# ANNUAL

# INFORMATION

# FORM

**March 17, 2009**

**IAT Air Cargo Facilities Income Fund**

## TABLE OF CONTENTS

## CAUTION CONCERNING FORWARD-LOOKING STATEMENTS

*Some of the information included in this Annual Information Form contains forward-looking statements. Such statements are made in reliance on this cautionary statement and the "safe harbour" provisions of Section 138.4 of the Securities Act (Ontario) and similar legislation in other jurisdictions. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those in the forward-looking statements and investors should not rely on the forward-looking statements as predictions of future events. The events or circumstances reflected in forward-looking statements might not occur. Forward-looking statements should not be read as guarantees of future performance or results, and will not necessarily be accurate indicators of whether, or the time at which, such performance or results will be achieved. There is a significant risk that estimates, predictions, expectations, forecasts, conclusions and projections will not prove to be accurate, that assumptions may not be correct and that actual results may differ materially from such estimates, predictions, expectations, forecasts, conclusions or projections.*

*Forward-looking statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "seeks," "approximately," "intends," "plans," "pro forma," "estimates" or "anticipates," or the negative of these words and phrases, or similar words or phrases. Forward-looking statements can also be identified by discussions of strategy, plans or intentions. There is no assurance that the events or circumstances reflected in forward-looking statements will occur or be achieved. Forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and may not be realized.*

*The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:*

- *failure to qualify or maintain status as a real estate investment trust (REIT) under Canadian income tax legislation;*
- *changes in general economic conditions, in the aviation industry, or in the real estate sector;*
- *a downturn in Canada's economy or real estate conditions, or in the cities in which IAT's properties are located;*
- *actions of airport authorities at the airports on which IAT has facilities;*
- *non-renewal of ground leases by airport authorities or renewal at higher than expected rent;*
- *non-renewal of leases by customers or renewal at lower than expected rent;*
- *inability of customers to meet their lease obligations;*
- *increased operating costs or greater than expected capital expenditure requirements;*
- *difficulties in identifying properties to acquire and in effecting acquisitions on advantageous terms and the failure of acquisitions to perform as we expect;*
- *risks associated with using debt to fund acquisitions or investment opportunities, including re-financing risks;*
- *failure to obtain necessary financing;*
- *risks associated with equity and debt securities financings and issuances (including the risk of dilution);*
- *increases in real property tax rates;*
- *risk associated with any tax structuring;*
- *increases in interest rates and operating costs or greater than expected capital expenditures;*
- *losses in excess of IAT's and the Fund's insurance coverage;*

- *unknown liabilities acquired in connection with IAT's properties or otherwise;*
- *changes in local, provincial and federal regulatory requirements; and*
- *environmental uncertainties.*

*The Fund's success also depends upon economic trends generally, various market conditions and fluctuations and those other risk factors discussed under the heading "Risk Factors" of this Annual Information Form. Investors are cautioned not to place undue reliance on forward-looking statements, which are based on what management believes are reasonable assumptions in light of information currently available and speak as of the date of this report or as of the dates indicated in the statements. All forward-looking statements of the Fund or IAT, including those set out in this Annual Information Form, are qualified in their entirety by this cautionary statement. The Fund and IAT assume no obligation to update or supplement forward-looking statements.*

## IAT AIR CARGO FACILITIES INCOME FUND

The IAT Air Cargo Facilities Income Fund (the “Fund”) is an unincorporated, open-ended mutual fund trust under the laws of the Province of British Columbia. The Fund was established as an unincorporated, limited purpose trust on March 15, 1997 under the laws of the Province of British Columbia. On October 20, 2008, unitholders of the Fund (the “Unitholders”) approved an amendment and restatement of the Declaration of Trust (defined below) such that the Fund became an open-ended mutual fund trust at a special meeting of the Unitholders, as further described in the Management Information Circular filed on September 26, 2008 on SEDAR and available at www.sedar.com.

The Fund owns all of the common shares (the “Common Shares”) and $54,900,000 of subordinated notes (the “Notes”) of International Aviation Terminals Inc. (“IAT”), a British Columbia corporation, consisting of $1,900,000 principal amount of senior subordinated notes (the “Senior Subordinated Notes”) and $53,000,000 principal amount of subordinated notes (the “Subordinated Notes”), following the repayment by IAT of $1.0 million of the principal amount of the Senior Subordinated Notes in 2008. The Fund also owns all of the common shares of IAT Management GP Ltd. (“IAT GP”), a British Columbia corporation, and all of the limited partner units of IAT Management Limited Partnership (“IAT Management LP” or the “Partnership”), a limited partnership registered under the laws of the Province of British Columbia.

The Fund distributes to Unitholders on a quarterly basis available cash received from IAT less the Fund’s expenses. The Fund’s principal office, which is also its registered and records office, is located at Suite 2000 - 5000 Miller Road, Richmond, British Columbia V7B 1K6.

## GENERAL DEVELOPMENT OF THE BUSINESS

The Fund was established by a declaration of trust dated March 15, 1997, as amended on June 10, 1997 and March 7, 2002 (the “Declaration of Trust”). On June 10, 1997, the Fund completed a public offering of 5,285,168 trust units (the “Trust Units” or “Units”). The net proceeds of approximately $50,876,000 were used to acquire $41,500,000 of Subordinated Notes and all of the Common Shares of IAT. The Declaration of Trust restricts the Fund to holding securities of IAT or certain short-term investments and to making distributions to Unitholders.

At the time of its acquisition by the Fund in 1997, IAT held approximately 916,000 square feet of air cargo and related space at airports in Vancouver, Calgary, Edmonton, Saskatoon and Winnipeg. This space comprised 14 buildings on land leased under long-term leases, occupied by approximately 120 tenants.

Since then, IAT has developed or acquired several additional properties in Edmonton and Vancouver at a total cost of approximately $14.3 million. As of December 31, 2008, IAT had available space for lease of approximately 1,141,263 square feet of net rentable area in 18 buildings, 88.4% of which was occupied by 132 tenants.

On March 22, 2002, the Fund completed an offering of 1,321,200 additional Trust Units at a price of $11.05 per unit. The net proceeds of the offering were used to acquire $11,500,000 of Subordinated Notes and $2,648,143 of Common Shares of IAT at a subscription price of $1.72 per share. IAT applied the proceeds to repay $13.2 million of mortgage debt. The Declaration of Trust was also amended in connection with this offering to permit quarterly distributions to be made to holders of those Trust Units issued in the quarter, based proportionately on the number of days in the quarter that those Trust Units were outstanding.

On September 23, 2005, the Fund issued an additional 360,000 Trust Units at a price of $8.21 per unit to Headlands Realty Corporation ("Headlands"), a wholly-owned subsidiary of AMB Property, L.P. ("AMB"), by way of private placement. This investment was made in connection with an acquisition by an affiliate of AMB of all of the shares of IAT Management Inc. (subsequently renamed AMB Property Canada Ltd.) ("AMB Canada"), the manager of IAT. The Fund used the proceeds of this issue of Units to subscribe for $2,930,000 of Senior Subordinated Notes, bearing a fixed annual interest rate of 10%, which are senior to the $53,000,000 variable interest rate Subordinated Notes held by the Fund, but subordinate to the mortgage debt of IAT. In January 2008, IAT repaid $170,000 of the principal amount of the Senior Subordinated Notes.

On August 29, 2008, Distressed Securities & Special Situations-1 ("DSSS"), a Delaware statutory trust managed by FrontFour Capital Group LLC ("FrontFour"), acquired 2,415,553 Trust Units at a price of $7.40 per unit, including all 360,000 Trust Units held by Headlands. FrontFour and its affiliates hold an aggregate of 3,098,653 Trust Units, representing approximately 44.5% of the outstanding Trust Units. The 3,098,653 Units include 2,686,579 Units beneficially owned by DSSS and 412,074 Units owned by FrontFour Holdings Inc., a British Columbia corporation and a wholly-owned subsidiary of FrontFour.

On October 20, 2008, a special meeting of Unitholders was held at which Unitholders approved an amendment and restatement of the Declaration of Trust (the "Amended and Restated Declaration of Trust"). Pursuant to the Amended and Restated Declaration of Trust, the Fund became an open-ended, mutual fund trust. In addition, the Amended and Restated Declaration of Trust expanded the operations and activities of the Fund to include, among other things, the ability to repurchase securities issued by the Fund, to borrow, to provide guarantees, to grant security and to appoint non-resident trustees provided that a majority of the trustees are residents of Canada.

On November 26, 2008, IAT GP was incorporated. IAT GP is a British Columbia corporation and a wholly-owned subsidiary of the Fund. IAT GP was incorporated to act as the general partner and provide management of the IAT Management LP.

On November 28, 2008, IAT Management LP was established pursuant to a Limited Partnership Agreement between the Fund and IAT GP whereby the Fund agreed to contribute $50,000 for 50,000 limited partner voting units of the Partnership (the "Partnership Units") and IAT GP agreed to contribute $1.00 for general partner capital, but did not receive any Partnership Units nor voting rights in IAT Management LP. The purpose of the Partnership is to provide management and administrative services for IAT.

On December 2, 2008, AMB Canada and IAT announced an internalization of the management of the Fund (the "Internalization"), whereby the asset management and operations of the Fund and IAT were to be assumed by IAT Management LP from AMB Canada pursuant to an Asset Purchase Agreement (the "Purchase Agreement") dated December 2, 2008, between AMB Canada, IAT and IAT Management LP. Pursuant to the Purchase Agreement, it was agreed that the Internalization would be finalized on or before March 31, 2009.

On February 27, 2009, all components of the Internalization were finalized, including the transition of employees, accounting systems and contracts, and the transfer of assets. In connection with the completion of the Internalization, Zachary R. George, a director of IAT and trustee of the Fund, was named President and Chief Executive Officer of IAT and IAT Management LP and Sandeep Manak was appointed as Chief Financial Officer of IAT and IAT Management LP. In addition, the Internalization resulted in, among other things, IAT Management LP: (i) hiring the Vancouver office employees of AMB Canada; (ii) assuming ownership of the management and administrative contracts of IAT and the Fund; and (iii) purchasing approximately $0.1 million in assets from AMB Canada.

