht <sup>(2)</sup> Toronto, Ontario	Trustee of the Trust	Mr. van Haastrecht is currently the President of Vanreal Ltd., an operator and developer of commercial retail shopping centres that was founded by Mr. van Haastrecht in 2001.	March 2007	56,338
Saul Shulman <sup>(2)</sup> Toronto, Ontario	Trustee of the Trust	Since January 1, 2005, Mr. Shulman has been the Chief Executive Officer of MLG Management Inc.	March 2009	40,000

<u>Name and Residence</u>	<u>Position(s) with the Trust</u>	<u>Principal Occupation During Past Five Years</u>	<u>Trustee/ Officer Since<sup>(1)</sup></u>	<u>Number of Units Owned/ Controlled</u>
Paul Dykeman <sup>(2)(3)</sup> Dartmouth, Nova Scotia	Trustee of the Trust	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

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, an entity controlled by Mr. Gant and 25,000 Units are held directly by Mr. Gant.

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

Other than as follows, no Trustee or executive officer of the Trust 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 Trust) 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 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 Trust nor, to the knowledge of the Trust, any unitholder holding a sufficient number of securities of the Trust to affect materially the control of the Trust (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 Trust) 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 Trust nor, to the knowledge of the Trust, any unitholder holding a sufficient number of securities of the Trust to affect materially the control of the Trust, 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 Trust 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 Trust's executive officers may devote time to their outside business interests. In some cases, the Trust's executive officers may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Trust's business and affairs and that could adversely affect the Trust's operations. These business interests could require significant time and attention of the Trust's executive officers. For instance, many of the officers of the Trust are also officers of the Manager. As well, the officers of the Trust are employed by League Assets Corp. The Manager will have economic interests that are different from the Trust, which will create conflicts of interest between the Trust and the Manager. The independent trustees on the Board of Trustees of the Trust will monitor and manage these conflicts of interest.

In addition, the Trust 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 Trust 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 Trust. From time to time, these persons may be competing with the Trust 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 *Business Corporations Act* (Ontario) ("**OBCA**").

### **Interests of Management and Others in Material Transactions**

Other than as described elsewhere in this short form prospectus, 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 Trust, 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 Trust within the three years preceding the date of this short form prospectus.

## **THE ACQUISITION**

Charter Acquisition has entered into the Acquisition Agreement with the Vendors pursuant to which Charter Acquisition, or its assignee, will acquire the SDM Properties, which SDM Properties are comprised of the lands and buildings located at: 2211 Pembina Highway, Winnipeg, Manitoba (the "**Pembina Lands**"); 777 Sherbrook Street, Winnipeg, Manitoba (the "**Sherbrook Lands**"); 230 Main Street, Selkirk, Manitoba (the "**Selkirk Lands**"); 382/390 Main Street, Steinbach, Manitoba (the "**Steinbach Lands**"); 135 Victoria Avenue East, Brandon, Manitoba (the "**Brandon Lands**"); and 465 Boulevard de L'Hôpital, Gatineau, Quebec (the "**Gatineau Lands**"). The premises at each of the SDM Properties, except for the Steinbach Lands, are leased solely to Shoppers Realty Inc. The premises at the Steinbach Lands are leased to Shoppers Realty Inc., Hastings Hearing Centre Ltd. and Wedena Capital Corp.

The effective purchase price under the Acquisition Agreement, subject to closing adjustments, is \$33,003,000, after taking into account an adjustment of \$1,483,000 relating to the assumption of existing mortgages on the SDM Properties at above-market rates and estimated expenses incurred in connection with the Acquisition of approximately \$550,000, consisting of land transfer tax (with respect to the Sherbrook Lands only) of \$56,740, the Manager's acquisition fee under the Management Agreement of \$154,850 and other expenses associated with the Acquisition. The unadjusted purchase price of \$30,970,000 is allocable as follows: \$5,280,228 in respect of the Pembina Lands; \$5,787,936 in respect of the Sherbrook Lands; \$4,110,445 in respect of the Selkirk Lands; \$5,699,944 in respect of the Steinbach Lands; \$4,791,084 in respect of the Brandon Lands; and \$5,300,363 in respect of the Gatineau Lands.

## The Acquisition Agreement

Pursuant to the Acquisition Agreement, Charter Acquisition, or its assignee, will also acquire all of the issued and outstanding shares in the capital stock of each of the following companies (each a “**Nominee Company**” and collectively, the “**Nominee Companies**”), each of which holds legal title to the SDM Property set out beside its name as nominee for certain of the Vendors:

- ACI Brandon Dennis Ltd. (“**ACI Brandon**”) – the Brandon Lands;
- ACI Selkirk Ltd. (“**ACI Selkirk**”) – the Selkirk Lands;
- RMA Gatineau Ltd. (“**RMA Gatineau**”) – the Gatineau Lands;
- ACI Shoppers Southpark Ltd. (“**ACI Southpark**”) – the Pembina Lands; and
- S.D.A. Steinbach Ltd. (“**SDA Steinbach**”) – the Steinbach Lands.

On or before closing of the Acquisition, Charter Acquisition is expected to assign all of its rights and obligations under the Acquisition Agreement to the Trust. On closing, it is expected that the Trust will acquire all of the issued and outstanding shares of the Nominee Companies and will enter into nominee agreements with each of the Nominee Companies respectively, pursuant to which each Nominee Company will hold legal title to its respective SDM Property as nominee for the Trust. It is also expected that, on closing, the Trust will enter into a nominee agreement with a newly formed corporation that is a wholly-owned subsidiary of the Trust, pursuant to which such subsidiary will acquire and hold legal title to the Sherbrook Lands as nominee for the Trust. Assuming that the events set out in this paragraph occur in the manner described, the Trust will be referred to as the “Purchaser” for the purposes of the discussion below.

The following is a summary of certain provisions of the Acquisition Agreement. Reference is to be made to the Acquisition Agreement for a complete description and the full text of its provisions, a copy of which has been filed on [www.sedar.com](http://www.sedar.com).

### *Other Assumed Obligations and Rights Obtained*

In addition to the acquisition of the SDM Properties, the Purchaser will also assume or obtain (i) all of the leases in respect of the SDM Properties, (ii) certain equipment used by the Vendors in connection with the SDM Properties, (iii) certain agreements entered into by the Vendors with respect to the management or operation or furnishing of supplies or services to the SDM Properties, (iv) all of the issued and outstanding shares in the capital stock of the Nominee Companies, (v) any permitted encumbrances as set out in the schedules to the Acquisition Agreement and (vi) all other rights and benefits granted or transferred to the Purchaser under the Acquisition Agreement.

### *Satisfaction of Purchase Price*

The purchase price for the Acquisition will be satisfied by the assumption of existing mortgages on the SDM Properties and the payment of the balance in cash.

The cash portion of the purchase price is expected to come from this Offering. The non-cash portion of the purchase price will be satisfied by the Purchaser’s assumption of the outstanding principal and accrued interest under the existing mortgages on each of the SDM Properties (the “**Assumed Mortgages**”), which Assumed Mortgages are described below. As of the expected completion date of the Acquisition:

- the outstanding principal amount of the mortgage with respect to the Pembina Lands will be \$2,372,344, with a stated interest rate of 6.70% payable until the maturity date on June 1, 2019;
- the outstanding principal amount of the mortgage with respect to the Sherbrook Lands will be \$3,635,108, with a stated interest rate of 6.07% payable until the maturity date on December 15, 2020;

- the outstanding principal amount of the mortgage with respect to the Selkirk Lands will be \$1,909,999, with a stated interest rate of 6.35% payable until the maturity date on February 1, 2015;
- the outstanding principal amount of the mortgage with respect to the Steinbach Lands will be \$3,012,458, with a stated interest rate of 5.76% payable until the maturity date on June 15, 2021;
- the outstanding principal amount of the mortgage with respect to the Brandon Lands will be \$2,571,677, with a stated interest rate of 5.90% payable until the maturity date on November 10, 2015; and
- the outstanding principal amount of the mortgage with respect to the Gatineau Lands will be \$3,720,250, with a stated interest rate of 5.93% payable until the maturity date on February 1, 2017.

### *Conditions*

As of the date of this short form prospectus, all third party consents and all consents required under the Acquisition Agreement from any governmental authorities in connection with the Acquisition have been obtained to the mutual satisfaction of the Vendors and the Purchaser and the Purchaser has conducted its due diligence searches and satisfied itself as to all matters related to the Acquisition and obtained the written consent of all lenders in connection with the assumption of the Assumed Mortgages and confirmation from the lenders of certain information relating to the Assumed Mortgages. The only remaining conditions of closing are standard closing conditions.

### *Representations and Warranties*

The Acquisition Agreement contains representations and warranties of the parties as are customary in arm's length transactions of this nature, including representations and warranties as to organization, power and authority. The Acquisition Agreement also contains additional representations and warranties given by the Vendors, including with respect to due authorization of the Acquisition Agreement, valid beneficial title subject to certain permitted encumbrances, valid legal title of the Nominee Companies subject to certain permitted encumbrances, ownership of shares of the Nominee Companies, no guarantees or other obligations of the Nominee Companies except as disclosed, no rights of any person to require the Nominee Companies to issue shares or other securities, no liabilities of the Nominee Companies except as disclosed, no material litigation except as disclosed, no government or regulatory consent or approval required, no breach of any agreement or law resulting from the Acquisition, tax status of the purchased property, residency status of the Vendors, no construction obligation in respect of off-site services, no encroachments except as disclosed, no contravention of any zoning bylaw, encumbrance or other regulation except as disclosed, no notice of proposed expropriation, operations in compliance with respect to environmental matters except as disclosed, no notice of non-compliance with environmental matters except as disclosed, maintenance and operating condition of services and utilities, status of equipment, status and existence of leases, status of service contracts, truth and completeness of certain material delivered and information provided by the Vendors, no collective agreements or collective bargaining obligations, no employees, no options or rights of first refusal to purchase or lease except as disclosed, no default under material obligations arising out of permitted encumbrances or other contracts, payment of accounts and no material undisclosed information concerning the properties. All representations and warranties of each party will continue and survive the Acquisition for one year after the closing of the Acquisition, except as otherwise specified in the Acquisition Agreement. The Acquisition Agreement also contains additional representations and warranties given by the Purchaser, including with respect to no action or proceeding against the Purchaser that might affect its ability to perform its obligations under the Acquisition Agreement and no breach or default of any agreement to which the Purchaser is a party as a result of the Acquisition. The Acquisition Agreement also contains representations by each party to the other that it has not dealt with any broker other than Cushman Wakefield in connection with the transaction.

### *Closing Date*

It is expected that the Acquisition will close on March 15, 2011. However, if one or more of the SDM Properties suffers a material loss or damage before the completion of the Acquisition, the completion date for such property may be extended until the day which is 10 business days after the delivery of a quantity surveyor's opinion concerning such loss or damage to the Vendors and the Purchaser, which opinion will be delivered at most 14 days after

the date on which such loss or damage occurs. If the loss or damage does not exceed \$750,000, then the Vendors are required to repair such damage and the completion of the purchase and sale of such damaged property may be further extended to the date which is 10 business days after the date the Purchaser receives from the Vendors a certificate of an architect that the damage has been substantially repaired, provided that the completion of the purchase and sale of such damaged property will in no event be extended beyond April 29, 2011. In this event, the proceeds of any insurance will not be paid to the Purchaser.

In the event that the loss or damage exceeds \$750,000, the Purchaser has the right to proceed with the acquisition of such damaged property, and, in such event, the Purchaser will be assigned the proceeds of any insurance payable to the Vendor in respect thereof.

