



**RETROCOM MID-MARKET  
REAL ESTATE INVESTMENT TRUST**

**ANNUAL INFORMATION FORM  
For the Year Ended December 31, 2010**

**March 16, 2011**

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The information in this annual information form (“AIF”) is current to December 31, 2010, unless otherwise noted. All amounts in this AIF are in Canadian dollars.

## GLOSSARY

The following terms used in this AIF have the meanings set out below. Unless the context otherwise requires, any reference in this AIF to any agreement, instrument, indenture or other document means such agreement, instrument, indenture or other document, as amended, supplemented and restated at any time and from time to time prior to the date hereof or in the future.

“**1224 Dundas Property**” means the property municipally known as 1224 Dundas Street East, Mississauga, Ontario;

“**1480/1490 Dundas Property**” means the property municipally known as 1480/1490 Dundas Street, Mississauga, Ontario;

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

“**Arcturus Property Management Agreement**” has the meaning attributable thereto under “Property Management”;

“**Birchmount Property**” means the property municipally known as 750/760 Birchmount Road, Toronto, Ontario;

“**Bridge Financing**” has the meaning attributed to it under “Debt Strategy”;

“**Burnhamthorpe Property**” means the property municipally known 1100/1140/1170 Burnhamthorpe Road West, Mississauga, Ontario;

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

“**Class A LP Unit**” means a Class A unit of Retrocom LP;

“**Class B LP Unit**” means a Class B unit of Retrocom LP;

“**Class B LP Unitholder**” means a holder of a Class B LP Unit;

“**Counsel Portfolio**” means collectively, Yorkgate Mall located in Toronto Ontario, Kingspoint Plaza located in Brampton Ontario, McIntyre Centre located in Thunder Bay Ontario, Hartzel Plaza located in St. Catharines Ontario, Red River Plaza located in Thunder Bay Ontario, Lancaster Mall located in Saint John New Brunswick and 600 Fairville Road located in Saint John New Brunswick

“**Debentures**” has the meaning attributable thereto under “Description of Other Securities”;

“**Declaration of Trust**” means the Fourth Amended and Restated Declaration of Trust dated as of October 31, 2010 as amended from time to time, which is governed by the laws of the Province of Ontario;

“**Distribution Date**” means, in respect of a quarter, on or about the 15<sup>th</sup> day of the month following the quarter and in respect of a month, on or about the 15<sup>th</sup> day of the month following the month for which the distribution is declared;

“**Distribution Reinvestment Plan**” means the distribution reinvestment plan adopted by the REIT, pursuant to which Canadian resident Unitholders are entitled to elect to have cash distributions in respect of Units automatically reinvested in additional Units;

“**Exchangeable Securities**” means securities of any trust, limited partnership or corporation other than the REIT that are convertible or exchangeable directly for Units without the payment of additional consideration therefor;

**“GAAP”** means Canadian generally accepted accounting principles determined with reference to The Handbook of The Canadian Institute of Chartered Accountants, as amended from time to time. Except as otherwise specified, all accounting terms used in this AIF shall be construed in accordance with GAAP;

**“GLA”** means gross leasable area;

**“GP Trust”** means GP Trust, a trust created under the laws of Ontario pursuant to a declaration of trust dated February 11, 2004;

**“Gross Book Value”** means, at any time, the book value of the assets of the REIT and its consolidated subsidiaries, as shown on its then most recent consolidated balance sheet, plus accumulated depreciation and amortization recorded in the books and records of the REIT in respect of its properties, calculated in accordance with GAAP;

**“Independent Trustee”** means a Trustee who, in relation to the REIT or any of its related parties is “independent” (within the meaning of Multilateral Instrument 52-110 Audit Committees) and is not “related” within the meaning of the Tax Act;

**“Initial Offering”** means the initial public offering of 11,069,000 Units of the REIT;

**“insider”** means, every trustee or senior officer of the REIT, every director or senior officer of a company that is itself an insider or subsidiary of the REIT, and any person or company who beneficially owns, directly or indirectly, voting securities of the REIT or who exercises control or direction over voting securities of the REIT or a combination of both carrying more than 10% of the voting rights attached to all voting securities of the REIT for the time being outstanding other than voting securities held by the person or company as underwriter in the course of a distribution, and the REIT where it has purchased, redeemed or otherwise acquired any of its securities, for as long as it holds any of its securities;

**“Plans”** means registered retirement savings plans, registered retirement income funds, registered disability savings plans, registered education savings plans, tax-free savings accounts and deferred profit sharing plans;

**“Properties”** means the 30 mid-market commercial properties referred to herein that are owned by the REIT as at December 31, 2010;