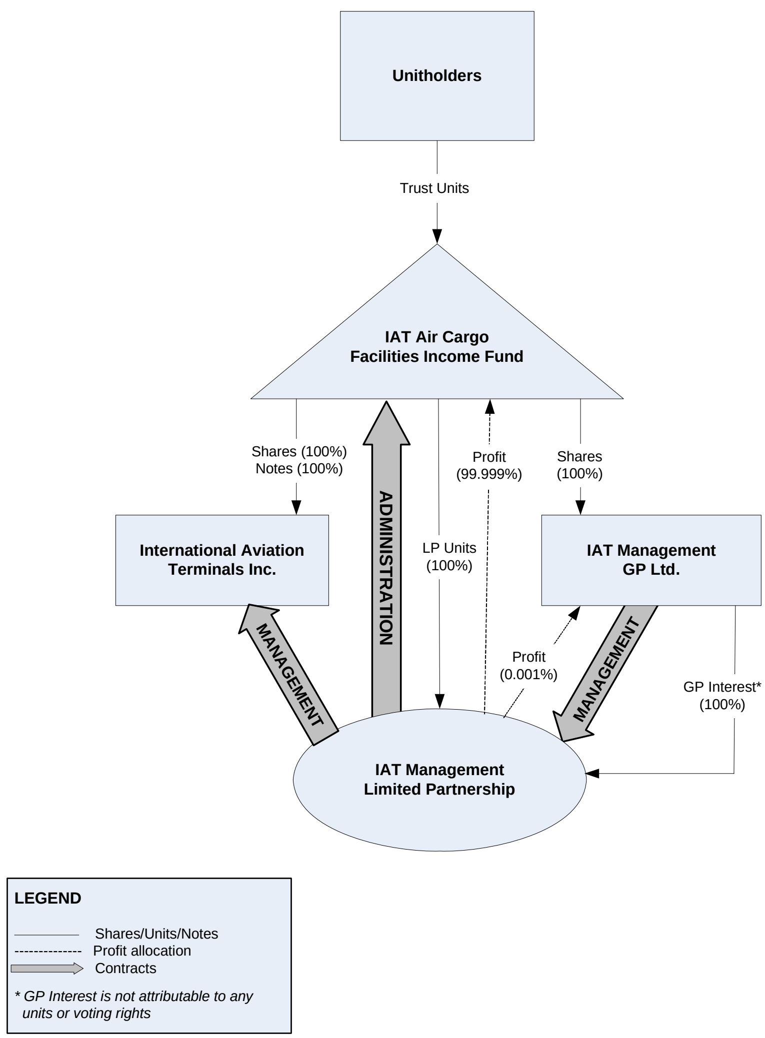
No termination fees were payable to AMB Canada in connection with the Internalization, however IAT was required to pay a nominal purchase price to AMB Canada for the depreciated value of identified office assets, less outstanding vacation entitlements, plus liabilities associated with contracts and operations after the time of closing.

**Structure of the Fund**

The Fund does not carry on any active business but rather holds investments in entities carrying on active business and, on a temporary basis, cash and short term investments. The Fund currently meets the requirements for a mutual fund trust under the *Income Tax Act* (Canada). However, on June 22, 2007, the Government of Canada enacted legislation implementing certain changes to the Canadian federal taxation of income trusts. See "Tax Law Changes Regarding Income Trusts".

The affairs of the Fund are supervised by five Trustees in accordance with the Amended and Restated Declaration of Trust. The affairs and operations of IAT are overseen by its Board of Directors (the "Board") and management is provided by the Partnership, which is indirectly overseen by the Board through the Partnership's general partner, IAT GP. Previously, management was provided by AMB Canada.

The following chart illustrates the primary structural and contractual relations between the Unitholders, the Fund, IAT, IAT GP, and IAT Management LP.



**Tax Law Changes Regarding Income Trusts**

On June 22, 2007, legislation to effect changes to the Canadian federal taxation of certain publicly traded trusts and limited partnerships ("specified investment flow throughs" or "SIFTs") received Royal Assent and became law. Subsequently, on July 14, 2008, the Minister of Finance (Canada) released draft legislative proposals to amend the rules governing that taxation of SIFTs which were announced December 20, 2007. Under the legislation and draft legislative proposals (collectively, the "SIFT Rules"), an income trust will qualify for an exemption (the "REIT Exemption") from the SIFT tax in a particular taxation year if it is resident in Canada throughout the taxation year and meets the following conditions:

- the trust does not at any time during the taxation year hold any non-portfolio property other than "qualified REIT properties", which includes real or immovable property and securities of Canadian-resident entities that carry on certain activities or functions relating to real or immovable property;

- not less than 95% of the trust's revenues for the taxation year are derived from (i) rent from real or immovable properties, (ii) interest, (iii) capital gains from dispositions of real or immovable properties, (iv) dividends, and (v) royalties;

- not less than 75% of the trust's revenues for the taxation year are derived from (i) rent from real or immovable properties, (ii) interest from mortgages or hypothecs on real or immovable properties, and (iii) capital gains from dispositions of real or immovable properties; and

- throughout the year the total fair market value of all real or immovable properties, money, bank deposits or certain permitted debt obligations and bankers' acceptances is equal to or greater than 75% of the trust's equity value.

If the Fund qualifies for the REIT Exemption under the SIFT Rules, the Fund will not be subject to the tax relating to SIFTs. However, if the Fund does not qualify for the REIT Exemption, commencing January 1, 2011, tax will be payable by the Fund on its income as if it were a publicly listed corporation and distributions by the Fund will be subject to tax (and eligible for dividend tax credit treatment) as if they were dividends of a publicly listed corporation. Such failure to qualify could be expected to reduce distributions that the Fund would otherwise be able to pay after January 1, 2011.

If it is determined that the Fund does not qualify for the REIT Exemption, the Fund would consider (a) undergoing a restructuring to seek to qualify for the REIT Exemption, (b) remaining as an income trust and paying the SIFT tax, or (c) converting to a corporation under provisions in the SIFT Rules that are designed to permit a tax-free conversion of an income fund from a trust to a corporation.

Under the SIFT Rules as presently enacted and proposed, the Fund likely does not satisfy the requirements of the REIT Exemption. A significant portion of the Fund's income consists of interest paid by IAT on the Notes, and this income would appear to be excluded for the purposes of the 75% revenue test that is one of the requirements for the REIT Exemption. Furthermore, Canada Revenue Agency (the "CRA") has not issued any rulings, interpretations or commentary that would allow a more favourable reading of this requirement.

The Fund expects that this issue would not arise, and that the Fund would qualify for the REIT Exemption under the SIFT Rules, if IAT's assets were held by a limited partnership or subsidiary trust owned directly by the Fund and the Fund received partnership or trust distributions directly from that limited partnership or trust. Following the adoption of the Amended and Restated Declaration of Trust on October 20, 2008, the Fund has the ability to own other forms of investment vehicles, which may facilitate a restructuring in order to seek to qualify for the REIT Exemption. Any such restructuring may be complex and costly and would likely require an advance tax ruling from CRA. There can be no assurance that such a restructuring, if required, would be successful in causing the Fund to qualify for the REIT Exemption.

There is no assurance that the draft legislative proposals relating to the SIFT Rules will be enacted in their current form or at all. The Fund is continuing to monitor developments with respect to the SIFT Rules and, if necessary, may seek clarification from the CRA as to the Fund's status in relation to the REIT Exemption.

## BUSINESS OF IAT

### General

IAT is in the business of owning and leasing buildings that are designed for use by businesses involved in air transport services including air cargo and ground handling. IAT's properties are constructed on land leased at airports in Vancouver, Calgary, Edmonton, Saskatoon and Winnipeg under long-term ground leases from either the respective airport authorities or the Government of Canada in these cities.

### The Air Cargo Industry

Businesses that operate in the aviation industry and who are customers of IAT include passenger airlines, integrated freight carriers, air cargo handlers, freight forwarders and customs brokers, government agencies and other providers of services and products to airlines. These businesses rely on access to air cargo transfer point facilities for the movement of goods and the delivery of services.

The air cargo industry is a sub-sector of the aviation industry. The aviation industry includes air passenger and air cargo businesses, together with supporting businesses.

Since reaching a peak in 1999, air cargo volumes at Vancouver International Airport, where a significant majority of IAT's rental space is located, generally declined through 2003, increased approximately 4.5% and stabilized through 2007, then, beginning in June 2008, declined back to 2003 levels as a result of the global recession. For the year ended December 31, 2008, air cargo volumes at Vancouver International Airport were 214,000 metric tonnes, compared to 225,000 metric tonnes in 2007 and 223,000 metric tonnes in 2006 and 2005.

The Vancouver International Airport Authority reported the following information for volume of air cargo shipped in the years 2003 through 2008.

| Year | Metric Tonnes |
|---|---|
| 2003 | 216,000 |
| 2004 | 230,000 |
| 2005 | 223,000 |
| 2006 | 223,000 |
| 2007 | 225,000 |
| 2008 | 215,000 |

## IAT's Business Strategy

IAT's strategy is to own and operate strategically located, efficient and adaptable air cargo and aviation related facilities located at or in the vicinity of airports in key distribution markets throughout Canada. IAT provides customers such as airlines, cargo handlers, air express carriers and freight forwarders with a network of highly functional on-tarmac facilities designed to meet these customers' time-sensitive cargo and freight distribution needs. IAT's specialized knowledge of, and involvement within, the air cargo and freight forwarding community allows IAT to act as a single point of contact for on-airport cargo space needs and to be proactive in assisting customers to meet current and future space requirements in both single and multiple locations.

IAT provides additional services to tenants in the fields of property management, leasing and marketing, and design and construction. This integrated approach allows IAT to better respond to the changing needs of its tenants by ensuring that IAT is aware of the current trends in design and construction and management. IAT also maintains close relationships with the airport authorities (local authorities in Vancouver, Calgary, Edmonton and Winnipeg and the Government of Canada in Saskatoon) from whom IAT holds long term land leases for facilities. By providing facilities and developing its tenant base, both IAT and the airports in which IAT operates are well positioned to capitalize on any growth opportunities. Through its extensive experience in the air cargo industry, strong management team, and focus on expanding its real estate base, IAT plans to continue to execute its business strategy. IAT anticipates that doing so will aid in attracting and retaining tenants for IAT's facilities in the long-term.

The Vancouver International Airport ("YVR") has undergone substantial expansion in the last decade, as the Vancouver International Airport Authority has positioned YVR as a major North American gateway to Asia. In 2008, 70% (2007 – 72%) of IAT's gross rental revenue was earned from space leased in Vancouver (which accounted for 65% of all leasable space owned by IAT during the year).

## Properties

IAT owns facilities that are built on land on which IAT holds ground leases from local airport authorities or the Government of Canada. These ground leases are for original terms varying from 5 years to 40 years, in some cases with options to renew or the right of first refusal to lease. As of December 31, 2008, expiry dates if all renewal options are exercised range from 2016 to 2029. Rents payable are generally reviewed every 5 years and these rents are recoverable from IAT's tenants under the terms of IAT's leases. The market rent for renewals of ground leases under option rights may be subject to arbitration.

In 2008, IAT and AMB Canada (as property manager of IAT at the time) successfully negotiated with the Vancouver Airport Authority to replace an expiring ground lease for one of IAT's facilities at YVR. The ten-year lease extension covers the land and building at 4840 Miller Road, in Richmond, British Columbia, an adjacent truck courtyard and a parking lot. Under the terms of the new lease, IAT will pay a base rent and a percentage rent amount based on the operating income earned with respect to such lease. In addition, IAT agreed to invest approximately $1 million in renovations to the facility.