### **DESCRIPTION OF THE ACQUISITION PROPERTIES**

The SDM Properties consist of 6 separate properties, each of which is leased solely to Shoppers Realty Inc., except for the Steinbach Lands, which are leased in part to Shoppers Realty Inc., as described above. The SDM Properties are described more fully below:

<b>Location</b>	<b>Description of Property</b>	<b>Gross Leaseable Area and % Leased (Sq. Ft.)</b>	<b>Current Annual Base Rent</b>	<b>Expiry Date of Current Lease</b>	<b>Assumed Financing</b>
2211 Pembina Highway, Winnipeg, Manitoba	1.61 acres constructed in 2004	15,780 (100%)	\$25.80	March 2019	\$2,372,344 mortgage at 6.7% with a maturity date of June 1, 2019
777 Sherbrook Street, Winnipeg, Manitoba	1.46 acres constructed in 2005	16,839 (100%)	\$26.50	October 2020	\$3,635,108 mortgage at 6.07% with a maturity date of December 15, 2020
230 Main Street, Selkirk, Manitoba	1.30 acres constructed in 2004	16,685 (100%)	\$19.00	March 2020	\$1,909,999 mortgage at 6.35% with a maturity date of February 1, 2015
383/390 Main Street, Steinbach, Manitoba	3.27 acres constructed in 2006	21,002 (100%)	\$19.73	November 2013 to June 2021	\$3,012,458 mortgage at 5.76% with a maturity date of June 15, 2021
135 Victoria Avenue East, Brandon, Manitoba	1.21 acres constructed in 2005	16,986 (100%)	\$21.75	October 2020	\$2,571,677 mortgage at 5.9% with a maturity date of November 10, 2015
465 Boulevard de L' Hôpital, Gatineau, Quebec	1.61 acres constructed in 2006	17,028 (100%)	\$24.00	February 2022	\$3,720,250 mortgage at 5.93% with a maturity date of February 1, 2017

The Trust expects that each of the SDM Properties will be managed by the Manager. The Manager will be paid a management fee equivalent to 3% of gross revenues from the SDM Properties, leasing fees ranging from \$1.50 to \$3.00 per square foot and other customary property management fees on market terms.

The SDM Properties currently generate NOI of approximately \$2,310,000 on an annualized basis. This translates to a capitalization rate of 7.5% based on the unadjusted purchase price of \$30,970,000. The assumption of the mortgages in the amount of \$17,221,836 at a market adjusted interest rate of 4.9% will result in interest expense of approximately \$815,000 in the first year. The interest on the \$9,400,000 principal amount of the Debentures which will be used to fund the Acquisition (the balance of the Acquisition costs being funded from the Trust's excess working capital on hand) and the repayment of an \$8,600,000 mortgage will result in interest expense, combined with the related proportionate share of the amortization of the costs of this Offering, of approximately \$1,710,000. The repayment of the \$8,600,000 mortgage, as described more fully under "Use of Proceeds", will result in interest savings of approximately \$750,000 per year. As a result of the Acquisition and repayment of the \$8,600,000 mortgage, the Trust's FFO is expected to increase by approximately \$535,000 per year.

## USE OF PROCEEDS

The estimated net proceeds from the Offering (before accounting for the Over-Allotment Option), after deducting fees of \$1,375,000 payable to the Underwriters and the expenses of the Offering estimated to be approximately \$500,000 payable by the Trust, will be approximately \$23,125,000. The net proceeds of the Offering will be used by the Trust to (i) fund a portion of the cash component consideration of the Acquisition of approximately \$9,400,000 with the balance funded from the Trust's excess working capital on hand, and (ii) to repay the \$8,600,000 million loan facility described under "Business of the Trust – Refinancing of Cornwall Square" which is secured by a first mortgage on three single tenant properties and second mortgages on various other properties, bearing interest at 8.75% per annum. The balance of the net proceeds of the Offering of approximately \$5,125,000 will be used by the Trust for future acquisitions and general trust working capital purposes.

If the Over-Allotment Option is exercised in full, the net proceeds from the Offering, after deducting fees payable to the Underwriters of \$1,581,250 and the expenses of the Offering estimated to be approximately \$500,000 payable by the Trust, will be approximately \$26,668,750. If the Over-Allotment Option is exercised, the additional net proceeds from the exercise of the Over-Allotment Option in the amount of approximately \$3,543,750 will also be used by the Trust for future acquisitions general trust working capital purposes.

**The Trust intends to spend the funds available to the Trust as stated in this short form prospectus; however, there may be circumstances where, a reallocation of funds may be deemed prudent or necessary.**

## CERTAIN INFORMATION CONCERNING THE TRUST AND THE DEBENTURES

The following is a summary of the material attributes and characteristics of the Debentures and the Units. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, in the case of the Debentures, the Indenture, and in the case of the Units, the terms of the Declaration of Trust, each filed under the Trust's profile at [www.sedar.com](http://www.sedar.com).

### Debentures

The Debentures will be issued under a trust indenture (the "Indenture") to be entered into between the Trust and Computershare Trust Company of Canada (the "Debenture Trustee").

#### *General*

The Debentures will be issued under and pursuant to the provisions of the Indenture to be entered into between the Trust and the Debenture Trustee. The Debentures will be limited to the aggregate principal amount of \$25,000,000 (plus the aggregate principal amount of any Debentures issued upon exercise of the Over-Allotment Option). The Trust may, however, from time to time, without the consent of the holders of the outstanding debentures of the Trust, issue debentures in addition to the Debentures offered hereby.

The Debentures will be dated as at the Closing Date and will be issuable only in denominations of \$1,000 and integral multiples thereof. The Debentures will mature initially on the Initial Maturity Date. If the Acquisition takes place prior to 5:00 p.m. (Toronto time) on the Initial Maturity Date, the maturity date will automatically be extended

from the Initial Maturity Date to the Final Maturity Date. If the Acquisition does not occur prior to 5:00 p.m. (Toronto time) on the Initial Maturity Date, the Acquisition Agreement is terminated at an earlier time or the Trust advises the Underwriters or announces to the public that it does not intend to proceed with the Acquisition, the Maturity Date will remain the Initial Maturity Date. If the Debentures mature on the Initial Maturity Date, holders of the Debentures will receive, on the third business day following the Initial Maturity Date, an amount equal to the issue price of the Debentures, plus the accrued and unpaid interest thereon to, but excluding the Initial Maturity Date.

At the closing of the Offering, the Debentures will be 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 will bear interest from the date of issue at 8.0% per annum. If the Debentures mature on the Initial Maturity Date, accrued interest will be paid to but excluding the Initial Maturity Date. If the Maturity Date is extended beyond the Initial Maturity Date, interest will be 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 the Closing Date to, but excluding, September 30, 2011.

The principal amount of the Debentures will be payable in lawful money of Canada or, if the Maturity Date is extended beyond the Initial Maturity Date, at the option of the Trust 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 Trust and subject to applicable regulatory approval, in accordance with the Unit Interest Payment Election as described under “*Interest Payment Option*”.

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

#### *TSXV Listing*

The Trust has applied to list the Debentures and the Units issuable on conversion, redemption or maturity of the Debentures offered under this short form prospectus on the TSXV. Listing will be subject to the Trust fulfilling all of the listing requirements of the TSXV.

#### *Conversion Privilege*

The Debentures will be 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 Trust 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 and assuming the Over-Allotment Option is exercised in full, the Trust will be required to issue approximately 13,068,183 Units, subject to anti-dilution adjustments.

Subject to the provisions thereof, the Indenture will provide 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 will be 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 Trust will not be 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 Trust with or into any other entity, or in the case of any sale or conveyance of the properties and assets of the Trust as, or substantially as, an entirety to any other entity, or a liquidation or termination of the Trust, 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 Trust 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 Trust 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 Trust, in whole or in part from time to time, at the option of the Trust 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 Trust 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 Trust is not in default under the Indenture, the Trust 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 the Final Maturity Date, the Trust 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 Trust 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 the Final Maturity Date, 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 the Final Maturity Date, as the case may be.

No fractional Units will be issued on redemption or maturity but in lieu thereof the Trust 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 will be 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 will rank pari passu with each other debenture except for sinking fund provisions (if any) applicable to different series of debentures.

The Indenture will provide that in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization or other similar proceedings relative to the Trust, or to its property or assets, or in the event of any proceedings for voluntary liquidation, dissolution or other winding-up of the Trust, whether or not involving insolvency or bankruptcy, or any marshalling of the assets and liabilities of the Trust, 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 will also provide that the Trust 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 Trust, 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 Trust, unless the Senior Indebtedness has been repaid in full.

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

### *Change of Control of the Trust*

Within 30 days following the occurrence of a Change of Control, the Trust 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**" will be 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 Trust or securities convertible into or carrying the right to acquire Units of the Trust.

The Indenture will contain notification and repurchase provisions requiring the Trust 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 Trust pursuant to the Debenture Offer, the Trust will have the right to redeem all the remaining Debentures at the Debenture Offer Price. Notice of such redemption must be given by the Trust 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 Trust 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 will provide that, upon the Trust making a Unit Interest Payment Election, the Debenture Trustee shall (i) accept delivery from the Trust of Units; (ii) accept bids with respect to, and consummate sales of, such Units, each as the Trust shall direct in its absolute discretion through the investment banks, brokers or dealers identified by the Trust; (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 Trust, to satisfy the Interest Obligation; and (iv) perform any other action necessarily incidental thereto.

The Indenture will set forth the procedures to be followed by the Trust 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 Trust) in full satisfaction of the Interest Obligation, and the holder of such Debentures will have no further recourse to the Trust in respect of the Interest Obligation.

Neither the Trust’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 will provide 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 Trust 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 Trust, or appointing a receiver of, or of any substantial part of, the property of the Trust 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 Trust 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 Trust 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 Trust, 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 Trust are taken with respect to a compromise or arrangement with respect to creditors of the Trust 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 Trust 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 Trust by the Trust for a period of 30 days after notice in writing has been given by the Debenture Trustee to the Trust specifying such default and requiring the Trust 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 will contain 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 will contain 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*

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**”). On the Closing Date, the Debenture Trustee will cause 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 Trust is unable to locate a qualified successor; (d) the Trust, 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 Trust 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 Trust 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 Trust 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 Trust to CDS.

#### *Reports to Holders of Debentures*

The Trust 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 Trust is a reporting issuer (the “**Securities Commissions**”), copies of the Trust’s information, documents and other reports that the Trust is required to file with the Securities Commissions and deliver to Unitholders. Notwithstanding that the Trust may not be required to remain subject to the reporting requirements of the Securities Commissions, the Trust 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 Trust), the annual financial statements of the Trust, 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 Trust 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 Trust 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 Trust 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.

#### **Units of the Trust**

The Debentures are convertible in accordance with their terms into Units. As at the close of business on February 15, 2011, there were 30,933,670 Units issued and outstanding and a further 50,000 Units issuable under the Trust’s Unit Option Plan. It is anticipated that prior to the filing of the final short form prospectus, the Trustees will grant 1,020,000 options to the following individuals pursuant to the Trust’s Unit Option Plan, as follows: Adam Gant 265,000, Patrick Miniutti 255,000, Dionne Barnes 150,000, Jay Lin 120,000, Cheryl Evans 120,000 and Mark Hazell 110,000. The exercise price of these options will be priced at the time of grant, in accordance with the terms and conditions of the Unit Option Plan. These grants will expire five years after the date of grant and one-third of such options will vest and become exercisable on the first, second and third anniversaries of the date of grant.

The rights of holders of Units are based primarily on the Declaration of Trust. A holder of a Unit does not hold a share of a body corporate. There is no statute governing the affairs of the Trust equivalent to the OBCA or the *Canada Business Corporations Act* which sets out the rights and entitlements of shareholders of corporations in various

circumstances. As such, 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 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 Trust 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.

The beneficial interests in the Trust 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 (collectively, “**Voting Units**”) are issuable pursuant to the Declaration of Trust. Issued and outstanding Units and Special Voting Units may be subdivided or consolidated from time to time by the Trustees without the approval of the holders of Voting Units (the “**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.

Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Trust whether of net income, net realized capital gains or other amounts and in the net assets of the Trust in the event of a termination or winding-up of the Trust. 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*

Special Voting Units may be issued only 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 Trust 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.

#### *Purchases of Units*

The Trust 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*

Each Unitholder is entitled to require the Trust to redeem at any time or from time to time at the demand of the Unitholder all or any part of the Units registered in the name of the Unitholder at the prices and in the form determined and payable in accordance with the conditions provided in the Declaration of Trust.

It is anticipated that the redemption right will not be the primary mechanism for holders of Units to liquidate their investments. 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 Trust 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 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 or quoted on any stock exchange or 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; or (iv) the redemption of Units would 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 the redemption price in respect of such redemption will, subject to all necessary regulatory approvals, be paid and satisfied by the Trust issuing redemption notes (“**Redemption Notes**”) in accordance with the terms of the Declaration of Trust. Redemption Notes 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 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), 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 any redemption.

Because the Trust expects to make regular cash distributions, the Trust may have to rely on third-party sources of capital in order to satisfy its obligations in respect of any Redemption Notes that are issued in connection with a redemption. Such third-party sources of capital may or may not be available on favourable terms, if at all. The Trust’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 Trust’s growth potential and its current and potential future earnings. If the Trust is unable to obtain third-party sources of capital, it may not be able to satisfy its obligations in respect of any Redemption Notes.

#### *Issuance of Units*

Subject to the investment guidelines and operating policies of the Trust, the Trust may issue new Units and other securities of the Trust (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.