**“Prospectus”** means the prospectus dated March 9, 2004 filed in connection with the Initial Offering;

**“Reorganization”** means the planned internal reorganization (as detailed in the REIT’s Management Information Circular dated May 27, 2010) completed effective October 31, 2010, to permit the REIT to better operate within the REIT conditions

**“Retrocom LP”** means Retrocom Limited Partnership;

**“Retrocom REIT”** or the **“REIT”** means Retrocom Mid-Market Real Estate Investment Trust;

**“Riocan Portfolio”** means, collectively, the Elgin Mall located in St. Thomas, Ontario, Plaza LaSarre located in LaSarre, Quebec, the Mountain View Mall located in Midland, Ontario, the Orangeville Mall located in Orangeville, Ontario, the South Hill Mall located in Prince Albert, Saskatchewan, the Southland Mall located in Regina, Saskatchewan and the Town ‘N’ Country Mall located in Moose Jaw, Saskatchewan.

**“SC/MRR Group”** means the vendor under the SmartCentres Transaction and companies controlled by Mitchell Goldhar or affiliates of such persons;

**“SmartCentres”** means SmartCentres Inc.;

**“SmartCentres Management”** means SmartCentres Management Inc.;

**“SmartCentres Portfolio”** means, collectively, the 1480/1490 Dundas Property, the 1224 Dundas Property, the Birchmount Property and the Burnhamthorpe Property;

**“SmartCentres Transaction”** has the meaning attributed thereto under “General Development of the Business”;

**“Series 1 Trust Notes”** means the interest-bearing Series 1 unsecured subordinated promissory notes of Subsidiary Trust issued to the REIT at the closing of the Initial Offering, or thereafter pursuant to the Subsidiary Trust Note Indenture;

**“Series 2 Trust Notes”** means the interest-bearing Series 2 unsecured subordinated promissory notes of Subsidiary Trust that may be issued pursuant to the Subsidiary Trust Note Indenture;

**“Series 3 Trust Notes”** means the interest-bearing Series 3 unsecured subordinated promissory notes of Subsidiary Trust that may be issued pursuant to the Subsidiary Trust Note Indenture;

**“Special Unitholder”** means a holder of Special Voting Units;

**“Special Voting Unit”** means a non-participating special voting unit of the REIT, other than a Unit, issued pursuant to the Declaration of Trust and having the attributes described therein;

**“subsidiary”** has the meaning ascribed thereto in Ontario Securities Commission Rule 45-501 – Exempt Distributions;

**“Subsidiary Trust”** means Retrocom Mid-Market Subsidiary Trust, the commercial trust created under the laws of Ontario pursuant to a declaration of trust dated February 11, 2004, as amended, the sole beneficiary of which is the REIT, and which was wound up effective October 31, 2010, pursuant to the Reorganization;

**“Tax Act”** means the *Income Tax Act* (Canada) and the regulations thereunder, as amended;

**“Trustees”** means the trustees from time to time of the REIT;

**“Unitholder”** means a holder of Units;

**“Unit”** means a participating unit of interest in the REIT issued pursuant to the Declaration of Trust and having the attributes described therein;