The following table contains a summary of the principal properties of IAT and the principal terms of the ground leases held by IAT at each of these properties.

| Property | Year Completed /Acquired | Year of Expiry of Current Term | Completion of all Available Renewals | Area of Leased Land (sq. ft.) | Net Rentable Area (sq. ft.) | Percentage Leased at December 31, 2008 |
|---|---|---|---|---|---|---|
| Vancouver I – III (4840 Miller Rd) | 1971-74 | 2018 | 2018 | 579,842 | 166,122 | 72.2% |
| Vancouver IV - (4831-4851 Miller Rd) | 1984 | 2011 | 2016 | 315,443 | 126,705 | 80.4% |
| Vancouver V - (5000 Miller Rd) | 1988-89 | 2013 | 2028 | 506,785 | 131,227 | 97.5% |
| Vancouver VI – (5200 Miller Rd) | 1989-90 | 2013 | 2028 | (in total) | 81,605 | 84.9% |
| Vancouver VII - (3511 Jericho Ave) | 1996 | 2011 | 2026 | 84,108 | 25,842 | 100.0% |
| Vancouver VIII(1) - (3511 Jericho Ave) | 1996 | 2011 | 2026 | 68,890 | 26,440 | 100.0% |
| Vancouver IX - (5980 Miller Rd) | 1998 | 2009 | 2029 | 80,579 | 29,241 | 95.7% |
| Vancouver X(2)- (3611 Jericho Ave) | 2000 | 2009 | 2029 | 154,991 | 52,308 | 100.0% |
| Vancouver XI (Airside Facility) (5400 Airport Rd South) | 2000 | 2009 | 2019 | 343,264 | 101,720 | 92.5% |
| **Subtotal – Vancouver** | | | | **2,133,902** | **741,210** | **87.1%** |
| Edmonton I – II – (4th Ave & Service Rd) | 1968 and 1992-93 | 2013 | 2023 | 102,688 | 40,102 | 81.1% |
| Edmonton III - (5th Ave & Service Rd) | 1997 | 2009 | 2019 | 293,108 | 48,193 | 97.9% |
| Calgary I – II - (2100 – 78th Ave) | 1978-81 | 2012 | 2017 | 401,693 | 102,991 | 87.7% |
| Calgary III - (8001-21 St N.E) | 1988-89 | 2009 | 2029 | 302,750 | 75,997 | 100.0% |
| Saskatoon - (2515 Airport Drive) | 1981 | 2011 | 2025 | 161,442 | 30,364 | 91.6% |
| Winnipeg - (2019-2021 Sargent Ave) | 1982-83 | 2012 | 2025 | 334,398 | 102,406 | 87.1% |
| **Subtotal – Other Properties** | | | | **1,596,079** | **400,053** | **90.8%** |
| **Total** | | | | **3,729,981** | **1,141,263(3)** | **88.4%** |

Notes:

(1) Under certain circumstances, the tenant has a right to acquire this building for a pre-established price if IAT chooses to sell it and has an option to acquire this building in 2011.

(2) IAT transferred this property to a joint venture company in which IAT has a 50% interest, effective December 31, 2000.

(3) Rentable area may change marginally from year to year as usable mezzanine space is modified.

Over the next few years, IAT intends to renew or extend land leases either by exercising renewal options or negotiating for extensions of original terms. Renewal provisions typically require land lease rates to be renegotiated to prevailing market rates. Land rent is recoverable from IAT’s tenants under existing tenant lease terms.

## Facilities

IAT leases approximately 1,141,263 square feet of air cargo office and warehouse, hangar, shop, ramp and related space in 18 buildings either developed or acquired by IAT on land leased by IAT. At the end of 2008, approximately 88.4% of this space was leased by IAT to 132 tenants (24 of whom occupy space in IAT’s buildings at more than one airport). Eleven of these buildings, comprising approximately 741,000 square feet of space, are located at YVR. A 52,000 square foot building in Vancouver, primarily leased by one tenant, is owned by a joint venture company in which IAT has a 50% interest.

IAT has developed relationships with its tenants over many years that give it a thorough knowledge of its tenants’ specific and industry needs.

IAT's building designs provide its tenants with functional space which is flexible, durable and cost efficient. The facilities are modular in nature and provide for a variety of access configurations, including road and runway access. The electrical and mechanical systems have also been designed and constructed to be easily adapted. While this approach to building design results in a higher initial capital cost for facilities, it allows IAT to extend the useful life of the buildings by making the buildings adaptable to varied and changing tenant requirements. This approach to building design also reduces the costs attached to accommodating tenant requirements.

**Customers, Tenants and Lease Terms**

Customers of IAT's air cargo facilities operate businesses within the air cargo industry as well as within the aircraft maintenance industry. These customers include passenger airlines (including Air Canada, WestJet and Air Transat), integrated freight carriers (including UPS, DHL International and Schenker), air cargo handlers (including Swissport, Mega International and Menzies Aviation), freight forwarders (including UPS-SCS, Schenker of Canada, Nippon and Yusen Air), customs brokers, government agencies and others. Customers of IAT's airside facilities include Pacific Coastal Airlines, AeroFlite Industries Ltd. (Harbor Airlines), Carson Airlines and other companies involved in either general aviation maintenance or aircraft ground handling.

IAT's customers generally require direct access to airport infrastructure such as runways, passenger terminals, taxiways and secure service roads. Most of IAT's buildings are "airside" (buildings that are contiguous to or have direct access to airport infrastructure). Generally, "airside" buildings do not compete directly for customers with "non-airside" buildings (buildings lacking such access). Consequently, IAT's results are more sensitive to the level of activity in the aviation industry rather than to the overall real estate cycle.

IAT's air cargo buildings are specifically designed for the needs of the air cargo industry with a flexible, modular design, which permits a variety of configurations and expansion or contraction depending upon the needs of current and potential customers. A combination of specialized facilities and limited availability of suitable land means that "airside" buildings generally achieve rents above those paid for industrial or warehouse buildings in non-airport locations.

Typically, IAT enters into leases with tenants for terms of one to ten years. In 2009, leases representing approximately 20.5% of IAT's net leaseable area will expire or become due for renewal at the tenant's option. Notwithstanding current economic conditions, IAT does not anticipate its occupancy to be significantly affected.

**Property Management, Leasing and Marketing, Operations and Maintenance**

<u>Internalization of Management of IAT</u>

On December 2, 2008, AMB Canada and IAT announced the Internalization, whereby the asset management and operations of the Fund and IAT were to be assumed by IAT Management LP from AMB Canada. Pursuant to the Purchase Agreement, AMB Canada was required to fulfill its obligations under an existing Property Management Agreement (defined below) and a Leasing and Marketing Agreement (defined below) with IAT and was compensated accordingly by IAT, as further described below.

On February 27, 2009 (the "Closing Date"), the Internalization was finalized. The Internalization resulted in, among other things, IAT Management LP: (i) hiring the Vancouver office employees of AMB Canada; (ii) assuming ownership of the management and administrative contracts of IAT and the Fund, and (iii) purchasing approximately $0.1 million in assets from AMB Canada. No termination fees were payable to AMB Canada in connection with the Internalization, however, IAT was required to pay a nominal purchase price to AMB Canada for the depreciated value of identified office assets, less outstanding vacation entitlements, plus liabilities associated with contracts and operations after the Closing Date.

Internalized property management fees and leasing and marketing fees are 5.75% and 2.1%, respectively, of the gross receipts of IAT. While the property management fees are recoverable from tenants, the leasing and marketing fees are not.

Management Prior to the Internalization

Prior to the Closing Date, IAT contracted its day-to-day property management and leasing and marketing activities to AMB Canada pursuant to a property management agreement (the "Property Management Agreement") and a leasing and marketing agreement (the "Leasing and Marketing Agreement"), each of which had an automatic renewal feature for a further ten-year term after initial ten-year terms that were due to expire on September 14, 2015.

The fees payable for AMB Canada's services under the Property Management Agreement and the Leasing and Marketing Agreement (collectively, the "Agreements") were 5.75% and 2.1%, respectively, of the gross receipts of IAT. While the property management fees were recoverable from tenants, the leasing and marketing fees were not. AMB Canada was also entitled, when applicable, to a fee equal to 6% of the cost of construction of certain improvements to leased premises, which was also not recoverable from tenants, and a 0.9% acquisition fee on the purchase price of any property that IAT acquired pursuant to a right of first offer under the terms of a Non-Competition Agreement (defined below) that AMB Canada entered into with the Fund and IAT, as further described below.

During the initial 10-year terms of the Agreements, IAT was granted a no fault termination right in the event of a transaction that resulted in a change of control of IAT or, with respect to particular properties, a change of beneficial ownership of any of IAT's properties. Under the terms of the Agreements, IAT was required to pay a termination fee if such a termination resulted in the remaining properties generating an annual management fee of less than $0.8 million. However, under the terms of the Purchase Agreement, no termination fees were payable to AMB Canada in connection with the Internalization, although IAT was required to pay a nominal purchase price to AMB Canada. AMB Canada could have terminated the Property Management Agreement at any time with at least one year's prior written notice.

AMB Property, L.P. Non-Competition Agreement

Prior to the Closing Date, AMB had a binding non-competition agreement (the "Non-Competition Agreement") with the Fund and IAT. The Non-Competition Agreement was terminated in connection with the Internalization. There were no fees payable by either party in connection with the termination of this agreement.

**Employees**

IAT has no full time employees. All of IAT's business activities are conducted by the officers and employees of IAT Management LP, a subsidiary of the Fund (or through a subcontractor if applicable), through a Property Management Agreement, Leasing and Marketing Agreements, and ♦ **[not defined]** Operations and Maintenance Agreements between IAT and IAT Management LP. Prior to the Internalization, AMB Canada provided these services to IAT.

## Environmental Matters

IAT has obtained Phase One environmental assessments of each of its properties from a variety of independent environmental consultants. These assessments were conducted between 1993 and 1997 and did not indicate any significant environmental concerns with respect to any of IAT's properties.

Occasionally, the activities of tenants of IAT involve the handling of hazardous substances. IAT monitors the activities of its tenants and its leases with its tenants require tenants to abide by environmental laws and to indemnify IAT for damages from hazardous substances handled by tenants. IAT carries limited insurance against unexpected or unintentional discharge, disposal, release or escape of pollutants.

IAT monitors its properties for the presence of hazardous or toxic substances. IAT is not aware of any environmental liability with respect to the properties that would have a material adverse effect on IAT's business, assets or results of operations. However, there can be no assurance that such a material environmental liability does not exist. The existence of any such material environmental liability could have an adverse effect on the Fund's results of operations and cash flow.

## Capital Expenditures

IAT incurs capital expenditures from time to time. These include expenditures to improve its properties and its facilities generally as well as those incurred on improvements made to meet specific tenant needs, such as construction of demising walls and offices etc., which generally occurs before the commencement of the leases.

The following table outlines capital expenditures for building and tenant improvements for the years 2006 to 2008 inclusive:

| ***Year*** | ***Building Improvements***(1) | ***Tenant Improvements***(2) |
|---|---|---|
| 2006…………………………… | $683,000 | $357,000 |
| 2007…………………………… | $424,000 | $464,000 |
| 2008…………………………… | $603,000 | $820,000 |

Notes:
(1) Certain building improvements are recoverable from tenants.
(2) Tenant improvements are not recoverable from tenants.

On occasion, IAT also makes capital expenditures to acquire or develop properties. Capital expenditures for acquisition and development are generally financed by mortgage loans. The increase in tenant improvements in 2008 relates primarily to a portion of a $1.1 million spending commitment IAT incurred with respect to its 4840 Miller Road facility, in Richmond, British Columbia, in connection with the renewal of the lease of that property in 2008. The remaining portion of the spending commitment was spent in the first quarter of 2009 on various building and tenant improvements and maintenance including roof, paving and dock repair work, as well as tenant improvements on new and renewing leases.