#### *Limitation on Ownership*

The Trust 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 Trust to refuse to accept a subscription for securities of the Trust (including Units and Debentures) from, or issue or register a transfer of securities of the Trust to, a person (including a partnership or trust) unless the person provides a declaration that the securities of the Trust 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 Trust 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 for Holders of Units*

The Trust 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 Trust will provide, to the extent possible, comparative financial information.

### *Book-Based System for Units*

Although the Trust 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 Unit Owner**") represented by a Global Unit Certificate will be entitled to a certificate or other instrument from the Trust evidencing that holder's ownership thereof, and no Beneficial Unit 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 Unit 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 be completed only through participants in the depository services of CDS.

The Trust 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.

### *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 Trust, (ii) the status of the Trust as a "mutual fund trust" under the Tax Act, or (iii) the distribution of Voting Units, and to the extent reasonably practicable, ensuring the Trust will not be a SIFT trust for the purposes of the SIFT Rules or any final legislation implementing the SIFT Rules (all as defined in "*Certain Canadian Federal Income Tax Considerations*");
- (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 Declaration of Trust and the disclosure in the 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;

- (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 Trust 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.

#### *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 Trust elects, in its sole discretion, to prepare and deliver definitive Unit certificates, Beneficial Unit 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.

#### **Distribution Policy of the Trust**

The amount of the Trust'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 Trust will not be liable to pay income tax under Part I of the Tax Act for such year. Distributions are paid monthly. The Trustees have discretion in declaring distributions and review these distributions on a regular basis. The monthly distributions declared by the Trust in each month during the fiscal years 2007, 2008, 2009 and 2010 are shown below. Distributions are paid in the month following declaration.

<b>Month</b>	<b>2007 (\$/unit)</b>	<b>2008 (\$/unit)</b>	<b>2009 (\$/unit)</b>	<b>2010 (\$/unit)</b>
January	–	\$0.02587	\$0.01333	\$0.01333
February	–	\$0.02587	\$0.01333	\$0.01333
March	–	\$0.02587	\$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	\$0.02587	\$0.01333	\$0.01333
September	\$0.02587	\$0.01333	\$0.01333	\$0.01333
October	\$0.02587	\$0.01333	\$0.01333	\$0.01333
November	\$0.02587	\$0.01333	\$0.01333	\$0.01333
December	\$0.02587	\$0.01333	\$0.01333	\$0.01333
<b>TOTAL:</b>	<b>\$0.12935</b>	<b>\$0.26028</b>	<b>\$0.15996</b>	<b>\$0.15996</b>

On January 18, 2011, the Trust declared a distribution of \$0.01333 per Unit, payable on February 15, 2011 to holders of record on January 31, 2011. On February 15, 2011, the Trust declared a distribution of \$0.01333 per Unit, payable on March 15, 2011 to holders of record on February 28, 2011.

## Term of the Trust

The Trust 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, 2007. On a date selected by the Trustees that is not more than two years prior to the expiry of the term of the Trust, the Trustees are obligated to commence to wind-up the affairs of the Trust 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 Trust, the Voting Unitholders may, by special resolution, require the Trustees to commence the termination, liquidation or wind-up of the affairs of the Trust.

The Declaration of Trust provides that, upon being required to commence the termination, liquidation or winding-up of the affairs of the Trust, the Trustees will give notice thereof to the Voting Unitholders, which notice shall designate the time or times at which Voting 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 Trust 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 Trust to fulfill or discharge the contracts of the Trust, perform or cause the auditor of the Trust to perform any final audit of the Trust's assets, cause the Trust 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 Trust. After paying, retiring, discharging or making provision for payment, retirement or discharge of all known liabilities and obligations of the Trust and providing for indemnity against any other outstanding liabilities and obligations, the Trustees will distribute the remaining part of the proceeds of the sale of the assets comprising the Trust together with any cash forming part of the assets of the Trust among the Unitholders in accordance with their pro rata interests. If the Trustees are unable to sell all or any of the assets of the Trust by the date set for termination, the Trustees may distribute the remaining assets in specie directly to the Unitholders in accordance with their pro rata interests subject to obtaining all required regulatory approvals.

## CONSOLIDATED CAPITALIZATION

The following table sets forth the consolidated capitalization of the Trust as at September 30, 2010 (before giving effect to the offering of Units closed on December 30, 2010, the Wellington Southdale acquisition, the Cornwall refinancing, this Offering or the Acquisition), as at September 30, 2010 (after giving effect to the offering of Units closed on December 30, 2010, the Wellington Southdale acquisition and the Cornwall refinancing, but before giving effect to this Offering and the Acquisition) and as at September 30, 2010 (after giving effect to the offering of Units closed on December 30, 2010, the Wellington Southdale acquisition, the Cornwall refinancing, this Offering and the Acquisition).

	As at September 30, 2010	As adjusted at September 30, 2010 <sup>(1)</sup>	As adjusted as at September 30, 2010 <sup>(2)</sup>
<b>Indebtedness</b>			
Secured Debt	\$70,922,437	\$107,898,001	\$118,002,837
Credit Facilities	14,400,000	—	—
Other	4,078,146	4,100,191	4,100,191
Debentures	—	—	25,000,000
Total Indebtedness	<u>89,400,583</u>	<u>\$111,998,192</u>	<u>\$147,103,028</u>
<b>Unitholders' Equity</b>	\$64,339,749	\$70,628,469	\$70,628,469
Sale of Units and Contributed Surplus			
Deficit, Distributions and Accumulated Other			
Comprehensive Loss	<u>(21,548,326)</u>	<u>(21,548,326)</u>	<u>(21,548,326)</u>
Total Unitholders' Equity	<u>\$42,791,423</u>	<u>\$49,080,143</u>	<u>\$49,080,143</u>
<b>Total Capitalization</b>	<u>\$132,192,006</u>	<u>\$161,078,335</u>	<u>\$196,183,171</u>

<b>Number of outstanding Units</b>	25,713,324	30,861,324	30,861,324
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Notes:

- (1) Adjusted to give effect to the Unit offering closed on December 30, 2010, the Wellington Southdale acquisition and the Cornwall refinancing, but before giving effect to this Offering and to the Acquisition.
- (2) Adjusted to give effect to the Unit offering closed on December 30, 2010, the Wellington Southdale acquisition, the Cornwall refinancing, the receipt of proceeds of this Offering and to the Acquisition.

Following this Offering and the Acquisition, the gross book value will increase from \$178,349,567 to \$213,454,403 (total capitalization plus accumulated depreciation as of September 30, 2010 in the amount of \$17,271,232). The gross book value ratio will increase from 60.5% to 67.0% based on the combination of the secured debt and Debentures which increased from \$107,898,001 to an aggregate of \$143,002,837.

### PRIOR SALES

The Trust has not sold any of its securities during the 12 month period preceding the date of this short form prospectus except as described under “*Recent Developments – Rights Offering*” and “*Recent Developments – Unit Offering*”.

### TRADING PRICE AND VOLUME

The Units are listed and posted for trading on the TSXV under the symbol “PAR.UN”. The following table sets forth, for the periods indicated, the reported high and low sales prices and aggregate volume of trading of the Units on the TSXV.

<b>Period</b>	<b>High (\$)</b>	<b>Low (\$)</b>	<b>Volume</b>
<u>2010</u>			
January	1.55	1.31	169,000
February	1.53	1.36	161,000
March	1.55	1.35	192,300
April	1.60	1.41	153,400
May	1.52	1.31	192,800
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	1,584,019
November	2.00	1.61	407,408
December	1.75	1.55	595,756
<u>2011</u>			
January	1.79	1.60	859,854
February 1 to 16	1.77	1.65	544,896

On February 14, 2011, the last trading day on which the Units traded prior to the announcement of the Offering, the closing price of the Units on the TSXV was \$1.70.

### EARNINGS COVERAGE RATIO

The Trust’s earnings coverage ratio is less than one-to-one. The additional earnings coverage required to achieve an earnings coverage ratio of one-to-one would be \$1,772,397 for the year ended December 31, 2009 and \$3,400,257 for the 12-month period ended September 30, 2010. The Trust’s adjusted earnings coverage ratio, after giving effect to the Offering but before giving effect to the Acquisition, for the year ended December 31, 2009 and the 12-month period ended September 30, 2010 is 0.48:1 and 0.27:1 respectively.

The following table sets forth the earnings coverage ratios and the adjusted earnings coverage ratios for the year ended December 31, 2009 and the earnings coverage ratio and adjusted earnings coverage ratio for the 12-month period ended September 30, 2010. The earnings coverage ratios set forth below were prepared in accordance with applicable Canadian disclosure requirements based on the Trust's audited consolidated financial statements for the year ended December 31, 2009 and the unaudited consolidated financial statements for the nine-month periods ended September 30, 2010 and 2009. The earnings coverage ratio for the 12-month period ended September 30, 2010 were prepared by taking financial information derived from the Trust's audited consolidated financial statements for the year ended December 31, 2009, plus financial information derived from the unaudited consolidated financial statements for the nine-month period ended September 30, 2010, less financial information derived from the unaudited consolidated financial statements for the nine-month period ended September 30, 2009.

In February 2008, the Canadian Accounting Standards Board confirmed that all publicly accountable enterprises would be required to report under International Financial Reporting Standards ("IFRS") for financial years beginning on or after January 1, 2011. The earnings coverage ratios included in this short form prospectus are based on financial results from the financial year and interim period ending prior to January 1, 2011 and therefore such figures do not contemplate the impact of the Trust's transition to IFRS.

	12-Month Period Ended September 30, 2010 Actual	Year Ended December 31, 2009 Actual
Earnings Coverage Ratio <sup>(2)</sup> :	0.37:1	0.66:1
Adjusted Earnings Coverage Ratio:	0.27:1	0.48:1

(in thousands of Canadian dollars)	12-Month Period Ended September 30, 2010 Actual	Year Ended December 31, 2009 Actual
<b>As Reported</b>		
Earnings Coverage Ratio	0.37:1	0.66:1
Earnings before interest and income taxes	1,993,938	3,446,360
Interest requirement <sup>(2)</sup>	5,394,195	5,218,757
Earnings coverage (deficit)	(3,400,257)	(1,772,397)
<b>Adjusted<sup>(1)</sup></b>		
Earnings Coverage Ratio	0.27:1	0.48:1
Earnings before interest and income taxes as above	1,993,938	3,446,360
Adjusted Earnings before interest and income taxes	1,993,938	3,446,360
Interest requirement	7,394,195	7,218,757
Earnings coverage (deficit)	(5,400,257)	(3,772,397)

(1) Adjusted earnings coverage ratio is a non-GAAP measure.

(2) The earnings coverage ratios have been calculated including the carrying charges for the portion of the Debentures that may be reflected in equity.

The Trust's interest requirements, after giving effect to the Offering, amounted to \$7,218,757 for the 12-month period ended December 31, 2009 and \$7,394,195 for the 12-month period ended September 30, 2010. The Trust's earnings before interest and income tax for the 12-month period ended December 31, 2009 was \$3,446,360, which is 0.66 times the Trust's interest requirements for this period. The Trust's earnings before interest and income tax for the 12-month period ended September 30, 2010 was \$1,993,938, which is 0.37 times the Trust's interest requirements for this period. The amount of earnings before interest and taxes required to achieve an earnings coverage ratio of one-to-one would have been \$1,772,397 for the 12-month period ended December 31, 2009 and \$3,400,257 for the 12-month period ended September 30, 2010.

## **PLAN OF DISTRIBUTION**

Subject to the terms and conditions contained in the Underwriting Agreement, the Trust has agreed to issue and sell and the Underwriters have agreed to purchase, severally (and not jointly or jointly and severally), on the Closing Date, an aggregate \$25,000,000 principal amount of Debentures, payable in cash to the Trust against delivery by the Trust of certificates evidencing the Debentures. The Debentures are being offered to the public in all of the provinces and territories of Canada. The terms and conditions of the Offering were determined by negotiation between the Trust and the Underwriters. The Underwriting Agreement provides that the Trust will pay, on the closing of the Offering, the Underwriters' fee of \$55 per \$1,000 principal amount of Debentures in consideration for their services in connection with the Offering. Subscriptions for Debentures will be received subject to rejection or allocation in whole or in part and the right is reserved to close the subscription at any time without notice.