**“Unsecured Debentures”** has the meaning attributable thereto under “Description of Other Securities”; and

**“Warrants”** has the meaning attributable thereto under “Description of Other Securities”;

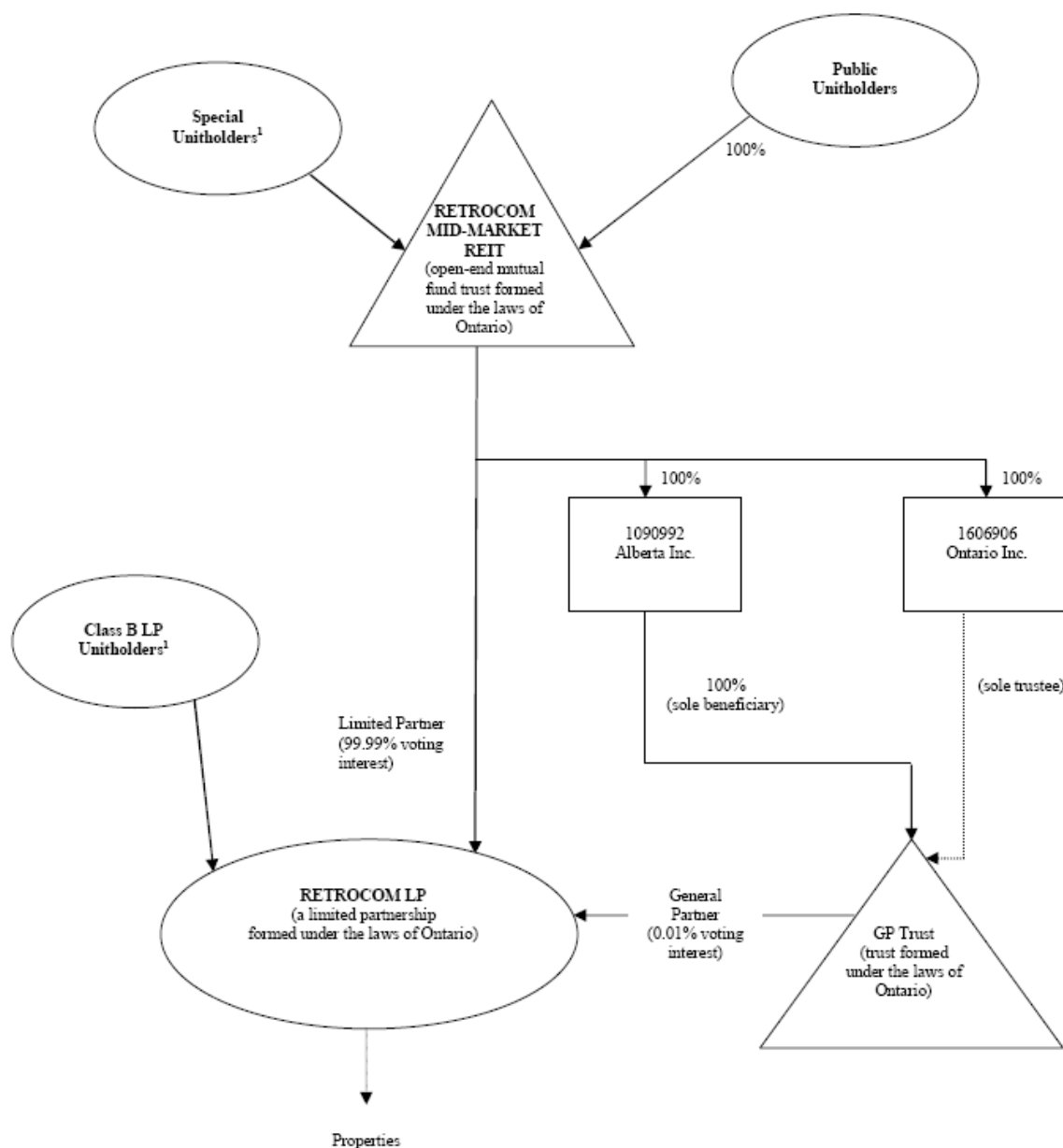
## **FORWARD-LOOKING STATEMENTS**

This AIF contains forward-looking statements which reflect management’s expectations regarding the REIT’s future growth, results of operations, performance and business prospects and opportunities. Wherever possible, words such as “anticipate”, “believe”, “expect”, “intend” and similar expressions have been used to identify these forward-looking statements. These statements reflect the REIT’s current beliefs and are based on information currently available to the REIT. Forward-looking statements involve significant risk, uncertainties and assumptions. A number of factors, including those discussed under the heading “Risk Factors”, could cause actual results, performance or achievements to differ materially from the results discussed or implied in the forward-looking statements. These factors should be considered carefully and undue reliance should not be placed on the forward-looking statements. Although the forward-looking statements contained in this AIF are based upon what the REIT believes, or believed at the time, to be reasonable assumptions, the REIT cannot assure investors that actual results will be consistent with these forward-looking statements and neither the REIT nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. The REIT assumes no obligation to update or revise any such forward-looking statements to reflect new events or circumstances unless otherwise required by applicable securities legislation.

## **STRUCTURE OF THE REIT**

The REIT is an unincorporated, open-ended real estate investment trust established by the Declaration of Trust, existing under, and governed by, the laws of the Province of Ontario. The principal and head office of the REIT is located at 700 Applewood Crescent, Suite 300, Vaughan, Ontario, L4K 5X3.

The following diagram illustrates the organizational structure of the REIT:



**Notes:**

1. Class B units of Retrocom LP are non-voting units and are exchangeable for REIT units on a 1:1 basis. Special Voting Units of Retrocom REIT are tied to the Class B Units of Retrocom LP.

For additional information, see “Retrocom Limited Partnership” in the Prospectus, which sections of the Prospectus are incorporated herein by reference.

## GENERAL DEVELOPMENT OF THE BUSINESS

The REIT was created on December 15, 2003. On March 22, 2004, the REIT completed an initial public offering of 11,069,000 Units (the “Initial Offering”) at a price of \$10 per Unit for total gross proceeds of approximately \$110 million. Contemporaneously with closing the Initial Offering, the REIT closed the acquisition of a portfolio of 26 retail, 1 office and 2 light industrial income producing mid-market commercial properties located in primary and secondary cities across Canada. On April 13, 2004, the REIT issued an additional 1,107,000 Units for gross proceeds of approximately \$11 million pursuant to the exercise of an over-allotment option granted as part of the Initial Offering.