## Competition

IAT faces potential competition in the leasing of facilities to its tenants and other commercial users of airports in the various markets in which IAT carries on business. This competition comes from a number of sources that vary depending on the particular circumstances of each airport, but typically include owners and developers of industrial, commercial and warehouse buildings, as well as those airport authorities who may choose to internalize the development of their airport properties. To date, the airport authorities from whom IAT leases land have not developed competing air cargo facilities. IAT's ability to provide direct airside access and on-airport locations as well its competitive and quick responses to varied, special customer requirements continues to place IAT in a strong competitive position as a provider of space to those involved in the air cargo and aircraft maintenance industry.

**Reorganization**

On November 26, 2008, IAT GP was incorporated. IAT GP is a British Columbia corporation and a wholly-owned subsidiary of the Fund. IAT GP was incorporated to act as the general partner and provide management of the IAT Management LP.

On November 28, 2008, IAT Management LP was established pursuant to a Limited Partnership Agreement between the Fund and IAT GP whereby the Fund agreed to contribute $50,000 for 50,000 Partnership Units and IAT GP agreed to contribute $1.00 for general partner capital, but did not receive any Partnership Units nor voting rights. The purpose of the Partnership is to provide management and administrative services for IAT.

On December 2, 2008, AMB Canada and IAT announced the Internalization, whereby the asset management and operations of the Fund and IAT were assumed by IAT Management LP from AMB Canada as more fully described above under the heading "Internalization of Management of IAT".

## RISK FACTORS

*Any of these risks could materially and adversely affect IAT's, and therefore the Fund's, business, results of operations and financial condition, which in turn could materially and adversely affect the ability of the Fund to pay distributions on the Trust Units and the value of the Trust Units. In addition to the risk factors listed below, businesses are often subject to risks not foreseen or fully appreciated by management. In reviewing these risk factors, investors should keep in mind other possible risks that could be important.*

**Risks Inherent in the Business of IAT**

***IAT's performance is subject to general economic conditions and risks associated with IAT's business and assets.***

There is currently a heightened overall level of risk due to the condition of the economy, which is generally believed to be in a recession. During periods of economic slowdown or recession in Canada, the United States or in other countries, rising interest rates or declining demand for real estate, or public perception that any of these events may occur, could result in a general decrease in rents or an increased occurrence of defaults under existing leases, which could adversely affect IAT's financial condition and results of operations.

IAT's properties are concentrated predominantly in the industrial real estate sector in the aviation industry. As a result of this concentration, IAT would feel the effects of an economic downturn in this sector more acutely than if IAT's portfolio of properties included other property types in more diverse industries.

The investment returns available from IAT's business and assets depend on the amount of income earned and capital appreciation generated by its properties, as well as the expenses incurred in connection with its properties. If IAT's properties do not generate income sufficient to meet operating expenses, including debt service and capital expenditures, then the Fund will be unable to pay distributions to Unitholders. In addition, there are significant expenditures associated with an investment in real estate (such as mortgage payments, real estate taxes and maintenance costs) that generally do not decline when circumstances reduce the income from a property.

Income or distributable cash from, and the value of, IAT's properties may be adversely affected by:

- changes in general economic conditions, in the aviation industry or in the real estate sector;
- disruptions in the air cargo industry caused by political, regulatory or other factors, including terrorism;
- reductions in air cargo volumes, including reductions resulting from higher costs, currency fluctuations, increases in other modes of cargo transportation such as trucking, or economic conditions in Canada or in other countries;
- local conditions, such as oversupply of, or a reduction in demand for, industrial space;
- insolvency or consolidation of IAT's tenants;
- reduced attractiveness of IAT's properties to potential tenants;
- competition from other properties;
- IAT's ability to provide adequate maintenance and to obtain adequate insurance;
- increased operating costs or greater than expected capital expenditure requirements;
- increased costs of compliance with regulations;
- the potential for liability under applicable laws (including changes in tax laws); and
- potential litigation or disputes with IAT's landlords, tenants and other third parties.

Future terrorist attacks, military conflicts or public health concerns may result in declining economic activity or adversely affect the air cargo industry, which could reduce the demand for, and the value of, IAT's properties. To the extent that future attacks, conflicts or public health concerns affect IAT's tenants, their businesses similarly could be adversely affected, including their ability to continue to honour their existing leases.

***Risks related to the aviation industry may adversely affect the Fund and IAT.***

The aviation industry, including the air cargo industry, is subject to cyclical changes caused by demand for the movement of airfreight, which is dependent on the overall economy and the level of activity in the aviation industry. IAT's revenues are dependent on the level of demand for the movement of airfreight. The air cargo industry is undergoing consolidation. A number of air cargo companies and freight forwarders have been acquired and consolidated into larger freight companies, which has the effect of reducing the number of tenants requiring airside cargo facilities. Further, in some cases, larger integrated freight carriers (known generically as "courier companies") develop and lease or own their own cargo handling facilities at airports without involving third parties.

***IAT's inability to renew ground leases may adversely affect IAT and the Fund.***

There can be no assurance that IAT's landlords (the independent airport authorities in Vancouver, Calgary, Edmonton and Winnipeg and the Government of Canada in Saskatoon or their head landlords, if applicable) will renew IAT's ground leases upon expiry. Should a ground lease not be renewed, IAT would be unable to operate the buildings situated on such site or may be required to relocate certain tenants to comparable space in certain circumstances. Similarly, if IAT defaults under a ground lease and is unable to cure such default in a manner satisfactory to its landlords, IAT may be unable to operate its buildings pursuant to such leases. If IAT were unable to provide alternative suitable space for its tenants (which could require construction of new buildings with the attendant costs), IAT would lose tenants in such a situation.

IAT may seek to acquire new or additional properties to lease to tenants in existing markets or new areas, either to expand its business or to replace properties if it is unable to renew ground leases. There can be no assurance that such additional properties will be available for acquisition on terms that are advantageous to IAT or that any such acquired property will generate anticipated operating results.

In certain other North American airports, local airport authorities have chosen to own and operate air cargo facilities as an airport profit centre. IAT's landlords have not adopted such an approach, but there can be no assurance that they will not do so in the future. In such circumstances, the relevant airport authority might choose not to renew existing leases or enter into new ground leases upon expiry. See "Business of IAT – Competition".

In addition, in certain leases whereby we lease land from the airport authority which is in turn leased from Her Majesty, there is a risk that the head lease may be terminated outside of IAT's control for an airport authority's default or otherwise, or that the head lease may not be renewed upon expiry. In such a case, there can be no assurance that IAT will be able to continue its lease as expected, and IAT's business, operations, cash flow and financial condition could be materially adversely affected.

***IAT may be unable to renew leases with tenants or re-let space as leases expire.***

As of December 31, 2008, leases of approximately 20.5% of IAT's rentable space will expire on or prior to December 31, 2009. Some of these leases are renewable at market lease rates, at the option of the tenant. However, there can be no assurance that any or all existing tenants will renew their leases on similar terms or lease rates or at all.

IAT derives most of its income from rent received from its tenants. Accordingly, IAT's financial condition, results of operations and cash flow and the Fund's ability to pay distributions on, and the market price of, the Trust Units, could be adversely affected if IAT is unable to promptly re-let or renew these expiring leases or if the rental rates upon renewal or re-letting are significantly lower than expected. If a tenant experiences a downturn in its business or other type of financial distress, then it may be unable to make timely rental payments or renew its lease. The current downturn in the economy increases this risk, although IAT has not yet experienced such an occurrence. Further, IAT's ability to rent space and the rents that IAT can charge are affected not only by customer demand, but also by the number and type of properties IAT has to offer to attract tenants.

***IAT's concentration in the Vancouver market may impact IAT's revenues, growth and future operations.***

Approximately 65% of IAT's building space is in the Vancouver market, and 70% of its rental revenues in the fiscal year ended December 31, 2008 were derived from that market. IAT's results of operations and its future growth will be significantly affected by its operations at YVR, its ability to maintain and expand these facilities or a downturn in Vancouver's economy or real estate market.

***Actions by IAT's competitors may decrease or prevent increases of the occupancy and rental rates of IAT's properties.***

IAT competes with developers and other owners and operators of real estate, some of which own properties similar to IAT's in the same markets in which IAT's properties are located. If IAT's competitors offer space at rental rates below current market rates or below the rental rates IAT currently charges IAT's tenants, IAT may lose potential tenants and may be pressured to reduce its rental rates below those it currently charges in order to retain tenants when tenants' leases expire. As a result, IAT's financial condition and cash flow, and the Fund's ability to pay distributions on, and the market price of, the Trust Units could be materially adversely affected.

***IAT could be adversely affected if a significant number of IAT's tenants are unable to meet their lease obligations.***

IAT's results of operations and the Fund's distributable cash and the value of the Trust Units would be adversely affected if a significant number of IAT's tenants were unable to meet their lease obligations to IAT. In the event of a significant number of lease defaults, IAT's cash flow may not be sufficient to allow the Fund to pay distributions on the Trust Units. In addition, in the event of lease defaults by a significant number of IAT's tenants, IAT may incur substantial costs in enforcing its rights as landlord. As of December 31, 2008, IAT did not have any single tenant account for rent revenues greater than 8%.

***The Fund's cash distributions may fluctuate.***

The amounts of the distributions to be distributed by the Fund to Unitholders will depend entirely upon the amount of interest paid by IAT on the Notes and the amount of dividends and other distributions paid by IAT upon the Common Shares of IAT. The ability of IAT to pay interest, dividends and other distributions of the Fund will depend entirely upon the financial performance of IAT. The interest payable on the Notes is not guaranteed by any person and the amounts of dividends and other distributions that might be paid by IAT to the Fund depend upon the future profitability and cash flow of IAT. The Notes are subordinate to the mortgage loans of IAT and such other senior indebtedness that may be incurred from time to time, and payment of interest on the Notes may be affected by the existence and extent of this debt and associated covenants.

The actual amount paid or distributed by IAT to the Fund and distributed by the Fund to Unitholders will depend upon numerous factors including profitability, determination of taxable income and taxes payable by IAT and/or the Fund, fluctuations in working capital, and the sustainability of margins and capital expenditures. The Fund is of the view that all expenses to be claimed by the Fund and IAT will be reasonable and deductible. However, taxation authorities may take the view that certain income or expense transactions should be treated differently for tax purposes, any of which could materially adversely affect returns to Unitholders.

***Casualty losses may be uninsurable or not fully insurable on a cost-effective basis.***

IAT carries commercial liability, property and rental loss insurance covering all the properties that it owns and manages in types and amounts that IAT believes are adequate and appropriate given the relative risks applicable to the properties, the costs of coverage and industry practice. Certain losses, such as those due to windstorms, flood or seismic activity, may be insured subject to certain limitations, including large deductibles, co-payments and policy limits. Certain types of loss, however, may not be fully insurable on a cost-effective basis, such as losses from earthquakes or terrorism, or may be altogether uninsurable or not economically insurable. Should uninsured losses or damage occur, IAT could lose both its investment in, and anticipated profits and cash flow from, an affected property and may continue to be obligated on any leasehold obligations, mortgage indebtedness or other obligations related to such property. As a result, any such loss could materially adversely affect the business of IAT.

***Earthquakes and floods could disrupt operations and damage or destroy properties.***

IAT's properties at the Vancouver International Airport are located just above sea level on an island that is situated in an earthquake zone. In the event of an earthquake, tsunami or related flooding, the operations of the Vancouver International Airport and IAT could be subject to serious long-term disruption and IAT's properties could be damaged or destroyed. IAT carries insurance covering loss arising from earthquakes and flood in amounts IAT believes are adequate and appropriate given the relative risks applicable to the properties, the costs of coverage and industry practice. However, there can be no assurance that such insurance will be adequate to cover potential risks.