The Trust has granted to the Underwriters the Over-Allotment Option to purchase up to an additional \$3,750,000 principal amount of the Debentures at a price of \$1,000 per Debenture on the same terms and conditions as the Offering, exercisable in whole or in part, at the sole discretion of the Underwriters at any one time on or prior to the 30th day after the closing of the Offering, for the purposes of covering the Underwriters' over-allotment position, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the price to the public relating to the Offering, the Underwriters' fee and the net proceeds to the Trust (before deducting expenses of the Offering) will be \$28,750,000, \$1,581,250 and \$27,168,750, respectively. This short form prospectus also qualifies for distribution the grant of the Over-Allotment Option and the issuance of Debentures pursuant to the exercise of the Over-Allotment Option. A purchaser who acquires Debentures forming part of the Over-Allotment Option acquires such Debentures under the short form prospectus regardless of whether the over-allotment position is filled through the exercise of the Over-Allotment Option or secondary market purchases.

The Trust has applied to list on the TSXV the Debentures and the Units issuable on conversion, redemption or maturity of the Debentures offered under this short form prospectus. Listing will be subject to the Trust fulfilling all of the listing requirements of the TSXV.

The obligations of the Underwriters under the Underwriting Agreement are conditional and may be terminated at their discretion upon the occurrence of certain stated events. If one or more of the Underwriters fail to purchase their applicable percentages of the aggregate principal amount of the Debentures, the other Underwriters may, but are not obligated to, purchase on a pro-rata basis all, but not less than all, of the aggregate principal amount of the Debentures which would otherwise have been purchased by the refusing Underwriter. If the remaining Underwriters do not exercise such rights and the principal amount of Debentures to be purchased by all refusing Underwriters does not exceed 10% of the aggregate principal amount of Debentures, the remaining Underwriters will be obligated to purchase such Debentures in proportion to their obligations under the Underwriting Agreement. If the remaining Underwriters do not exercise such rights and the principal amount of Debentures to be purchased by all refusing Underwriters exceeds 10%, the remaining Underwriters shall be relieved of all obligations to the Trust on submission to the Trust of reasonable evidence of their ability and willingness to fulfill their obligations under the Underwriting Agreement at the time of closing of the Offering.

Under the Underwriting Agreement, the Trust has agreed to indemnify and hold harmless the Underwriters and their respective officers, directors, shareholders, partners, advisors and agents against certain liabilities, including civil liabilities under Canadian securities legislation, and to contribute to payments the Underwriters may be required to make in respect thereof.

The Trust, its trustees and officers, IGW and their respective affiliates have agreed with the Underwriters, subject to certain exceptions, not to issue, offer, announce an intention to issue, sell, contract to sell or otherwise issue any additional Debentures, any Units or securities convertible into or exercisable or exchangeable for any Units for a period of 90 days from the date of closing without the prior written consent of TD Securities Inc., on behalf of the Underwriters, which consent may not be unreasonably withheld.

The Debentures have not been and will not be registered under the U.S. Securities Act or any state securities laws, and may not be offered or sold within the United States, or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the U.S. Securities Act), except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws.

The Underwriters have agreed that they will not offer, sell or deliver Debentures within the United States, or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the U.S. Securities Act) except pursuant to certain transactions that are exempt from registration under the U.S. Securities Act. This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities within the United States. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Debentures within the United States by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the U.S. Securities Act.

Pursuant to policy statements of certain regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Debentures. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, Debentures. These exceptions include a bid or purchase permitted under the bylaws and rules of the TSXV relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Under the first-mentioned exception, in connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Debentures at levels other than those which might otherwise prevail in the open market. Those transactions, if commenced, may be discontinued at any time.

The Underwriters propose to offer the Debentures to the public initially at the offering price specified on the cover page of this short form prospectus. After the Underwriters have made a reasonable effort to sell all of the Debentures at the offering price specified on the cover page, the offering price for the Debentures may be decreased and may be further changed from time to time to amounts not greater than those set forth in the cover page, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers of the Debentures is less than the amount paid by the Underwriters to the Trust.

The Debentures will be issued in book-entry only form and must be purchased or transferred through a CDS participant. At closing, the Trust will cause a global certificate or certificates representing the Debentures to be delivered to, and registered in the name of, CDS or its nominee. All rights of holders of Debentures must be exercised through, and all payments or other property to which such holder is entitled will be made or delivered by, CDS or the CDS participant through which the holder of Debentures holds such Debentures. See "*Certain Information Concerning the Trust and the Debentures – Debentures – Book-Entry System for Debentures*".

Under applicable securities legislation, the Trust may be considered to be a connected issuer of TD Securities Inc. as TD Securities Inc. is a wholly-owned subsidiary of a Canadian chartered bank (the "Bank") which is a lender to the Trust pursuant to the \$8,600,000 Credit Facility described under "*Recent Developments – Refinancing of Cornwall Square*") which will be repaid using a portion of the net proceeds of the Offering and working capital on hand. As at February 17, 2011, the Trust was in compliance with the terms of the Credit Facility and no breach thereunder has been waived by the Bank under the Credit Facility since the execution of the Credit Facility. There has been no material change in the financial position of the Trust since the execution of the Credit Facility, except as described elsewhere in this short form prospectus and in the documents incorporated by reference herein. The decision by TD Securities to purchase Debentures was made independently of the Bank, which had no influence as to the determination of the terms of the distribution of the Debentures. The offering price of the Debentures and the other terms and conditions of the Offering were established through negotiations between the Trust and the Underwriters, without involvement of the

Bank. In addition, neither TD Securities nor the Bank will receive any benefit from the Offering, other than TD Securities' portion of the Underwriters' fee payable by the Trust.

### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of McCarthy Tétrault LLP, counsel to the Trust, and Torys LLP, counsel to the Underwriters, the following is a summary as at the date of this short form prospectus of the principal Canadian federal income tax considerations generally applicable under the Tax Act to the acquisition, holding and disposition of Debentures to a holder that acquires such Debentures beneficially pursuant to this Offering and to the acquisition, holding and disposition of Units to a holder that acquires such Units beneficially on a conversion, redemption or repayment at maturity of Debentures acquired by the holder pursuant to this Offering. This summary is applicable to a holder who, for purposes of the Tax Act at all relevant times is resident in Canada, deals at arm's length and is not affiliated with the Trust, and holds any Debentures as capital property and will hold any Units acquired on conversion, redemption or repayment of Debentures as capital property. Generally, Debentures and Units will be considered to be capital property to a holder provided that the holder does not hold the Debentures or Units, as applicable, in the course of carrying on a business of buying and selling securities and has not acquired the Debentures or Units in one or more transactions considered to be an adventure in the nature of trade.

Certain holders who might not otherwise be considered to hold their Debentures or Units as capital property may, in certain circumstances, be entitled to have them and all other "Canadian securities", as defined in the Tax Act, owned or subsequently acquired by the holder, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Holders interested in making this election should consult their own tax advisors for advice as to whether the election is available and advisable, having regard to their own particular circumstances.

This summary is not applicable to a holder of Debentures or Units: (i) that is a "financial institution" for purposes of the "mark-to-market" rules, (ii) that is a "specified financial institution", (iii) an interest in which is a "tax shelter investment", (iv) that has elected to report Canadian tax results in a currency other than Canadian dollars or (v) that, at any material time, holds Units acquired upon the exercise of rights to acquire such Units received in respect of, in the course of, or by virtue of employment with the Trust or any corporation or "mutual fund trust" not dealing at arm's length for purposes of the Tax Act with the Trust (all within the meaning of the Tax Act). Any such holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Debentures or Units, as applicable.

This summary does not address the deductibility of interest by a holder who has borrowed money to acquire Debentures or Units.

This summary is based on the facts set out in this short form prospectus and in a certificate provided to counsel by an officer of the Trust (the "**Officer's Certificate**"). This summary assumes that the representations made in the Officer's Certificate are true and correct, including the representations that (i) the Trust has at all times qualified and currently qualifies as a "mutual fund trust" and a "real estate investment trust" for purposes of the Tax Act, (ii) the Trust should continue to qualify as a "mutual fund trust" and a "real estate investment trust" under the provisions of the Tax Act while the Debentures and Units remain outstanding, and (iii) the Trust has complied and will at all times comply with the Declaration of Trust and the Indenture.

This summary is also based upon the current provisions of the Tax Act and the Regulations, taking into account proposed amendments to the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this short form prospectus (the "**Tax Proposals**"), and counsel's understanding of the current administrative and assessing policies and practices published in writing by the Canada Revenue Agency (the "**CRA**") prior to the date hereof. There can be no assurance that the Tax Proposals will be implemented in their current form or at all.

The summary does not otherwise take into account or anticipate any changes of law or practice, whether by judicial, governmental or legislative decision or action or changes in the administrative and assessing policies and practices of the CRA. There can be no assurance that such changes, if made, might not be retroactive. Modifications or amendments of the Tax Act or Tax Proposals could significantly alter the tax status of the Trust and the tax consequences of acquiring, holding and disposing of Debentures and Units. This summary also does not take into

account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from the legislation and considerations discussed herein.

**This summary is not exhaustive of all possible Canadian federal tax considerations applicable to acquiring, holding and disposing of Debentures and Units. The income and other tax consequences of acquiring, holding and disposing of Debentures and Units will vary depending on the particular circumstances of the holder thereof, including the province or provinces or territory or territories in which the holder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective holder. Prospective holders should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring, holding and disposing of Debentures and Units based on their particular circumstances.**

In this summary, references to the Trust are to Partners Real Estate Investment Trust and not to any of its subsidiaries or other entities in which it holds an interest.

## **Taxation of Holders of Debentures**

### *Interest on Debentures*

A holder of Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year all interest on the Debentures that accrues (or is deemed to accrue) to the holder to the end of the particular taxation year or that becomes receivable by or is received by the holder before the end of the taxation year, except to the extent that the holder included that interest in computing its income for a preceding year.

Any other holder of Debentures will be required to include in computing its income for a taxation year all interest on the Debentures that is received or receivable by the holder in that taxation year (depending upon the method regularly followed by the holder in computing income), except to the extent that the interest was included in the holder's income for a preceding taxation year. In addition, if at any time a Debenture should become an "investment contract" (as defined in the Tax Act) in relation to the holder, such holder will be required to include in computing income for a taxation year any interest that accrues to the holder on the Debenture up to the end of any "anniversary day" (as defined in the Tax Act) in that year to the extent such interest was not otherwise included in computing the holder's income for the year or a preceding taxation year.

Upon a conversion, redemption or repayment at maturity of a Debenture, interest accrued thereon to the date of conversion, redemption or repayment and that would otherwise be payable after that date will be included in computing the holder's income, except to the extent such amount was included in computing the holder's income for that or a previous taxation year.

Upon a disposition or deemed disposition of a Debenture (other than on a conversion, redemption or repayment at maturity), interest accrued thereon to the date of disposition and not yet due will be included in computing the holder's income, except to the extent such amount was otherwise included in the holder's income for that or a previous taxation year.

### *Exercise of Conversion Privilege*

A holder that converts a Debenture into Units pursuant to the conversion privilege will be considered to have disposed of the Debenture for proceeds of disposition equal to the aggregate fair market value of the Units so acquired at the time of the conversion and the amount of any cash received in lieu of fractional Units (less the amount of any interest accrued, as discussed above). The holder may realize a capital gain or sustain a capital loss computed as described below under "Dispositions of Debentures". The cost to the holder of the Units so acquired will be equal to the fair market value thereof at the time of acquisition and must be averaged with the adjusted cost base of all other Units held by the holder as capital property immediately before the acquisition for purposes of calculating the adjusted cost base of such Units to the holder.

### *Redemption or Repayment of Debentures*

If the Trust redeems a Debenture prior to maturity or repays a Debenture upon maturity and the holder does not exercise the conversion privilege prior to such redemption or repayment, the holder will be considered to have disposed of the Debenture for proceeds of disposition equal to the amount received by the holder (less the amount received as accrued interest, as discussed above) on such redemption or repayment. If the holder receives Units on redemption or repayment, the holder will be considered to have received proceeds of disposition equal to the aggregate of the fair market value of the Units so received and the amount of any cash received in lieu of fractional Units (less the amount received as accrued interest, as discussed above). The holder may realize a capital gain or sustain a capital loss computed as described below under “Disposition of Debentures”. The cost to the holder of the Units so acquired will be equal to the aggregate fair market value thereof at the time of acquisition and must be averaged with the adjusted cost base of all other Units held by the holder as capital property immediately before the acquisition for purposes of calculating the adjusted cost base of such Units to the holder.

Any premium paid by the Trust to a holder on a redemption of a Debenture will generally be deemed to be interest received at that time by such holder but only to the extent that such premium can reasonably be considered to relate to, and does not exceed the value on the date of the redemption of, the interest that would have been paid or payable by the Trust on the Debenture for taxation years of the Trust ending after the date of redemption.