***Contingent or unknown liabilities could adversely affect IAT's financial condition.***

IAT has, and may in the future lease, properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities. As a result, if a liability were asserted against IAT relating to such properties, then IAT might have to pay substantial sums to settle it, which could adversely affect IAT's cash flow. Unknown liabilities with respect to entities or properties might include, among others:

- liabilities for clean-up or remediation of undisclosed environmental conditions (see "The costs of compliance with environmental laws and any related potential liabilities could adversely affect the Fund and IAT");
- tax liabilities; and
- claims for indemnification by partners, shareholders, officers directors and others indemnified by the former owners of the properties.

***AMB is knowledgeable of the operations of IAT, and is permitted to compete with IAT.***

AMB was party to the Non-Competition Agreement with the Fund and IAT that terminated as of the Closing Date upon completion of the Internalization. AMB is knowledgeable of IAT business, and may compete with IAT for on-airport and off-airport properties located within and outside the boundaries of covered airports. Thus, to the extent that AMB pursues acquisitions of such properties, IAT may not be able to effectively compete with AMB for such properties and its potential for growth may be limited in such circumstances.

***The costs of compliance with environmental laws and any related potential liabilities could adversely affect the Fund and IAT.***

Under applicable environmental laws and regulations, a current or previous owner or operator (including a tenant) of real estate may be liable for the costs of investigation, removal or remediation of certain hazardous or toxic substances including petroleum products, at, on, under or in its property. The costs of removal or remediation of such substances could be substantial. These laws typically impose liability and clean-up responsibility without regard to whether the owner or operator knew of or caused the presence of the contaminants. Even if more than one person may have been responsible for the contamination, each person covered by the environmental laws may be held responsible for all of the clean-up costs incurred. In addition, third parties may sue the owner or operator of a site for damages based on personal injury, property damage, or other costs, including investigation and clean-up costs, resulting from the environmental contamination.

Applicable environmental laws also require that owners or operators of buildings containing asbestos properly manage and maintain the asbestos, adequately inform or train those who may come into contact with asbestos and undertake special precautions, including removal or other abatement, in the event that asbestos is disturbed during building renovation or demolition. These laws may impose fines and penalties on building owners or operators who fail to comply with these requirements and may allow third parties to seek recovery from owners or operators for personal injury associated with exposure to asbestos. Some of IAT's properties contain asbestos-containing building materials.

In addition, some of IAT's properties are leased or have been leased, in part, to owners and operators of businesses that use, store, or otherwise handle petroleum products or other hazardous or toxic substances, creating a potential for the release of such hazardous or toxic substances. Further, certain of IAT's properties are on, adjacent to or near other properties that have contained or currently contain petroleum products or other hazardous or toxic substances, or upon which others have engaged, are engaged or may engage in activities that may release such hazardous or toxic substances. From time to time, IAT may acquire properties, or interests in properties, with known adverse environmental conditions where IAT believes that the environmental liabilities associated with these conditions are quantifiable and that the acquisition will yield a superior risk-adjusted return. In such an instance, IAT factors the expected costs of environmental investigation, clean up and monitoring into the acquisition cost and seeks to obtain appropriate environmental insurance for the property. Upon divestment of any properties, IAT may agree to remain responsible for, and to bear the cost of, remediating or monitoring certain environmental conditions on the properties.

It is possible that there are material environmental liabilities unknown to IAT or that known environmental conditions may give rise to significant liabilities. Although IAT is currently unaware of any such contamination or pollution migration issues at its properties that would materially adversely affect its business, there can be no assurance that environmental conditions or liabilities will not arise in the future. Further, the current environmental condition of IAT's properties may be affected by tenants and operators, the condition of land, operations in the vicinity of the properties (such as releases from underground storage tanks) or by unrelated third parties. If the costs of compliance with existing or future environmental laws and regulations exceed IAT's budgets for these items, then IAT's financial condition, results of operations and cash flow, and the Fund's ability to pay distributions on, and the market price of the Trust Units, could be adversely affected.

***IAT's business could be adversely affected if there are deficiencies in IAT's disclosure controls and procedures ("DC&P") or internal control over financial reporting ("ICFR").***

The design and effectiveness of IAT's DC&P and ICFR may not prevent all errors, misstatements or misrepresentations. While management will continue to review the effectiveness of IAT's DC&P and ICFR, there can be no guarantee that IAT's ICFR will be effective in accomplishing all control objectives all of the time. Deficiencies, including any material weakness, in IAT's ICFR which may occur in the future could result in misstatements of IAT's results of operations, restatements of IAT's or the Fund's financial statements or a decline in the market price of the Trust Units, or may otherwise materially adversely affect IAT's business, reputation, results of operations, financial condition or liquidity and similarly materially adversely affect the Fund.

**Risks Inherent in an Investment of Trust Units**

***The Trust Units are not debt securities or shares.***

The Trust Units are not debt securities. A Unitholder's investment in the Trust Units is subject to substantially the same risks as if it were a direct equity investment in IAT. However, the Trust Units do not represent a direct investment in IAT and should not be viewed by investors as shares in IAT. As holders of Trust Units, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The Trust Units represent a fractional interest in the Fund. The Fund's primary assets are the Notes and the Common Shares of IAT.

The market price per Trust Unit is a function of anticipated distributable cash and other market factors. The market price of the Trust Units will vary and at any given time may be affected by general economic and market conditions and will be sensitive to prevailing interest rates. A rise in interest rates may have a negative effect on the market price of the Trust Units.

The Trust Units are not "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. Furthermore, the Fund 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 market price of the Trust Units could be substantially affected by various factors.***

As with other publicly traded securities, the market price of the Trust Units will depend on many factors that are not within the Fund's control and may change from time to time, including:

- the extent of investor interest in the Fund or the real estate sector;
- the market for income trust units;
- the market for securities issued by real estate investment issuers;
- qualification of the Fund as a REIT;
- the general reputation of real estate investment issuers and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by real estate-based issuers that are not income trusts);
- general equity and bond market conditions, including changes in interest rates on fixed income securities, that may lead prospective purchasers of the Trust Units to demand a higher annual return from future distributions;
- terrorist activity that may adversely affect the markets in which IAT's securities trade, possibly increasing market volatility and causing the further erosion of business and consumer confidence and spending;
- general economic conditions;
- IAT's financial condition, performance and prospects;
- actual or anticipated variations in our quarterly operating results or distributions;
- actions by the Fund's investors;
- speculation in the press or investment community;
- adverse market reaction to incurring additional debt or issuing additional equity in the future;
- the impact of a global recession on profitability and capital markets; and
- realization of any other risk factors noted herein.

Other factors, such as governmental regulatory action and changes in tax laws, could also have a significant effect on the future market price of the Trust Units.

***Income tax law changes may impact distributions to unitholders and affect the price of the Trust Units.***

IAT's income is subject to Canadian tax laws and the Fund is subject to Canadian tax laws, all of which may be changed in a manner that could adversely affect the amount of distributable cash available to Unitholders. There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the holders of Trust Units. If the Fund ceases to qualify as a "mutual fund trust" under the *Income Tax Act* (Canada) (the "Tax Act"), that could have material and adverse income tax consequences for the Fund and Unitholders. Further, interest on the Notes accrues at the Fund level for income tax purposes whether or not actually paid. The Amended and Restated Declaration of Trust provides that an amount equal to the taxable income of the Fund will be distributed each year to Unitholders in order to eliminate the Fund's taxable income. Where interest on the Notes has accrued but has not been paid in whole or in part, the Amended and Restated Declaration of Trust provides that additional Trust Units must be distributed to Unitholders in lieu of cash distributions. Unitholders will generally be required to include an amount equal to the fair market value of those Trust Units in their taxable income in circumstances when they do not directly receive a cash distribution.

In 2007, the Government of Canada implemented certain changes to the Canadian federal taxation of certain publicly traded trusts and limited partnerships (referred to as "SIFTs"), and, in 2008, proposed further amendments to the rules relating to SIFTS. See "General Development of the Business – Tax Law Changes Regarding Income Trusts". If the Fund does not qualify as a REIT under the SIFT rules, it is expected that the Fund would be a SIFT and would be subject to the proposed tax treatment of SIFTs. There can be no assurance that the Fund will qualify as a REIT. The Fund may need to undertake a restructuring in order to qualify as a REIT.

***Earnings and cash distributions, asset values and market interest rates affect the price of the Trust Units.***

As a real estate income fund, the market price of the Trust Units is generally based primarily upon the market's perception of the Fund's current and potential earnings, cash flow and distributions. For this reason, the Trust Units may trade at prices that are higher or lower than those implied by the net market value of IAT's real estate assets. To the extent that IAT retains operating cash flow for investment purposes, working capital reserves, or other purposes, these retained funds, while increasing the value of IAT's underlying assets, may not correspondingly increase the market price of the Trust Units.

The Fund's failure to meet the market's expectations with regard to future earnings, cash flow or distributions could adversely affect the market price of the Trust Units. Further, the current or expected distributions on the Trust Units (as a percentage of the price of the Trust Units) relative to market interest rates may also influence the price of the Trust Units. An increase in market interest rates might lead prospective purchasers of the Trust Units to expect a higher distribution return, which could adversely affect the market price of the Trust Units.

***Capital investments or other expenditures by IAT or the Fund may affect distributions to unitholders.***

The timing and amount of capital expenditures or other investments by IAT or the Fund will directly affect the amount of income available for distribution to Unitholders. Distributions may be reduced at times when significant capital or other expenditures are made or planned to be made. IAT's ongoing annual capital maintenance expenditures after 2009 are expected to be somewhat less than those of 2008 and 2009 due to IAT's $1.1 million spending commitment with respect to the 4840 Miller Road facility spent over 2008 and 2009. In 2009, the Fund anticipates spending approximately $1.4 million in capital expenditures.

***Restrictions on potential growth may result from IAT's distribution of its cash.***

The payout by IAT of substantially all of its operating cash flow net of reserves may make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of IAT and its cash flow.

***Securities that may be distributed on redemption or termination of the Fund may not be qualified investments and may not readily be disposed of.***

Upon a redemption of Trust Units or termination of the Fund, the Trustees may distribute the Common Shares of IAT or Notes directly to the Unitholders, subject to obtaining any required regulatory approvals and complying with the requisite terms and conditions of such approvals. When distributed, such securities may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, depending upon the circumstances at the time. In addition, no public market will exist for such Common Shares of IAT or Notes and, accordingly, such securities may not readily be disposed of.

***The Fund may issue additional Trust Units diluting existing Unitholders' interests.***

The Amended and Restated Declaration of Trust authorizes the Fund to issue an unlimited number of Trust Units for such consideration and on such terms and conditions as are established by the Trustees without the approval of any Unitholders. Any further issuance of Trust Units will dilute the interests of existing Unitholders and may, accordingly, result in reduced distributions per Trust Unit.

***There can be no assurance that Trust Units will continue to be qualified investments.***

There can be no assurance that the Trust Units will continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income trusts and registered education savings plans. The Tax Act imposes penalties of approximately 1% per month for the acquisition or holding of non-qualified or ineligible investments.

## CASH DISTRIBUTIONS

The Fund determines a minimum annual distribution or determines a minimum quarterly distribution for an upcoming quarter, to be paid in quarterly installments to Unitholders, based upon the anticipated earnings, cash flow, and capital reserves of IAT and expenses of the Fund. The Fund receives quarterly interest payments on the Notes and any dividends that may be required to meet the quarterly distribution to Unitholders from IAT. The Fund distributes to Unitholders all funds received from IAT, net of the Fund's expenses.

The Senior Subordinated Notes carry a fixed interest rate of 10% per annum. The interest on the Subordinated Notes is determined quarterly at an amount equal to the amount by which 92.5% of IAT's earnings before interest, amortization and accretion and after provision for current taxes payable exceeds debt service requirements (principal and interest) on mortgage debt and the Senior Subordinated Notes, subject to a minimum rate of 6% per annum and a maximum rate of 12.5% per annum.

Based on historical and anticipated cash needs, IAT retains a reserve for capital expenditures and working capital and other requirements. If IAT concludes that it has additional cash in this reserve beyond what it needs for expected capital expenditures and working capital requirements, the directors of IAT may, in their discretion, declare a dividend to the Fund, which would then be available for distribution by the Fund to Unitholders.

The Fund declares cash distributions at the end of each quarter and pays the distribution on or before the 15th day of January, April, July, and October.

The following cash distributions on the Trust Units were declared for the years ended December 31, 2006, 2007, and 2008. Per unit amounts are approximate.

**Summary of Distributions Declared by the Fund**

| (dollars in thousands, except per unit data) | March | | June | | September | | December | | Totals | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **$** | **$ per unit** | **$** | **$ per unit** | **$** | **$ per unit** | **$** | **$ per unit** | **$** | **$ per unit** |
| **2008** | | | | | | | | | | |
| Interest Income | 1,220 | 0.18 | 1,250 | 0.18 | 1,284 | 0.18 | 1,014 | 0.14 | 4,768 | 0.68 |
| Distribution: | | | | | | | | | | |
| Interest Income Net of Expenses | 1,116 | 0.16 | 1,182 | 0.17 | 975 | 0.14 | 366 | 0.05 | 3,639 | 0.52 |
| Dividend | 68 | 0.01 | 2 | 0.00 | 209 | 0.03 | - | - | 279 | 0.04 |
| Non Taxable Return of Capital | - | - | - | - | - | - | 122 | 0.02 | 122 | 0.02 |
| **Total Distribution Declared** | **1,184** | **0.17** | **1,184** | **0.17** | **1,184** | **0.17** | **488** | **0.07** | **4,040** | **0.58** |
| **2007** | | | | | | | | | | |
| Interest Income | 1,237 | 0.18 | 1,105 | 0.16 | 1,161 | 0.17 | 1,270 | 0.18 | 4,773 | 0.69 |
| Distribution: | | | | | | | | | | |
| Interest Income Net of Expenses | 1,164 | 0.17 | 1,076 | 0.15 | 1,063 | 0.15 | 1,016 | 0.15 | 4,319 | 0.62 |
| Dividend | 20 | - | 108 | 0.02 | 121 | 0.02 | 238 | 0.03 | 487 | 0.07 |
| Non Taxable Return of Capital | - | - | - | - | - | - | - | - | - | - |
| **Total Distribution Declared** | **1,184** | **0.17** | **1,184** | **0.17** | **1,184** | **0.17** | **1,254** | **0.18** | **4,806** | **0.69** |
| **2006** | | | | | | | | | | |
| Interest Income | 1,139 | 0.16 | 1,072 | 0.15 | 1,135 | 0.16 | 1,495 | 0.22 | 4,841 | 0.69 |
| Distribution: | | | | | | | | | | |
| Interest Income Net of Expenses | 936 | 0.14 | 959 | 0.14 | 905 | 0.13 | 1,507 | 0.22 | 4,307 | 0.62 |
| Dividend | 82 | 0.01 | 59 | 0.01 | 113 | 0.02 | - | - | 254 | 0.04 |
| Non Taxable Return of Capital | 27 | - | 27 | - | 27 | - | 26 | - | 107 | 0.01 |
| **Total Distribution Declared** | **1,045** | **0.15** | **1,045** | **0.15** | **1,045** | **0.15** | **1,533** | **0.22** | **4.668** | **0.67** |

The following cash distributions on the Trust Units were paid during the year ended December 31, 2006, 2007, and 2008. Per unit amounts are approximate.

**Summary of Distributions Paid to Unitholders**

| (dollars in thousands, except per unit data) | **January** | | **April** | | **July** | | **October** | | **Totals** | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **$** | **$ per unit** | **$** | **$ per unit** | **$** | **$ per unit** | **$** | **$ per unit** | **$** | **$ per unit** |
| **2008** | | | | | | | | | | |
| Interest Income Net of Expenses | 1,016 | 0.15 | 1,116 | 0.16 | 1,182 | 0.17 | 975 | 0.14 | 4,289 | 0.62 |
| Dividend | 238 | 0.03 | 68 | 0.01 | 2 | 0.00 | 209 | 0.03 | 517 | 0.07 |
| Non Taxable Return of Capital | - | - | - | - | - | - | - | - | - | - |
| **Total Distribution Paid** | **1,254** | **0.18** | **1,184** | **0.17** | **1,184** | **0.17** | **1,184** | **0.17** | **4,806** | **0.69** |
| **2007** | | | | | | | | | | |
| Interest Income Net of Expenses | 1,507 | 0.22 | 1,164 | 0.17 | 1,076 | 0.15 | 1,063 | 0.15 | 4,810 | 0.69 |
| Dividend | - | - | 20 | - | 108 | 0.02 | 121 | 0.02 | 249 | 0.04 |
| Non Taxable Return of Capital | 26 | - | - | - | - | - | - | - | 26 | - |
| **Total Distribution Paid** | **1,533** | **0.22** | **1,184** | **0.17** | **1,184** | **0.17** | **1,184** | **0.17** | **5,085** | **0.73** |
| **2006** | | | | | | | | | | |
| Interest Income Net of Expenses | 1,116 | 0.16 | 936 | 0.14 | 959 | 0.14 | 905 | 0.13 | 3,916 | 0.57 |
| Dividend | 163 | 0.02 | 82 | 0.01 | 59 | 0.01 | 113 | 0.02 | 417 | 0.06 |
| Non Taxable Return of Capital | 45 | 0.01 | 27 | - | 27 | - | 27 | - | 126 | 0.01 |
| **Total Distribution Paid** | **1,324** | **0.19** | **1,045** | **0.15** | **1,045** | **0.15** | **1,045** | **0.15** | **4,459** | **0.64** |

For further information on the dividend policy of and distributions paid by the Fund in 2008, 2007 and 2006, see Management's Discussion and Analysis of Financial Condition and Results of Operations of the Fund's 2008 Annual Report, which is incorporated by reference herein.

## DESCRIPTION OF CAPITAL STRUCTURE

### Units of the Fund

The Amended and Restated Declaration of Trust established and governs the Fund, including the Fund's capital structure. The Fund is currently authorized to issue an unlimited number of Units. As of March 17, 2009, there were no securities of the Fund created and issued other than Units. Each Unit represents an equal, undivided beneficial interest in the Fund and entitles the holder to one vote per Unit at meetings of Unitholders and to receive distributions made by the Fund from time to time or upon dissolution of the Fund. Each Unit entitles the holder to an equal share in all distributions of the Fund.

Units are redeemable at the option of the Unitholder at a price per Unit equal to the lesser of (a) 90% of the weighted average price per Unit for the 10 day trading period commencing immediately after the date on which the notice of redemption is received by the Fund; and (b) the closing price per Unit on the date that the notice of redemption is received by the Fund. There is a limit of $75,000 per month for such redemptions. There are no conversion rights or pre-emptive rights attached to the Units.

### Limitation on Non-Resident Ownership

The Amended and Restated Declaration of Trust provides that at no time may non-residents of Canada (as determined for the purposes of the Tax Act) be the beneficial owners of a majority of the Units. The potential impact of exceeding this threshold may be the loss of mutual fund trust status for the Fund, which may significantly impact the valuation of the Units. Accordingly, the Fund continues to monitor, to the extent possible given the practical limitations regarding beneficial ownership information, the level of non-Canadian resident Unitholders.

The Fund uses declarations from Unitholders and geographical searches to estimate the level of Canadian and non-Canadian resident Unitholders of the Fund at certain periods throughout the year. While the Fund believes that these results are reasonable estimations at the time that they are provided, the inability of all public issuers to obtain the residency information of its beneficial holders means that issuers must rely upon the information provided to the transfer agent. As a result, the residency information is subject to system limitations and the accuracy of third party data. Accordingly, the reported level of Canadian ownership is subject to these limitations and the level of Canadian ownership may change at any time without notice.

Based on account data at January 23, 2009, it is estimated that approximately 35% of the Units are legally or beneficially owned by non-Canadian residents. The Fund will continue to monitor the non-resident ownership levels. If at any time the Fund becomes aware that the beneficial owners of 49% of the Units then outstanding are, or may be, non-residents or that such a situation is imminent, it may direct the Fund's transfer agent to make a public announcement of this fact and not to accept a subscription or transfer of Units unless the intended holder provides a residency declaration stating that it is not a non-resident of Canada. At the time that a majority of the Units are held by non-residents, the Trustees may direct the transfer agent to send a notice to non-resident holders of Units, chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustees may consider equitable and practicable, requiring them to sell their Units, or a portion thereof, within a specified period of not less than 60 days. If the Units are not sold within such period or if the Unitholders are not able to provide evidence that they are not non-residents of Canada, the Trustees may sell those Units on the Unitholders' behalf and, in the interim, will suspend the voting and distribution rights attached to such Units.

### Rating

As at March 17, 2009, the Units of the Fund were not rated by any rating agency.

## MARKET FOR SECURITIES

The Trust Units are listed for trading on the Toronto Stock Exchange under the symbol "ACF.UN".