### *Dispositions of Debentures*

A disposition or deemed disposition by a holder of a Debenture (including a disposition on a conversion, redemption or repayment at maturity of such Debenture) will generally result in the holder realizing a capital gain (or sustaining a capital loss) equal to the amount by which the holder’s proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base of the Debenture and any reasonable costs of disposition. The holder’s proceeds of disposition on a disposition or deemed disposition of a Debenture will not include amounts required to be included in income as interest. The tax consequences of capital gains and capital losses are discussed below under “Taxation of Capital Gains”.

## **Taxation of Unitholders**

### *Distributions*

A Unitholder will generally be required to include in computing income for a particular taxation year the portion of the net income for tax purposes of the Trust for a taxation year, including net realized taxable capital gains, that is paid or payable, or deemed to be paid or payable, to the Unitholder in the particular taxation year, whether such portion is received in cash, additional Units or otherwise.

The after-tax return to Unitholders subject to Canadian federal income tax from an investment in Units will depend, in part, on the composition for tax purposes of distributions paid by the Trust, portions of which may be fully or partially taxable or may constitute non-taxable returns of capital. Returns of capital are not included in a Unitholder’s income and reduce the adjusted cost base of the Units to the Unitholder, as described below. The composition for tax purposes of distributions by the Trust may change over time, thus affecting the after-tax return to such Unitholders.

Such portion of the net taxable capital gains and taxable dividends received or deemed to be received on shares of taxable Canadian corporations as is designated by the Trust in accordance with the Tax Act and paid or payable, or deemed to be paid or payable, to a Unitholder, will effectively retain their character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as having been paid to Unitholders out of the net taxable capital gains of the Trust, such designated amounts will be deemed for tax purposes to be received by Unitholders in the year as a taxable capital gain and will be subject to the general rules relating to the taxation of capital gains. To the extent that amounts are designated as having been paid to Unitholders out of taxable dividends received or deemed to be received on shares of taxable Canadian corporations, the normal (or in the case of eligible dividends, the enhanced) gross-up and dividend tax credit rules will apply to individuals, the deduction in computing taxable income will be available to corporations, and the refundable tax under Part IV of the Tax Act will be payable by Unitholders that are private corporations and certain other corporations controlled directly or indirectly by or

for the benefit of an individual or a related group of individuals. Unitholders should consult their own tax advisors for advice with respect to the potential application of these provisions.

The non-taxable portion of any net realized capital gains of the Trust that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income of the Trust that is paid or payable to a Unitholder or deemed to be paid or payable to a Unitholder in that year will generally not be included in the Unitholder's income for the taxation year. However, where such an amount is paid or payable to a Unitholder (other than as proceeds of disposition or deemed disposition of Units or any part thereof), the Unitholder will generally be required to reduce the adjusted cost base of the Unitholder's Units by that amount (except to the extent it represents the Unitholder's share of the non-taxable portion of the net realized capital gains of the Trust for the year, the taxable portion of which was designated by the Trust in respect of the Unitholder). To the extent that the adjusted cost base of a Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain realized by the Unitholder and the adjusted cost base of the Unit to the Unitholder will immediately thereafter be nil. See "Capital Gains and Capital Losses" below.

### *Dispositions of Units*

On the disposition or deemed disposition of a Unit, whether on a redemption or otherwise, the Unitholder will realize a capital gain (or sustain a capital loss) equal to the amount by which the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the Trust that is otherwise required to be included in the Unitholder's income, including any capital gain or income realized by the Trust in connection with a redemption which has been designated by the Trust to the redeeming Unitholder. The taxation of capital gains and capital losses is described below.

The adjusted cost base of a Unit to a Unitholder will include all amounts paid by the Unitholder for the Unit, subject to certain adjustments. The cost to a Unitholder of additional Units received in lieu of a cash distribution of income (including net capital gains) will be the amount of income (together with the applicable non-taxable portion of net capital gains) distributed by the issue of those respective Units. For the purpose of determining the adjusted cost base to a Unitholder, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Unitholder as capital property immediately before the acquisition. A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units. The aggregate adjusted cost base to a Unitholder of all the Unitholder's Units will not change as a result of a consolidation of Units; however, the adjusted cost base per Unit will increase.

Where Units are redeemed by the distribution by the Trust of notes or other property of the Trust, the proceeds of disposition to the redeeming Unitholder will be equal to the fair market value of the notes or other property of the Trust so distributed less any income or capital gain realized by the Trust in connection with such redemption which is paid or payable by the Trust to the redeeming Unitholder. Where income (including a taxable capital gain) is realized by the Trust upon or in connection with an *in specie* distribution of property on a redemption of Units and such income is paid or payable by the Trust to the redeeming Unitholder, the Unitholder will be required to include in the Unitholder's income such income as is paid or payable to the Unitholder. The cost of any property distributed *in specie* by the Trust to a Unitholder upon redemption of Units will be equal to the fair market value of that property at the time of the distribution. The Unitholder will thereafter be required to include in income interest or other income derived from the property, in accordance with the provisions of the Tax Act.

### **Taxation of Capital Gains and Losses**

One-half of any capital gain (a "**taxable capital gain**") realized by a holder on a disposition of a Debenture or Unit and the amount of any net taxable capital gains designated by the Trust in respect of a Unitholder will generally be included in the holder's income for the year. One-half of any capital loss (an "**allowable capital loss**") sustained by the holder on the disposition of a Debenture or Unit may generally be deducted by such holder against taxable capital gains for the year. Any excess allowable capital losses over taxable capital gains of the holder for that year may be carried back up to three taxation years or forward indefinitely and deducted against net taxable capital gains in those other years, subject to the detailed provisions of the Tax Act.

Where a Unitholder that is a corporation or trust (other than a mutual fund trust) disposes of a Unit, the Unitholder's capital loss from the disposition may be reduced by the amount of dividends received by the Trust and previously designated by the Trust to the Unitholder, except to the extent that a loss on a previous disposition of a Unit has been reduced by those dividends. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units.

### **Special Tax on Certain Corporations**

A holder of Debentures or Units that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 2/3% on certain investment income, including interest on Debentures and taxable capital gains from designations by the Trust on income distributed by the Trust to Unitholders or from dispositions or deemed dispositions of Debentures or Units by the holder.

### **Alternative Minimum Tax**

In general terms, capital gains realized on a disposition of Debentures or Units and net income of the Trust paid or payable to a Unitholder who is an individual (other than certain trusts) that is designated as taxable dividends or as net taxable capital gains may increase the holder's liability for alternative minimum tax.

### **Status of the Trust**

#### *Qualification as a "Mutual Fund Trust"*

This summary is based on the assumption that the Trust qualifies as a "mutual fund trust" as defined in the Tax Act and the Regulations and will continuously so qualify at all material times. If the Trust were to not qualify as a mutual fund trust at any time, the income tax considerations would, in some respects, be materially and adversely different.

Currently, a trust will not be considered to be a mutual fund trust 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. This summary assumes that the Trust was not established and is not maintained primarily for the benefit of non-residents of Canada for purposes of the Tax Act. Counsel is of the view that this assumption is reasonable in light of the restrictions on the ownership of Units and Debentures by non-residents of Canada for purposes of the Tax Act which are contained in the Declaration of Trust and the Indenture.

#### *Qualification as a "Real Estate Investment Trust"*

### **SIFT Rules**

The Tax Act contains rules (the "**SIFT Rules**") which tax certain publicly-traded or listed trusts and partnerships in a manner similar to corporations and which tax certain distributions from such trusts and partnerships as taxable dividends from a taxable Canadian corporation.

The SIFT Rules apply to any trust or partnership that is a "specified investment flow-through" ("**SIFT**") and its investors. A SIFT includes a Canadian resident trust (a "**SIFT trust**") where investments in the trust are listed or traded on a stock exchange or other public market, and the trust holds one or more "non-portfolio properties". "Non-portfolio properties" include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada and in partnerships with specified connections in Canada.

Pursuant to the SIFT Rules, a SIFT cannot deduct any part of the amounts payable to unitholders in respect of (i) aggregate net income from businesses it carries on in Canada; (ii) aggregate net income (other than taxable dividends received by the SIFT) from its non-portfolio properties; and (iii) aggregate net taxable capital gains from its disposition of non-portfolio properties. Distributions which a SIFT is unable to deduct will be taxed in the SIFT at rates of tax

designed to emulate the combined federal and provincial corporate tax rates. Generally, distributions that are paid as returns of capital will not attract this tax.

Distributions of a SIFT's income that are not deductible to the SIFT will be treated as dividends payable to unitholders from a taxable Canadian corporation. Such dividends deemed to be received by an individual (other than certain trusts) will be included in computing the individual's income for tax purposes and will be subject to the enhanced gross-up and dividend tax credit rules normally applicable to eligible dividends received from taxable Canadian corporations. Such dividends deemed to be received by a holder that is a corporation generally will be deductible in computing the corporation's taxable income. Certain corporations, including "private corporations" or "subject corporations" (as such terms are defined in the Tax Act), may be liable to pay a refundable tax under Part IV of the Tax Act of 33 1/3% on dividends received or deemed to be received to the extent that such dividends are deductible in computing taxable income.

The SIFT Rules do not apply to a trust that would have been a SIFT on October 31, 2006 until the trust's 2011 taxation year, subject to acceleration in certain circumstances where the "normal growth" of the trust exceeds certain permitted limits. This transitional relief is not available in respect of the Trust since its Units were not listed or traded on October 31, 2006.

As discussed below, the SIFT Rules do not apply to a trust that qualifies as a "real estate investment trust" for the year (the "**REIT Exception**"). If the Trust did not satisfy the REIT Exception throughout the year, the SIFT Rules would generally apply to the Trust for that year.

#### REIT Exception

Trusts that satisfy the REIT Exception are not subject to the SIFT Rules.

On December 16, 2010 the Department of Finance released, for public comment, proposed amendments to the Tax Act concerning the income tax treatment of real estate investment trusts and, in particular, the conditions which must be met in order for a trust to qualify for the REIT Exception (the "**December 16, 2010 Proposals**"). If enacted as proposed, the amendments, which are generally relieving in nature, will be effective for the 2011 and subsequent taxation years and, on an elective basis, for earlier taxation years.

Assuming that the December 16, 2010 Proposals are enacted as proposed, the following conditions must be met (in addition to the trust being resident in Canada throughout the taxation year) in order for a trust to qualify for the REIT Exception in a year subsequent to 2010:

- (a) at each time in the taxation year, the total fair market value at that time of all non-portfolio properties that are "qualified REIT properties" (as described below) held by the trust must be at least 90% of the total fair market value at that time of all non-portfolio properties held by the trust;
- (b) not less than 90% of the trust's "gross REIT revenue" (as described below) for the taxation year must be derived from one or more of the following: "rent from real or immovable properties" (as described below), interest, capital gains from the disposition of "real or immovable properties" (as described below), dividends, royalties and gains from dispositions of "eligible resale properties" (as described below);
- (c) not less than 75% of the trust's gross REIT revenue for the taxation year must be from one or more of the following: rent from real or immovable properties, interest from mortgages or hypothecs on real or immovable properties, and capital gains from dispositions of real or immovable properties;
- (d) at no time in the taxation year can the total fair market value of, stated generally, properties comprised of real or immovable properties, cash, deposits in a bank or credit union, indebtedness of Canadian corporations represented by bankers' acceptances and debt issued or guaranteed by governments in Canada be less than 75% of the "equity value" of the trust at that time; and

- (e) investments in the trust must be, at any time in the taxation year, listed or traded on a stock exchange or other public market.

Generally, the SIFT rules contain look-through rules under which a trust could qualify for the REIT Exception where it holds its real properties indirectly through intermediate entities.

Under the SIFT Rules (assuming that the December 16, 2010 Proposals are enacted as proposed):

- (a) “eligible resale property” means real or immovable property (other than capital property) of an entity, in which a trust the investments in which are listed or traded on a stock exchange or other public market holds a security, (i) that is contiguous to a particular real or immovable property that is capital property of the entity or of another entity in which the trust holds a security, and (ii) the holding of which is necessary, and incidental, to the holding of the particular real or immovable property;
- (b) “gross REIT revenue” of an entity for a taxation year means the total of all amounts each of which is (i) an amount received in the taxation year or receivable in the taxation year (depending on the method regularly followed by the entity in computing the entity’s income) by the entity otherwise than as or on account of capital, or (ii) a capital gain of the entity for the taxation year;
- (c) “qualified REIT property” of a trust at any time means, generally, a property held by the trust that is at that time:
  - (i) "real or immovable property" (as described below) that is capital property to the trust;
  - (ii) a security of a “subject entity” (as described below) all or substantially all of the gross REIT revenue of which (for the subject entity’s taxation year that ends in the trust’s taxation year that includes that time) is from maintaining, improving, leasing or managing real or immovable properties that are capital properties of the trust or of an entity of which the trust holds a share or interest or that are eligible resale properties of each such subject entity (other than the trust);
  - (iii) a security of a subject entity if the entity holds no property other than A. legal title to real or immovable properties of the trust or of another subject entity all of the securities of which are held by the trust and B. tangible personal property (or for civil law corporeal moveable property) ancillary to the earning by the trust of rents from, and capital gains from the dispositions of, real or immovable property; and
  - (iv) tangible personal property (or for civil law corporeal moveable property) ancillary to the earning by the trust of rents from, and capital gains from the dispositions of, real or immovable property;
- (d) “real or immovable property” includes generally a security of a trust that satisfies (or of any other entity that would, if it were a trust, satisfy) the criteria in (a), (b), (c) and (d) required to qualify for the REIT Exception discussed above and an interest in certain real property or a real right in immovables, but excludes any depreciable property other than a depreciable property included (otherwise than by an election) in capital cost allowance (“CCA”) Class 1, 3 or 31, a property ancillary to the ownership or utilization of such depreciable property or a lease or leasehold interest in respect of land or such depreciable property;
- (e) “rent from real or immovable properties” includes rent or similar payments for the use of or right to use real or immovable properties, payment for services ancillary to the rental of real or immovable properties and customarily supplied or rendered in connection therewith, but does not include any other payments for services supplied or rendered, fees for managing or operating such

properties, payment for the occupation, use or right to use a room in a hotel or other similar lodging facility, or rent based on profits; and

- (f) “subject entity” means (i) a corporation resident in Canada, (ii) a trust resident in Canada, (iii) a Canadian resident partnership or (iv) a non-resident person, or a partnership that is not a Canadian resident partnership, the principal source of income of which is one or more sources in Canada.

The REIT Exception (both as currently enacted and as amended if the December 16, 2010 Proposals are enacted as proposed) contains a number of technical tests and the determination as to whether the Trust qualifies for the REIT Exception in any particular taxation year can only be made at the end of the taxation year. Based on representations as to factual matters set out in the Officer’s Certificate, the Trust has informed counsel that it believes that it has satisfied the requirements under the REIT Exception (as currently enacted) throughout each taxation year since the Trust’s inception and that it intends to continue to operate in a manner so that the Trust should continue to qualify through 2011. The Trust has also informed counsel that it intends to continue to operate in a manner so that the Trust should qualify for the REIT Exception in each subsequent taxation year. Counsel cannot provide any assurance in this regard. The Trust has not obtained, nor sought, an advance tax ruling from the CRA in respect of the non-application to the Trust of the SIFT Rules, including the availability of the REIT Exception. There can be no assurance that subsequent investments or activities undertaken by the Trust will not result in the Trust failing to comply with the REIT Exception. The Declaration of Trust provides that the Trust shall use its reasonable best efforts not to be a SIFT trust. Counsel will not review the Trust’s compliance with the conditions for the REIT Exception.

The summary assumes that the Trust has and will continue to qualify for the REIT Exception at all times. Should the Trust cease to qualify under the REIT Exception for a taxation year, the income tax considerations could be materially different from those described in this summary – in particular, non-deductible distribution amounts, as previously described, could be taxable to the Trust (with the result that the amount of cash available for distribution by the Trust would be reduced) and could also be included in the income of Unitholders for purposes of the Tax Act as taxable dividends. The REIT Exception is applied on a taxation year basis. Accordingly, even if the Trust does not qualify for the REIT Exception in a particular taxation year, it may be able to do so in a subsequent taxation year.

### **Taxation of the Trust**

The taxation year of the Trust is the calendar year. The Trust will be subject to tax under Part I of the Tax Act on its income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of amounts paid or payable to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the Trust or if the Unitholder is entitled in that year to enforce payment of the amount.

In computing its income for purposes of the Tax Act, the Trust may generally deduct reasonable administrative costs, interest and other expenses of a current nature incurred by it for the purpose of earning income. Generally, the Trust may also deduct on a five-year straight line basis (subject to pro-rata for short taxation years) reasonable expenses incurred by it in the course of issuing Debentures for the purpose of earning income and of issuing Units. Counsel has been advised that in computing its taxable income, except as the Trustees otherwise determine, the Trust shall claim the maximum of CCA and other discretionary deductions available to the Trust under the Tax Act.

Generally, under the Declaration of Trust, unless the Trustees otherwise determine, an amount equal to all of the net income (including taxable capital gains) of the Trust (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the non-taxable portion of any net capital gains realized by the Trust, but excluding income and capital gains arising in connection with a distribution *in specie* on the redemption of Units which are designated by the Trust to redeeming Unitholders, and capital gains the tax on which may be offset by capital losses carried forward from prior years or is recoverable by the Trust, will be payable in the year to Unitholders by way of cash distributions, subject to the following exception. Where income of the Trust in a taxation year exceeds the total cash distributions for that year, such excess income may be distributed to Unitholders in the form of additional Units. Income of the Trust payable to Unitholders, whether in cash, additional Units or otherwise, will generally be deductible by the Trust in computing its income.

Losses incurred by the Trust cannot be allocated to Unitholders, but may be deducted by the Trust in future years in accordance with the Tax Act.

The Trust will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the “capital gains refund”). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the Trust’s tax liability for that taxation year arising in connection with the distribution of its property on the redemption of Units. The Declaration of Trust provides that all or a portion of any income (including taxable capital gains) realized by the Trust as a result of that redemption may, at the discretion of the Trustees, be treated as income paid or payable to the redeeming Unitholder, and will be deductible by the Trust in computing its income.

Counsel has been advised that the Trust intends to make sufficient distributions in each year of its net income for tax purposes and net realized capital gains so that the Trust generally should not be liable in that year for tax under Part I of the Tax Act.

## **RISK FACTORS**

An investment in securities of the Trust involves risk. Any prospective investor should carefully consider the risk factors set forth below and in the information incorporated by reference herein, and all of the other information contained in this short form prospectus (including, without limitation, the documents incorporated by reference) before purchasing any of the securities distributed under this short form prospectus. The risks described herein and in the documents incorporated by reference are not the only risks facing the Trust. The business, financial condition, revenues or profitability of the Trust could be materially adversely affected by any of these risks. The trading price of the Debentures and the Units could decline due to any of these risks. Additional risks and uncertainties not currently known to the Trust, or that the Trust currently deems immaterial, may also materially and adversely affect its business.

### **Risks Relating to the Debentures**

#### *Failure to Implement the Acquisition*

There is no guarantee that the contemplated Acquisition will be implemented on the targeted closing date or that it will be implemented at all. Several factors may delay or prevent the closing of the Acquisition in a timely manner. If the Trust fails to complete the Acquisition, the Trust will be required to repay the Debentures at the Initial Maturity Date, together with interest thereon, and purchasers would not be entitled to any further interest or payments following the Initial Maturity Date. There can be no assurance that purchasers would be able to reinvest such repaid funds in similar instruments with comparable interest rates.

#### *The Trust may not be Able to Satisfy Payments of Interest and Principal on the Debentures*

There is no guarantee that the Trust will have sufficient cash available to make interest and principal payments on the Debentures on a timely basis or at all. The likelihood that purchasers will receive the payments owing to them in connection with the Debentures will be dependent upon the financial health and creditworthiness of the Trust and the ability of the Trust to earn revenues.

#### *Market for the Debentures*

The Debentures constitute a new issue of securities of the Trust for which there is currently no public market. The listing of the Debentures and the Units issuable upon conversion, redemption or maturity to be distributed pursuant to the Offering is conditional upon approval of the TSXV. Listing will be subject to the Trust fulfilling all of the listing requirements of the TSXV. There can be no assurance that the minimum listing requirements of the TSXV will be met with respect to the Debentures. There can be no assurance that a secondary market for trading in the Debentures will develop or that any secondary market which does develop will continue. Also, there can be no assurances that any such secondary market will be active. To the extent that an active trading market for the Debentures does not develop, the liquidity and the trading prices for the Debentures may be adversely affected.

### *Absence of Covenant Protection*

The Indenture will not restrict the Trust or any of its subsidiaries from incurring additional indebtedness for borrowed money or otherwise from mortgaging, pledging or charging their real or personal property or properties to secure any indebtedness or other financing. The Indenture will not contain any provisions specifically intended to protect holders of the Debentures in the event of a future leveraged transaction involving the Trust or any of its subsidiaries.

### *Redemption Prior to Maturity*

The Debentures may be redeemed at the Trust's option, subject to certain conditions, on and after March 31, 2014 and prior to the Final Maturity Date in whole or in part, at a redemption price equal to the principal amount thereof, together with any accrued and unpaid interest, as described under "*Certain Information Concerning the Trust and the Debentures – Debentures – Redemption and Purchase*". Holders of Debentures should assume that this redemption option will be exercised if the Trust is able to refinance at a lower interest rate or it is otherwise in the interest of the Trust to redeem the Debentures.

### *Conversion Following Certain Transactions*

In the event of certain transactions, pursuant to the terms of the Indenture, each Debenture will become convertible into securities, cash or property receivable by a holder of Units in such transactions. This change could substantially reduce or eliminate any potential future value of the conversion privilege associated with the Debentures. See "*Certain Information Concerning the Trust and the Debentures – Debentures – Conversion Privilege*".

### *Subordination of Debentures*

The Debentures are unsecured obligations of the Trust and are subordinate in right of payment to all of the Trust's existing and future Senior Indebtedness. The Debentures will also be effectively subordinate to claims of the creditors of the Trust's subsidiaries relating to all indebtedness, liabilities and obligations of the Trust or its subsidiaries for the payment of which the Trust is responsible or liable, whether absolutely or contingently. This subordination may significantly reduce the possibilities for purchasers of obtaining payment of the amounts owed under the Debentures. In the event of the insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of the Trust, the assets of the Trust would be made available to satisfy the obligations of the creditors of such Senior Indebtedness, whether those obligations are secured or unsecured, before being available to pay the Trust's obligations to holders of Debentures. Accordingly, all or a substantial portion of the Trust's assets could be unavailable to satisfy the claims of the Debentures.

### *Credit Rating*

The Trust does not have a credit rating and has no current plans to apply for a credit rating.

### *Dilution*

The Trust may determine to redeem any outstanding Debentures for Units or to repay outstanding principal amounts thereunder at maturity of the Debentures on the Final Maturity Date by issuing additional Units. The issuance of additional Units may have a dilutive effect on the Trust's Unitholders and an adverse impact on the price of Units.

### *Limitation in the Trust's Ability to Finance Purchase of Debentures*

The Trust is required to make an offer to holders of the Debentures to purchase all or a portion of their Debentures for cash in the event of certain Changes of Control. The Trust cannot assure holders of Debentures that, if required, it would have sufficient cash or other financial resources at that time or would be able to arrange financing to pay the purchase price of the Debentures in cash. The Trust's ability to purchase the Debentures in such an event may be limited by Law, by the Indenture governing the Debentures, by the terms of other present or future agreements relating to the Trust's credit facilities and other indebtedness and agreements that the Trust may enter into in the future which may replace, supplement or amend the Trust's future debt. The Trust's future credit agreements or other agreements may

contain provisions that could prohibit the purchase by the Trust of the Debentures without the consent of the lenders or other parties thereunder. If the Trust's obligation to offer to purchase the Debentures arises at a time when the Trust is prohibited from purchasing or redeeming the Debentures, the Trust could seek the consent of lenders to purchase the Debentures or could attempt to refinance the borrowings that contain this prohibition. If the Trust does not obtain consent or refinance these borrowings, the Trust could remain prohibited from purchasing the Debentures under its offer.

The Trust's failure to purchase the Debentures would constitute an event of default under the Indenture governing the Debentures, which might constitute a default under the terms of the Trust's other indebtedness at that time.

#### *Market Price of the Debentures*

The market price of the Debentures will be based on a number of factors, including: (a) the prevailing interest rates being paid by borrowers similar to the Trust; (b) the overall condition of the financial and credit markets; (c) prevailing interest rates and interest rate volatility; (d) the markets for similar securities; (e) the financial condition, results of operation and prospects of the Trust; (f) the publication of earnings estimates or other research reports and speculation in the press or investment community; (g) the market price and volatility of the Units; (h) changes in the industry and competition affecting the Trust; and (i) general market and economic conditions.