The following table shows the volume traded, the highest daily closing price and the lowest daily closing price in each month and the closing price on the last trading day of each month for the Trust Units on the Toronto Stock Exchange during the year ended December 31, 2008.

| ***Period*** | ***High*** | ***Low*** | ***Close*** | ***Volume*** |
|---|---|---|---|---|
| 01/31/2008 | $ 7.01 | $ 6.00 | $ 7.00 | 527,798 |
| 02/29/2008 | $ 7.00 | $ 6.00 | $ 6.65 | 1,029,025 |
| 03/31/2008 | $ 7.27 | $ 6.36 | $ 6.90 | 123,474 |
| 04/30/2008 | $ 7.00 | $ 6.11 | $ 6.80 | 127,026 |
| 05/31/2008 | $ 6.95 | $ 6.46 | $ 6.61 | 128,100 |
| 06/30/2008 | $ 6.95 | $ 6.46 | $ 6.80 | 104,157 |
| 07/31/2008 | $ 6.85 | $ 6.01 | $ 6.85 | 31,572 |
| 08/31/2008 | $ 6.61 | $ 6.20 | $ 6.31 | 44,500 |
| 09/30/2008 | $ 6.95 | $ 6.07 | $ 6.51 | 34,250 |
| 10/31/2008 | $ 6.58 | $ 3.25 | $ 6.31 | 103,242 |
| 11/30/2008 | $ 4.25 | $ 3.60 | $ 3.62 | 27,255 |
| 12/31/2008 | $ 4.04 | $ 2.33 | $ 4.04 | 65,965 |

## TRUSTEES

The following table sets out information concerning the Trustees of the Fund as of March 17, 2009.[1]

| ***Name and Municipality of Residence*** | ***Principal Occupation*** [3] | ***Trustee Since*** [4] | ***Trust Units Beneficially Owned or over which Control or Direction is Exercised*** [5] |
|---|---|---|---|
| W. JOHN DAWSON [2] [6]<br>Vancouver, B.C. | Independent Business Advisor | November 17, 2003 | 10,000 |
| ALVIN G. POETTCKER [2]<br>Vancouver, B.C. | Chief Executive Officer<br>UBC Properties Trust<br>(real estate developer) | November 20, 2003 | 1,000 |
| STEPHEN J. EVANS [2]<br>Vancouver, B.C. | Managing Director<br>Sunstone Realty Advisors | September 15, 2008 [7] | 2,000 |
| ZACHARY R. GEORGE<br>Vancouver, B.C. | Portfolio Manager<br>FrontFour Capital Group LLC | October 20, 2008 [8] | nil [5] |
| DAVID A. LORBER [2]<br>New York, N.Y., USA | Portfolio Manager<br>FrontFour Capital Group LLC | January 16, 2009 [8] | nil [5] |

Notes:
(1) The Fund does not have an executive committee.
(2) Member of the audit committee.
(3) Messrs. Dawson, Poettcker, and Evans have been engaged in the occupations set forth above or similar occupations with the same employer for more than the last five years. Mr. George and Mr. Lorber are Co-Founders of FrontFour Capital Group LLC an event driven hedge fund manager launched in 2006. Prior to that Mr. George was a Senior Investment Analyst at Pirate Capital and a Credit Analyst for Mizuho Corporate Bank, and Mr. Lorber was a Senior Investment Analyst at Pirate Capital, an analyst for Vantis Capital Management LLC, and an associate with Cushman Wakefield, Inc.

(4) Each Trustee's term of office expires at the 2009 Annual Meeting of the Fund.
(5) As a group, the Trustees of the Fund beneficially own or exercise control of or direction over less than 1% of the total number of issued and outstanding Trust Units. However, Messrs. George and Lorber currently serve as Portfolio Managers of FrontFour Capital LLC, and together have a minority equity stake in FrontFour Capital LLC, which beneficially owns or controls 3,098,653 Trust Units representing an approximate 45% interest in the Fund. In the performance of their duties as Portfolio Managers and jointly as minority shareholders of FrontFour Capital LLC, Messrs. George and Lorber may exercise some indirect control or direction over such Trust Units.
(6) The Fund does not have any officers, other than Mr. Dawson, who is the non-executive chairman of the Fund and of IAT, and Nathan Daniels, who is the secretary of the Fund and of IAT. See "Directors and Officers of IAT". Mr. Dawson became chairman of the Fund on September 15, 2008 upon the resignation of the previous Chairman, Mr. Robert J. Mair, Q.C.
(7) Mr. Evans was appointed Trustee of the Fund as replacement of Mr. Robert J. Mair, Q.C. who resigned as Trustee of the Fund on September 15, 2008.
(8) On October 20, 2008, the Unitholders voted in favor of amendments to the Declaration of Trust including increasing the allowable number of Trustees to seven from five and to allow non-resident Trustees to be appointed so long as the Fund has a majority of Trustees who are residents of Canada. Along with the amendments to the Declaration of Trust, the Unitholders voted in favor of the appointment of Mr. George and Mr. Carlton B. Klein (Chief Investment Officer, FrontFour Capital Group LLC) as Trustees of the Fund. Subsequently on January 16, 2009, Mr. Klein resigned and Mr. Lorber was appointed Trustee of the Fund.

## DIRECTORS AND OFFICERS OF IAT

The following table sets out information concerning the directors and officers of IAT as of March 17, 2009.

| ***Name and Municipality of Residence*** | ***Position*** (1) | ***Date Appointed*** | ***Trust Units Beneficially Owned or over which Control or Direction is Exercised*** (4) |
|---|---|---|---|
| W. JOHN DAWSON<br>Vancouver, B.C. | Director and Chairman | August 10, 2001 | 10,000 |
| ALVIN G. POETTCKER<br>Vancouver, B.C. | Director | June 1, 1999 | 1,000 |
| STEPHEN J. EVANS<br>Vancouver, B.C. | Director | September 15, 2008 (2) | 2,000 |
| DAVID A. LORBER<br>New York, N.Y., USA | Director | January 16, 2009 (2) | nil (4) |
| ZACHARY R. GEORGE<br>Vancouver, B.C. | Director<br>President and Chief Executive Officer | September 15, 2008 (2)<br>February 27, 2009 (3) | nil (4) |
| SANDEEP MANAK<br>Vancouver, B.C. | Chief Financial Officer | February 27, 2009 (3) | nil |
| WAYNE A. DUZITA<br>Richmond, B.C. | Vice President, Leasing and Marketing | June 10, 1997 | nil |

Notes:
(1) Mr. Dawson is an independent business advisor. Mr. Poettcker is the Chief Executive Officer of UBC Properties Trust (real estate developer). Mr. Evans is the Managing Director of Sunstone Realty Advisors. Messrs. Dawson, Poettcker, and Evans have been engaged in the occupations set forth above or similar occupations with the same employer for more than the last five years. Mr. George and Mr. Lorber are Co-Founders of FrontFour Capital Group LLC an event driven hedge fund manager launched in 2006. Prior to that Mr. George was a Senior Investment Analyst at Pirate Capital and a Credit Analyst for Mizuho Corporate Bank, and Mr. Lorber was a Senior Investment Analyst at Pirate Capital, an analyst for Vantis Capital Management LLC, and an associate with Cushman Wakefield, Inc. Mr. George is also the Chief Executive Officer of IAT Management LP, the manager and affiliate of IAT. In his principal occupation, Mr. Manak is the Chief Financial Officer of IAT Management LP, the manager and affiliate of IAT. In his principal occupation, Mr. Duzita serves as the Vice President, Leasing and Marketing of IAT Management LP, the manager and affiliate of IAT. Prior to February 27, 2009, Mr. Duzita served as the Vice President, Leasing and Marketing of AMB

Property Corporation and AMB Canada. Prior to September 2005, Mr. Duzita served as the Senior Vice President of IAT Management Inc. (now named AMB Property Canada Ltd.) since its inception. Messrs. George, Manak, and Duzita also serve as officers of certain of IAT's affiliates. In his principal occupation, Mr. Daniels is a partner at the law firm of Lawson Lundell LLP.

(2) Mr. Evans was appointed Director of IAT as replacement of Mr. Robert J. Mair, Q.C. who resigned as Director of IAT on September 15, 2008. On September 15, 2008, Mr. George and Mr. Carlton B. Klein (Chief Investment Officer, FrontFour Capital Group LLC) were also appointed Directors of IAT. Subsequently on January 16, 2009, Mr. Klein resigned and Mr. Lorber was appointed Director of IAT.

(3) On February 27, 2009, the Internalization was finalized. In connection with the Internalization, Mr. George and Mr. Manak were appointed as Chief Executive Officer and Chief Financial Officer, respectively, of IAT.

(4) As a group, the directors and officers of IAT beneficially own or exercise control of or direction over less than 1% of the total number of issued and outstanding Trust Units. However, Messrs. George and Lorber currently serve as Portfolio Managers of FrontFour Capital LLC and together have a minority equity stake in FrontFour Capital LLC, which beneficially owns or controls 3,098,653 Trust Units, representing an approximate 45% interest in the Fund. In the performance of their duties as Portfolio Managers and jointly as minority shareholders of FrontFour Capital LLC, Messrs George and Lorber may exercise some indirect control or direction over such Trust Units.

## AUDIT COMMITTEE

The Audit Committee is responsible for overseeing the internal controls and management information systems of IAT and for reviewing and recommending to the Trustees all external financial reporting. It has the powers and is to perform the duties of an audit committee as required under the applicable securities legislation and the powers of a committee of the Trustees under the Amended and Restated Declaration of Trust.

The full text of the mandate of the Audit Committee is included as Schedule A to this annual information form.

### Composition of the Audit Committee

The Audit Committee is comprised of the members listed below. W. John Dawson is the chairman of the Audit Committee. The Trustees have determined that W. John Dawson and Alvin G. Poettcker are "independent" Trustees and each Trustee is "financially literate" for the purposes of National Instrument 52-110 *Audit Committees* ("NI 52-110"). Beside each member's name is such person's education and experience relevant to such member's responsibilities as an Audit Committee member.

| ***Name*** | ***Relevant Education and Experience*** |
|---|---|
| W. John Dawson | Mr. Dawson has been an independent business advisor since 2001. He has a Bachelor of Commerce degree in Accounting from the University of British Columbia (1964). He obtained his Chartered Accountant designation in 1966 and was a partner in a major international accounting firm from 1972 until his retirement in 2001. |
| Stephen J. Evans | Mr. Evans is the Managing Director and co-founder of Sunstone Realty Advisors Inc., a Vancouver-based sponsor and manager of Canadian private equity funds for commercial real estate opportunities. He is also the co-founder and a trustee of Pure Industrial Real Estate Trust (PIRET") and a director of the general partner of the operating limited partnership of WesternOne Equity Income Fund. Prior to that he was Vice President of England Securities Ltd., a real estate investment, development and management company. Mr. Evans has 21 years of experience in all sectors of real estate, including development, leasing, management and financing of retail, office, multi-family and industrial real estate. |

| | |
|---|---|
| David A. Lorber | Mr. Lorber is a Co-Founder and Portfolio Manager of FrontFour, which owns 44.5% of the Fund's outstanding units. He was previously a Senior Investment Analyst at Pirate Capital LLC and prior to that served as an analyst with Vantis Capital Management LLC, a hedge fund, and as an associate with Cushman & Wakefield, Inc. Mr. Lorber earned a B.Sc. degree in Business Management from Skidmore College in 2000. |
| Alvin G. Poettcker | Mr. Poettcker has been Chief Executive Officer of UBC Properties Trust since 1996. He has a Bachelor of Commerce degree from the University of British Columbia (1969). Since that time he has been involved in real estate development, including as President of Bentall Development Inc. and President of Barbican Properties Inc. He is currently a trustee of Royal Host Real Estate Investment Trust and a member of its audit committee. |

**Audit Committee Oversight**

Since commencement of the Fund's most recently completed financial year, the Trustees of the Fund have not failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

**Reliance on Certain Exemptions**

Since the commencement of the Fund's most recently completed financial year, the Fund has not relied on the exemptions contained in sections 2.4, 3.2, 3.4, 3.5, 3.6, 3.8 or Part 8 of NI 52-110.

**Pre-Approval Policies and Procedures**

The Audit Committee has not adopted specific policies and procedures for the engagement of non-audit services but ensures annually that there is a process in place for the pre-approval of non-audit services to be provided by the external auditors. Please refer to "Schedule A - Audit Committee Mandate" to review the terms of the Audit Committee Mandate.