The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the market price of the Debentures.

#### *Volatility of Market Price of Units and Debentures*

The market price of the Units and Debentures may be volatile. The volatility may affect the ability of holders of Debentures to sell the Debentures at a favourable price. Additionally, volatility in the market price of Units may result in greater volatility in the market price of the Debentures than would be expected for nonconvertible debt securities. Market price fluctuations in the Units and Debentures may be due to the Trust's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Trust or its competitors, along with a variety of additional factors, including, without limitation, those set forth under "Forward-Looking Statements". In addition, the market price for securities in the stock markets, including the TSXV, recently experienced significant price and trading fluctuations. These fluctuations have resulted in volatility in the market prices of securities that often has been unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of the Debentures and the Units.

#### *Restriction on Ownership of Debentures*

Pursuant to the terms of the Declaration of Trust, the Trust 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.

### **Risks relating to the Trust**

#### *Reliance on Key Personnel*

The Trust 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 of the Trust 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 Trust. In addition, each of these individuals does not currently devote his or her time exclusively to the affairs of the Trust.

### *Investment Concentration*

Méga Centre and the Cornwall Square Property account for approximately 54% of the Trust's base rental revenues on an annualized basis. As a result, the Trust is particularly susceptible to adverse market conditions in the areas of greater Montréal, Québec (where Méga Centre is located) and Cornwall, Ontario (where the Cornwall Square Property 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 Trust operates, or any decrease in demand for commercial retail real estate space resulting from the local economic or business climate could adversely affect the Trust'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 Trust'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) in the Cornwall Square Property 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 Trust's rental revenue from any of its properties at the expiry of the initial terms of any leases. Any such decrease could impair the Trust's ability to satisfy any debt service obligations and generate stable positive cash flow from its operations.

### *Competition*

The Trust 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 Trust's properties, and some of which may have greater capital resources. If the Trust's competitors build new facilities that compete with the Trust's properties or offer space at rental rates below current market rates or below the rental rates the Trust charges its tenants, the Trust 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 Trust's rental revenues may decrease, which could impair the Trust's ability to satisfy its debt service obligations and to pay distributions to Unitholders. In addition, increased competition for tenants may require the Trust to make capital improvements to facilities that it would not have otherwise made. Any unbudgeted capital improvement the Trust undertakes may reduce cash available for distributions to Unitholders.

### *Acquisition Strategy*

The Trust'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 Trust to identify acquisition or development candidates or investment opportunities that meet its criteria and are compatible with its growth strategy. The Trust 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 Trust 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 Trust's growth. The Trust could also face significant competition for acquisitions and development opportunities. Some of the Trust's competitors have greater financial resources than the Trust 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 Trust 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 Trust, may increase acquisition costs and may reduce demand for commercial retail real estate space in certain areas where the Trust's real estate properties are located and, as a result, may adversely affect the Trust's operating results. In addition, even if the Trust were successful in identifying suitable acquisitions or development projects, newly acquired real estate properties may fail to perform as expected and management of the Trust may underestimate the costs associated with the integration of the acquired facilities. In addition, any property expansions the Trust 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 Trust will make certain assumptions regarding the expected future performance of that property. If the Trust's acquisition or expansion facilities fail to perform as expected or incur significant increases in projected costs, the Trust's rental revenues could be lower, and its operating expenses higher, than expected.

#### *Integration of Additional Properties*

In addition to the acquisition of the SDM Properties, the Trust intends to acquire additional properties in the future. The Trust cannot assure Debentureholders or Unitholders that it will be able to successfully integrate these additional properties into its existing portfolio without operating disruptions or unanticipated costs. As the Trust acquires or develops additional properties, the Trust 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 Trust's operations and divert management's attention away from day-to-day operations. Furthermore, the Trust's profitability may suffer because of acquisition related costs or amortization costs for acquired intangible assets. The Trust's failure to successfully integrate any future properties into its portfolio could have an adverse effect on the Trust'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 Trust's revenues and could adversely affect its operating performance. In addition, lower than expected rental rates could adversely affect the Trust's rental revenues and impede its growth. At January 1, 2011, the Trust has vacancies of approximately 50,000 square feet. As well, the Trust 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 Trust pursuant to the Management Agreement and the Trust 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 Trust and may in some circumstances, subject to a non-competition agreement, manage real estate properties for others.

#### *Debt Financing*

The Trust has incurred both unsecured debt and mortgage debt by obtaining loans secured by some or all of the Properties. In addition, the Trust may borrow funds if necessary to make distributions to Unitholders.

Future debt may harm its business and operating results by: (a) requiring the Trust 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 Trust more vulnerable to economic and industry downturns and reducing its flexibility in responding to changing business and economic conditions; and (c) limiting the Trust'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 Trust's cash flow will be insufficient to meet required payments of principal and interest, the Trust will also be subject to the risk that it will not be able to refinance the existing indebtedness on its facilities and that the terms of any refinancing it could obtain would not be as favourable as the terms of its existing indebtedness. If the Trust 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.

### *Restrictive Covenants*

Mortgage indebtedness and/or other credit facilities obtained by the Trust will contain covenants, including limitations on the Trust'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 Trust's ability to transfer or encumber the mortgaged properties without lender consent. These provisions may restrict the Trust's ability to pursue business initiatives or acquisition transactions that may be in its best interests. They also may prevent the Trust 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 Trust's indebtedness, which would have an adverse effect on the Trust.

### *Potential Conflicts of Interest*

The Trust 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 & Officers – Potential Conflicts of Interest*".

### *Litigation*

The Trust 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 Trust and the other parties. Whether or not any dispute actually proceeds to litigation, the Trust 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 Trust's business. Any such resolution could involve the payment of damages or expenses by the Trust, which may be significant. In addition, any such resolution could involve the Trust's agreement to certain settlement terms that restrict the operation of its business.

### *Joint Venture Investments*

Although the Trust 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 (as described above under "*New Developments – New Management Agreement and Non-Competition Agreement*"). In any such joint venture, the Trust 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 Trust's business interests or goals and may be in a position to take actions contrary to the Trust's policies or objectives. Such investments also have the potential risk of impasse on strategic decisions, such as a sale, because neither the Trust nor the joint venture partner would have full control over the joint venture. Any disputes that may arise between the Trust and its joint venture partners could result in litigation or arbitration that could increase the Trust's expenses and distract its officers and/or trustees from focusing their time and effort on the Trust's business. In addition, the Trust might in certain circumstances be liable for the actions of its joint venture partners.

### *Potential Undisclosed Liabilities Associated with Acquisitions*

The Trust 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 Trust may fail to uncover in its due diligence. Unknown liabilities might include liabilities for cleanup 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 Trust may have the right to seek reimbursement against an insurer or another third party for certain of these liabilities, the Trust may not have recourse to the vendor of the properties for any of these liabilities.

### *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 Trust expects will continue to have, an adverse effect on the Trust as well as the assets the Trust has invested in. Sensitivity to the global economic conditions, and their impact in Canada, may negatively affect the income received from the Trust's real property assets. Inherent illiquidity may limit the Trust's ability to vary its portfolio in response to changes in the global, national and/or local economic conditions and may ultimately prevent the Trust 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 Trust's real property assets. All of these conditions could have an adverse effect on the Trust including causing an event of default under any of the Trust's mortgage indebtedness and/or credit facilities. Finally, the extent to which the Trust relies on debt or equity financing and the difficulty associated with obtaining such financing increases the likelihood the Trust will be unable to raise equity capital for its ongoing operations or its acquisition and investment strategies, refinance existing indebtedness or result in the Trust 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 Trust believes that the Trust currently qualifies as a "mutual fund trust" for purposes of the Tax Act and will continuously so qualify at all material times. If the Trust were not to so qualify, the income tax consequences could be materially and adversely different, including, in this regard, that the Debentures and Units may not be qualified investments for purposes of Registered Plans (as defined under "Eligibility for Investment" below).

Unless the REIT Exception applies to the Trust, the SIFT Rules (as defined, together with "REIT Exception", under "Certain Canadian Federal Income Tax Considerations" above) may have an adverse impact on the taxation of the Trust and on the taxation of distributions to Unitholders. Management of the Trust believes that the Trust, as currently structured, will be able to meet the requirements of the REIT Exception throughout 2011; however, there can be no assurance that the Trust will be able to qualify for the REIT Exception throughout 2011 or in future years.

In the event the SIFT Rules apply to the Trust, 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 Trust 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 Trust'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 Trust, 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.

Interest on the subordinated debt of Charter Realty accrues at the Trust level for Canadian federal income tax purposes, whether or not actually paid. The Declaration of Trust generally provides that a sufficient amount of the Trust's net income and net realizable capital gains will be distributed each year to Unitholders in cash or otherwise to eliminate the Trust'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 be generally 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 Trust 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 Trust 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 Trust will be reasonable and that the cost amount and capital cost allowance claims of the Trust 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 Trust (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 Trust is able to deduct capital cost allowance relating to its properties.

**For additional discussion of these and other risks, see “Certain Canadian Federal Income Tax Considerations”.**

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

### *General*

The Trust is subject to risks generally incident to the ownership of real property. The underlying value of its properties and the Trust’s income and ability to make distributions to Unitholders will depend on the ability of the Trust to maintain or increase revenues from its properties and to generate income in excess of operating expenses. Income from the Trust’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 Trust) 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 Trust’s control.

### *Government Regulation and Environmental Matters*

The Trust 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 Trust 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 Trust 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 Trust 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 Trust aware of, any environmental liability that the Trust believes will have a material adverse effect on it. However, the Trust 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 Trust 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 Trust's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Trust were to need to sell a property, the proceeds to the Trust might be significantly less than the aggregate carrying value of such property.

### *Uninsured Losses*

The Declaration of Trust requires that the Trust 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 Trust could lose its investment in, and anticipated profits and cash flows from, the affected property, but the Trust 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 Trust not covered by, or in excess of, the insurance coverage could have a material adverse effect on the Trust's business, financial condition or results of operations and distributions.

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

### *Reliance on External Sources of Capital*

Because the Trust 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 Trust 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 Trust'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 Trust's growth potential and its current and potential future earnings. If the Trust 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 Trust's Performance*

Although the Trust 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 Trust 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 Trust from time to time and will depend upon numerous factors, including the profitability of its properties, funds used to fund the Trust'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 Trust. The Trust 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 Trust, 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 Trust 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 Trust 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 Trust and its subsidiaries. Neither the Trust 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 Trust 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 Trust to the extent that claims are not satisfied out of the assets of the Trust. The affairs of the Trust 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 Trust 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 Trust 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 Trust is authorized to issue is unlimited. The Trust 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 Trust’s results of operations; changes in estimates of the Trust’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 Trust 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 trust 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 Trust 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 and the Indenture contain 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.

### **LEGAL MATTERS AND INTEREST OF EXPERTS**

Certain legal matters in connection with the Offering will be passed upon at the time of closing on behalf of the Trust by McCarthy Tétrault LLP and on behalf of the Underwriters by Torys LLP. Further, each of McCarthy Tétrault LLP and Torys LLP are named as having provided certain legal opinions included in this short form prospectus.

As at the date hereof, (i) the partners and associates of McCarthy Tétrault LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Units, and (ii) the partners and associates of Torys LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Units.

### **MATERIAL CONTRACTS**

Except for contracts entered into in the ordinary course of business, the only material contracts which the Trust 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;
- (b) the Management Agreement;
- (c) the Non-Competition Agreement;
- (d) the Standby Purchase Agreement;
- (e) the Credit Facilities;
- (f) the acquisition agreement between Charter Acquisition and Wellington Southdale Limited Partnership relating to the acquisition of the Wellington Plaza;
- (g) the Cornwall Square Loan Agreement;
- (h) the underwriting agreement relating to the unit offering described under “*Recent Developments – Unit Offering*”;
- (i) the Acquisition Agreement; and
- (j) the Underwriting Agreement.

### **PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a short form prospectus and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission, or, in some jurisdictions, revisions of the price or damages if the short form prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, price revision or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer

to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal adviser.

#### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The Trust's auditors are Deloitte & Touche LLP, Chartered Accountants, whose offices are located in Calgary, Alberta.