**External Auditor Service Fees (By Category)**

The aggregate fees incurred relating to the Corporation's external auditor, PricewaterhouseCoopers LLP, during the years ended December 31, 2008 and December 31, 2007 are as follows:

| | **2008** | **2007** |
|---|---|---|
| Audit Fees(1) | $ 153,100 | $ 91,600 |
| Audit-Related Fees(2) | 9,627 | 5,000 |
| Tax Fees(3) | 36,500 | 55,250 |
| | $ 199,227 | $ 151,850 |

Notes:

(1) Audit Fees include amounts related to professional services rendered in connection with the audits of our annual financial statements and those of our subsidiaries, the reviews of our quarterly financial statements and other services that are normally provided by the auditor in connection with statutory and regulatory filings or engagements.

(2) Audit-Related Fees include amounts billed for assurance and related services by the auditors that are reasonably related to the performance of the audit or review of our financial statements but are not reported under "Audit Fees." These amounts primarily relate to consultations on financial accounting and reporting standards.

(3) Tax Fees include amounts billed for professional services rendered by the accountants for tax compliance, tax advice and tax planning. These amounts primarily relate to certain tax services, including tax advisory and consulting services.

## CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

No Trustee, no director or executive officer of IAT and, to the knowledge of the Fund, no person that holds a sufficient number of securities of the Fund to materially affect control of the Fund, nor any personal holding companies of such persons:

(a) is, as at the date of this Annual Information Form or has been, within the 10 years before the date of this Annual Information Form, a director or executive officer of a company that:

  (i) while the person was acting in that capacity, was subject to a cease trade or similar order or an order that denied the relevant company of access to any exemption under securities legislation that was in effect for a period of 30 consecutive days;

  (ii) while the person was acting in that capacity, was subject to an event that resulted, after the director or executive officer ceased to act in such capacity, in the relevant company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under security legislation that was in effect for a period of 30 consecutive days; or

  (iii) while or within a year of the person ceasing to act in such capacity, became bankrupt, made a proposal under 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 of this Annual Information Form, 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 the director, executive officer or shareholder.

## LEGAL PROCEEDINGS

To the knowledge of the Trustees of the Fund, except as may be described elsewhere in this annual information form, there are no material legal proceedings to which the Fund or IAT is a party or to which their assets are subject, and no such proceedings are contemplated.

## CONFLICTS OF INTEREST

As of the Closing Date of the Internalization, conflicts of interest between the Fund, IAT and AMB Canada that existed prior to the Internalization were resolved. Previously, AMB Canada provided management, leasing and marketing, and operations and maintenance services to IAT, provided the officers of IAT (excluding the Secretary), and provided legal, financial, and planning services to IAT. AMB Canada also provided administration services to the Fund. AMB Canada no longer provides any of these services, which are now provided by IAT Management LP, a wholly-owned subsidiary of the Fund, pursuant to the Internalization.

Directors and Trustees are required to abstain from voting on matters in which they have a conflict of interest.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

On September 23, 2005, 360,000 additional trust units were issued at a price of $8.21 per unit to Headlands, a wholly-owned subsidiary of AMB by way of private placement. This investment was made in connection with an indirect subsidiary of AMB acquiring all of the shares of IAT Management Inc. (subsequently renamed AMB Property Canada Ltd.), the manager of IAT prior to completion of the Internalization.

The Fund subscribed for $2,930,000 of Senior Subordinated Notes of IAT, bearing a fixed annual interest rate of 10%, which are senior to the $53,000,000 variable interest rate Subordinated Notes held by the Fund, but subordinate to the mortgage debt of IAT. In January 2008, IAT repaid $170,000 of the principal of the Senior Subordinated Notes.

To the knowledge of the Trustees of the Fund, except for the potential conflicts of interest disclosed under "Conflicts of Interest", no Trustee of the Fund or director or executive officer of IAT, no person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over more than 10% of the outstanding Units and no associate or affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is expected to materially affect the Fund or IAT.

## TRANSFER AGENTS AND REGISTRARS

Computershare Trust Company of Canada at its office in Vancouver, British Columbia is the transfer agent and registrar for the Units.

## MATERIAL CONTRACTS

There are no other contracts, other than those disclosed in this annual information form and those entered into in the ordinary course of the Fund's business, that are material to the Fund and which were entered into in the most recently completed fiscal year or which were entered into before the most recently completed fiscal year but are still in effect as of the date of this annual information form:

a) Second Amended and Restated Property Management Agreement between IAT and IAT Management Inc. (now IAT Management LP) dated September 14, 2005 (see "Property Management");

b) Second Amended and Restated Leasing and Marketing Agreement between IAT and IAT Management Inc. (now IAT Management LP) dated September 14, 2005 (see "Property Management");

c) Amended and Restated Administration Agreement dated September 14, 2005 between AMB Canada (now IAT Management LP) and, collectively, Robert J Mair, Q.C., John W. Dawson, Thomas V. Milroy and Alvin G. Poettcker, acting jointly in their capacity as trustees for and on behalf of the Fund , and any amendments or supplements thereto.

d) Operations and Maintenance Agreement dated July 1, 2007 between IAT and AMB Canada (now IAT Management LP).

e) Assignment and Assumption Agreement dated February 27, 2009 between AMB Canada and IAT Management LP.

f) Asset Purchase Agreement between IAT Management LP, the Fund, IAT, and AMB Canada dated December 2, 2008 and the Bill of Sale generated upon completion of the purchase on February 27, 2009.

Each of the above listed material contracts are on SEDAR at www.sedar.com.

## INTERESTS OF EXPERTS

PricewaterhouseCoopers LLP, the Fund's auditor, has been named as having prepared or certified a statement, report or valuation described or included in a filing or referred to in a filing made under National Instrument 51-102 during, or relating to, the Fund's financial year ended December 31, 2008. To the knowledge of the Fund, PricewaterhouseCoopers LLP holds no interest, directly or indirectly, in any securities or other property of the Fund or IAT.

## DATE OF INFORMATION

Unless the context otherwise requires or unless otherwise indicated, the information contained in this annual information form is given as of December 31, 2008 and the use of the present tense and of the words "is", "are", ''current'', ''currently'', ''presently'', ''now'' and similar expressions in this annual information form is to be construed as referring to information given as of December 31, 2008.

## ADDITIONAL INFORMATION

Reference is made to the sections of the Fund's 2008 Annual Report entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Operations of IAT", which are incorporated by reference herein. Additional information, including that relating to Trustees remuneration, management of IAT, the acquisition of Trust Units by FrontFour, options on securities, principal holders of the Fund's securities and interests of insiders in material transactions, are contained in:

(a) the Information Circular dated April 21, 2008 for the Fund's Annual Meeting held on June 11, 2008; and

(b) the Information Circular dated September 22, 2008 for the Fund's Special Meeting held on October 22, 2008,

which are also incorporated by reference herein. Additional financial information is provided in the comparative audited financial statements of the Fund and IAT for the year ended December 31, 2008, which are contained in the Fund's 2008 Annual Report and which are also incorporated by reference herein.

Copies of all materials incorporated by reference in this annual information form and additional information relating to the Fund are available under the Fund's name through SEDAR, at www.sedar.com.

# SCHEDULE A – AUDIT COMMITTEE MANDATE

## IAT AIR CARGO FACILITIES INCOME FUND

### AUDIT COMMITTEE MANDATE

**1. Mandate**

The Committee shall have responsibility for overseeing the internal controls and management information systems of the Fund and for reviewing and recommending to the Trustees all external financial reporting. The Committee shall have the powers and shall perform the duties of an audit committee as required under the applicable securities legislation and the powers of a Committee of the Trustees under the Declaration of Trust of the Fund and, until otherwise specified by the Trustees, shall in addition have the following duties and may exercise the following powers:

(a) The Committee shall annually:

- (i) assess the performance of and make recommendations for the appointment of the external auditor of the Fund and its subsidiary International Aviation Terminals Inc. (“IAT”);
- (ii) review the terms of the external auditor’s engagement, and the appropriateness and reasonableness of the proposed audit fees and any unpaid fees;
- (iii) ensure there is a process in place for the pre-approval of non-audit services to be provided by the external auditors;
- (iv) review the proposed audit plan with the external auditor and management;
- (v) review with management and with the external auditor the appropriateness of accounting policies and financial reporting practices used by management, any new or pending developments in accounting or reporting practices that may affect or impact the Fund or IAT, any proposed changes in accounting policies, the impact of alternative accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting;
- (vi) review audited annual financial statements, in conjunction with the report of the external auditor, and obtain an explanation from management of all significant variances between comparative reporting periods;
- (vii) ascertain whether any significant financial reporting issues were discussed by management and the external auditor during the fiscal period and the method of resolution;
- (viii) review any problems experienced by the external auditor in performing the audit, including any restrictions imposed by management on the scope of their work or significant accounting issues on which there was a disagreement with management, and any other matters which the external auditors wish to bring to the attention of the Committee;
- (ix) review the post-audit or management letter, containing the recommendations of the external auditor, and management’s response and subsequent follow-up to any identified weaknesses;
- (x) review the evaluation of internal controls and management information systems by the external auditor, and, if applicable, by the Fund’s and IAT’s internal audit process, together with management’s response to any identified weaknesses and obtain reasonable assurance that the accounting systems are reliable and that the system of internal controls is effectively designed and implemented;

(xi) review and assess the adequacy of insurance coverage, including directors' and officers' liability coverage; and

(xii) review and re-assess the adequacy of the Committee's charter and proceedings.

(b) The Committee shall as and when required:

(i) review all interim unaudited financial statements before release to the public;

(ii) review all public disclosure concerning audited or unaudited financial information of the Fund and IAT before its public release and approval by the Board, including management's discussion and analysis ("MD&A") and financial information contained in any prospectus, any private placement offering circular, the annual report, the annual information form, and any takeover bid circular or Trustees' circular;

(iii) review the terms of reference and effectiveness of any internal audit process of the Fund and IAT, and the working relationship between internal financial personnel and the external auditor;

(iv) review with management its philosophy with respect to controlling corporate assets and information systems, the staffing of key functions and its plans for enhancements;

(v) review any factors which might impair, or be perceived to impair, the independence of the external auditor and review any events including disagreements or unresolved issues which might lead to a change of auditor;

(vi) in the event of a proposed change of auditor, review all issues related to the change, including the information to be included in any notice of change of auditor as required under applicable securities laws, and the planned steps for an orderly transition; and

(vii) review with legal counsel, as appropriate, any material litigation and its impact on financial reporting.

## 2. Reporting

The Committee shall report to the Trustees on a timely basis on the performance of its duties and the results of reviews undertaken by it and any associated recommendations.

The Committee shall periodically meet separately with the external auditor, those responsible for any internal audit process and senior management.

## 3. Proceedings and Appointments

The proceedings of the Committee shall conform to the requirements of the applicable securities legislation and rules and the provisions of the Declaration of Trust relating to the proceedings of the Trustees as far as they are applicable, except that a majority of the members of the Committee shall constitute a quorum.

The external auditors shall be advised of the Committee meeting dates and be invited to attend at least two meetings per year.

Appointments to the Committee shall comply with the requirements of the applicable securities legislation and rules. The members of the Committee shall be independent of management and free from any relationship that, in the opinion of the Trustees, would interfere with the exercise of independent judgment as a committee member. At least two members of the Committee shall be 'financially literate' and at least one member shall have 'accounting or related financial expertise'.

Trustees who are not members of the Committee are entitled to receive copies of minutes of all meetings of the Committee.