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

## GLOSSARY OF TERMS

The following terms used in this short form prospectus have the meanings set forth below, unless otherwise indicated:

“**ACI Brandon**” means ACI Brandon Dennis Ltd.;

“**ACI Selkirk**” means ACI Selkirk Ltd.;

“**ACI Southpark**” means ACI Shoppers Southpark Ltd.;

“**Acquisition**” has the meaning ascribed thereto on the cover page of this short form prospectus;

“**Acquisition Agreement**” has the meaning ascribed thereto on the cover page of this short form prospectus;

“**affiliate**” has the meaning ascribed thereto in the Securities Act;

“**allowable capital loss**” has the meaning ascribed thereto under “*Certain Canadian Federal Income Tax Considerations*”;

“**Arrangement**” has the meaning ascribed thereto under “*The Trust*”;

“**associate**” has the meaning ascribed thereto in the Securities Act;

“**Assumed Mortgages**” has the meaning ascribed thereto under “*The Acquisition – The Acquisition Agreement - Satisfaction of Purchase Price*”;

“**Bank**” has the meaning ascribed thereto under “*Plan of Distribution*”;

“**BCSC**” means the British Columbia Securities Commission;

“**Beneficial Debenture Owner**” has the meaning ascribed thereto under “*Certain Information Concerning the Trust and the Debentures – Book-Entry System for Debentures*”;

“**Beneficial Unit Owner**” has the meaning ascribed thereto under “*Certain Information Concerning the Trust and the Debentures – Book-Based System for Units*”;

“**Brandon Lands**” means 135 Victoria Avenue East, Brandon, Manitoba;

“**business day**” means any day other than a Saturday, a Sunday, a statutory holiday in the Province of Ontario or British Columbia or any other day on which Canadian chartered banks are not open for business in Toronto, Ontario or Victoria, British Columbia;

“**CAB**” means C.A. Bancorp Inc.;

“**CCA**” has the meaning ascribed thereto under “*Certain Canadian Federal Income Tax Considerations*”;

“**CCCLP**” means Colwood City Centre Limited Partnership;

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

“**Cease Trade Order**” has the meaning ascribed thereto under “*Trustees and Officers - Cease Trade Orders, Bankruptcies, Penalties or Sanctions*”;

“**Change of Control**” has the meaning ascribed thereto under “*Certain Information Concerning the Trust and the Debentures – Change of Control of the Trust*”;

“**Charter Acquisition**” has the meaning ascribed thereto on the cover page of this short form prospectus;

“**Charter Realty**” means Charter Realty Holdings Ltd.;

“**Closing Date**” has the meaning ascribed thereto on the cover page of this short form prospectus;

“**Conversion Price**” means \$2.20 per Unit, subject to adjustment on the occurrence of certain events;

“**Cornwall Square Loan Agreement**” has the meaning ascribed thereto under “*Recent Developments - Refinancing of Cornwall Square*”;

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

“**Credit Facilities**” has the meaning ascribed thereto under “*Recent Developments - Refinancing of Cornwall Square*”;

“**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 thereto under “*Certain Information Concerning the Trust and the Debentures – Book-Entry System for Debentures*”;

“**Debenture Offer**” has the meaning ascribed thereto under “*Certain Information Concerning the Trust and the Debentures – Change of Control of the Trust*”;

“**Debenture Offer Price**” has the meaning ascribed thereto under “*Certain Information Concerning the Trust and the Debentures – Change of Control of the Trust*”;

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

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

“**Debentures**” has the meaning ascribed thereto on the cover page of this short form prospectus;

“**December 16, 2010 Proposals**” has the meaning ascribed thereto under “*Certain Canadian Federal Income Tax Considerations*”;

“**Declaration of Trust**” means the 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;

“**Event of Default**” has the meaning ascribed thereto under “*Certain Information Concerning the Trust and the Debentures – Events of Default*”;

“**Exchangeable Securities**” has the meaning ascribed thereto under “*Certain Information Concerning the Trust and the Debentures – Special Voting Units*”;

“**FFO**” has the meaning ascribed thereto under “*Non-GAAP Financial Measures*”;

“**Final Maturity Date**” means March 31, 2016;

“**GAAP**” means Canadian generally accepted accounting principles;

“**Gatineau Lands**” means 465 Boulevard de L’Hôpital, Gatineau, Quebec ;

“**Global Unit Certificates**” has the meaning ascribed thereto under “*Certain Information Concerning the Trust and the Debentures – Book-Based System for Units*”;

“**Governmental Entity**” means: (a) any multinational, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau or agency, domestic or foreign; (b) any subdivision, agent, commission, commissioner, board, or authority of any of the foregoing; (c) any self-regulatory authority, including the TSXV; or (d) any quasigovernmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing;

“**IFRS**” means International Financial Reporting Standards;

“**IGW**” means IGW Public Limited Partnership;

“**IGW LP**” means IGW Properties Limited Partnership I;

“**IGW REIT**” means IGW Real Estate Investment Trust;

“**Indenture**” has the meaning ascribed thereto under “*Certain Information Concerning the Trust and the Debentures - Debentures*”;

“**Initial Maturity Date**” means April 30, 2011;

“**Interest Obligation**” has the meaning ascribed thereto under “*Certain Information Concerning the Trust and the Debentures – Interest Payment Option*”;

“**Interest Payment Date**” has the meaning ascribed thereto on the cover of this short form prospectus;

“**Law**” means all statutes, regulations, statutory rules, principles of law, orders, published policies and guidelines and terms and conditions of any grant of approval, permission, authority or license of Governmental Entities (including all Securities Commissions and the TSXV), and the term “applicable” with respect to such Laws and in the context that refers to one or more Persons, means that such Laws apply to such Person or Persons or its or their business, undertaking, property or securities and emanate from Governmental Entities (including all Securities Commissions and the TSXV) having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities;

“**Management Agreement**” has the meaning ascribed thereto under “*Recent Developments - New Management Agreement and Non-Competition Agreement*”;

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

“**Maturity Date**” has the meaning ascribed thereto on the cover page of this short form prospectus;

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

“**Monthly Limit**” has the meaning ascribed thereto under “*Certain Information Concerning the Trust and the Debentures – Redemption Right*”;

“**NAREIT**” means the National Association of Real Estate Investment Trusts;

“**NOI**” has the meaning ascribed thereto under “*Non-GAAP Financial Measures*”;

“**Nominee Companies**” means ACI Brandon, ACI Selkirk, RMA Gatineau, ACI Southpark and SDA Steinbach and “**Nominee Company**” means any one of them;

“**Non-Competition Agreement**” has the meaning ascribed thereto under “*Recent Developments – New Management Agreement and Non-Competition Agreement*”;

“**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);

“**Offering**” has the meaning ascribed thereto on the cover page of this short form prospectus;

“**Officer’s Certificate**” has the meaning ascribed thereto under “*Certain Canadian Federal Income Tax Considerations*”;

“**Over-Allotment Option**” has the meaning ascribed thereto on the cover page of this short form prospectus;

“**Participant**” has the meaning ascribed thereto under “*Certain Information Concerning the Trust and the Debentures – Book-Entry System for Debentures*”;

“**Pembina Lands**” means 2211 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;

“**Redemption Notes**” has the meaning ascribed thereto under “*Certain Information Concerning the Trust and the Debentures – Redemption Right*”;

“**Registered Plans**” has the meaning ascribed thereto under “*Eligibility for Investment*”;

“**Regulations**” means the regulations promulgated under the Tax Act;

“**REIT Exception**” has the meaning ascribed thereto under “*Certain Canadian Federal Income Tax Considerations*”;

“**Rights Offering**” has the meaning ascribed thereto under “*Recent Developments*”;

“**RMA Gatineau**” means RMA Gatineau Ltd.;

“**SDA Steinbach**” means S.D.A. Steinbach Ltd.;

“**SDM Property**” and “**SDM Properties**” have the meanings ascribed thereto on the cover page of this short form prospectus;

“**Securities Act**” means the *Securities Act* (Ontario), and the rules and regulations thereunder, as amended from time to time;

“**Securities Commissions**” has the meaning ascribed thereto under “*Certain Information Concerning the Trust and the Debentures – Reports to Holders of Debentures*”;

“**Selkirk Lands**” means 230 Main Street, 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 Trust (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

Trust 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 Trust or others including, without limitation, any subsidiary of the Trust for payment of which the Trust 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 Lands**” means 777 Sherbrook Street, Winnipeg, Manitoba;

“**SIFT**” has the meaning ascribed thereto under “*Certain Canadian Federal Income Tax Considerations*”;

“**SIFT Rules**” has the meaning ascribed thereto under “*Certain Canadian Federal Income Tax Considerations*”;

“**SIFT trust**” has the meaning ascribed thereto under “*Certain Canadian Federal Income Tax Considerations*”;

“**Special Voting Units**” has the meaning ascribed thereto under “*Certain Information Concerning the Trust and the Debentures – Units of the Trust*”;

“**Standby Purchase Agreement**” has the meaning ascribed thereto under “*Recent Developments - Rights Offering*”;

“**Steinbach Lands**” means 382/390 Main Street, Steinbach, Manitoba;

“**subsidiary**” has the meaning attributed thereto in the *Securities Act* (Ontario);

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

“**Tax Proposals**” has the meaning ascribed thereto under “*Certain Canadian Federal Income Tax Considerations*”;

“**taxable capital gain**” has the meaning ascribed thereto under “*Certain Canadian Federal Income Tax Considerations*”;

“**TD Securities**” means TD Securities Inc.;

“**TFSA**” means a tax-free savings account;

“**Trust**” means Partners Real Estate Investment Trust;

“**Trustees**” means the trustees of the Trust;

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

“**Underwriters**” means, collectively, 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.;

“**Underwriting Agreement**” has the meaning ascribed thereto on the cover of this short form prospectus;

“**Unit Interest Payment Election**” has the meaning ascribed thereto under “*Certain Information Concerning the Trust and the Debentures – Interest Payment Option*”;

“**United States**” or “**U.S.**” means the United States of America, its territories and possessions, and any state of the United States;

“**Unitholders**” means holders of Units and “**Unitholder**” means any one of them;

“**Units**” has the meaning ascribed thereto under “*Certain Information Concerning the Trust and the Debentures – Units of the Trust*”;

“**U.S. Securities Act**” means the United States Securities Act of 1933, as amended;

“**Vendors**” has the meaning ascribed thereto on the cover page of this short form prospectus.;

“**Voting Unitholders**” has the meaning ascribed thereto under “*Certain Information Concerning the Trust and the Debentures – Units of the Trust*”;

“**Voting Units**” has the meaning ascribed thereto under “*Certain Information Concerning the Trust and the Debentures – Units of the Trust*”; and

“**Wellington Plaza**” has the meaning ascribed thereto under “*Recent Developments – Purchase of Wellington Southdale Plaza*”.

## CONSENT OF DELOITTE & TOUCHE LLP

We have read the short form prospectus of Partners Real Estate Investment Trust (the “**Trust**”, formerly Charter Real Estate Investment Trust) dated ●, 2011 relating to the issue and sale of 8.0% extendible convertible unsecured subordinated debentures of the Trust. We have complied with Canadian generally accepted standards for an auditor’s involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the unitholders of the Trust on the consolidated balance sheets of the Trust as at December 31, 2009 and 2008 and the consolidated statements of operations and comprehensive loss, unitholders’ equity and cash flows for the years then ended. Our report is dated March 2, 2010.

Chartered Accountants  
Calgary, Canada  
●, 2011

**CERTIFICATE OF THE TRUST**

February 17, 2011

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

(signed) "*Adam Gant*"  
Chief Executive Officer

(signed) "*Dionne Barnes*"  
Chief Financial Officer

On Behalf of the Trustees  
of the Trust

(signed) "*Patrick Miniutti*"  
Trustee

(signed) "*Louis Maroun*"  
Trustee

**CERTIFICATE OF THE UNDERWRITERS**

February 17, 2011

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

**TD SECURITIES INC.**

By: (signed)

*“Andrew Phillips”*

**CIBC WORLD MARKETS INC.**

By: (signed)

*“Mark Johnson”*

**DUNDEE SECURITIES LTD.**

By: (signed)

*“Onorio Lucchese”*

**MACQUARIE CAPITAL  
MARKETS CANADA LTD.**

By: (signed)

*“John Bartkiw”*

**SCOTIA CAPITAL INC.**

By: (signed)

*“Bryce Stewart”*

**NATIONAL BANK FINANCIAL INC.**

By: (signed)

*“Andrew Wallace”*

**CANACCORD GENUITY CORP.**

By: (signed)

*“Justin Bosa”*

**RAYMOND JAMES LTD.**

By: (signed)

*“Jamie Coulter”*

**BROOKFIELD FINANCIAL CORP.**

By: (signed)

*“Mark Murski”*