Since the Initial Offering, the REIT has continuously reviewed its business operations and property portfolio, purchased additional assets and reinvested in and selectively repositioned and disposed of existing assets in order to position itself for sustainable future growth. The following are significant events over the last three financial years and up to the date of this Annual Information Form that have influenced the development of the REIT:

- On July 9, 2008, the REIT announced the closing of the acquisition of the SmartCentres Portfolio from a vendor group lead by Mitchell Goldhar of SmartCentres for an agreed purchase price of approximately \$55 million consisting mainly of the assumption of existing mortgage debt and the issuance to the vendor group of Class B Units of Retrocom Limited Partnership (“Retrocom LP”) which were issued based on the agreed purchase price for the properties and an agreed price of \$5.00 per unit. As a result of the transaction, there was a change in effective control (approximately 38% at that time) of the REIT to the SC/MRR Group and a reconstitution of the REIT’s board. The SC/MRR Group was comprised of six limited partnerships formed for purposes of the transaction. Mitchell Goldhar, owner of SmartCentres and SmartCentres Management is also the president of the general partner of each of the six limited partnerships that collectively comprise the SC/MRR Group. The transactions are referred to as a whole in this Annual Information Form as the “**SmartCentres Transaction**” and are more particularly described in the Management Information Circular dated June 2, 2008, and elsewhere in this Annual Information Form. The REIT filed a form 51-102F4 Business Acquisition Report in respect of the SmartCentres Transaction;
- On June 25, 2010, the REIT announced the multi-year revitalization project at Southland Mall in Regina, Saskatchewan. The REIT will be investing over \$11 million in revitalizing the mall including extensive upgrades to the interior and exterior of the centre. Safeway will be converting its current store into a new “Lifestyle” format store. As previously announced Zellers entered into an offer to lease to backfill the previous Walmart location and to open a 96,965 square foot store. Work is currently underway on the interior and exterior renovations.
- On July 8, 2010, the REIT issued \$20 million principal amount of 6.75% convertible unsecured subordinated, five-year debentures. In addition, the REIT completed the issuance of an additional \$2.84 million principal amount pursuant to the underwriters’ exercise of the over-allotment option. The debentures are convertible at the debenture holder’s option at a conversion price of \$5.05 per unit.
- On July 26, 2010, the REIT renewed and amended its operating line with an increased maximum availability of \$20 million, maturing on June 29, 2012. On December 23, 2010 the REIT entered into the First Amending Agreement with respect to the operating line for 3 months increasing the maximum availability to \$30 million.
- On August 20, 2010, the REIT relocated its office premises to SmartCentres’ home office building in Vaughan, Ontario. This move will allow the REIT’s management to better align with the development and leasing teams of SmartCentres, resulting in faster and more nimble execution of opportunities.
- On August 31, 2010, the REIT announced the renovation plan at Lincoln Value Centre in St. Catharines, Ontario. The renovations over the next three years include improving illumination in the parking lot, making interior road improvements, upgrading building storefronts and potentially adding a new 15,000 square foot retail building. Our anchor tenant Walmart will be converting its existing store into a Walmart Supercentre, which is expected to be completed by the summer of 2011.

- On October 19, 2010, the REIT completed a public offering of 4,600,000 Units (inclusive of 600,000 Units issued pursuant to the exercise in full of the underwriters' over-allotment option) at a price of \$5.00 per Unit for gross proceeds of \$23 million.
- Effective October 31, 2010, the REIT completed the planned internal reorganization (as detailed in the REIT's Management Information Circular dated May 27, 2010) to permit the REIT to better operate within the REIT conditions and not be subject to SIFT tax commencing January 1, 2011, provided that the REIT qualifies for the REIT conditions at all times. The reorganization restructured the REIT's subsidiaries by winding-up the Subsidiary Trust so that the REIT now holds the interest in Retrocom LP directly.
- In October 2010, the Board of Trustees further approved the project costs for the previously announced redevelopment plan for Wheatland Mall in Swift Current, Saskatchewan. Smaller common retail units "CRU"s and common area will be redimised resulting in larger and more versatile units and the conversion of the mall into an open community centre. A 10-year lease was executed for 18,900 square feet with Giant Tiger. The tenant will take possession in Q3 2011 and is expected to commence paying rent in November 2011. All technical and administrative work is well underway in preparation for construction to deliver the Giant Tiger space. Concurrently, the REIT is in discussions with CRU tenants to relocate in accordance with the redevelopment plan.
- On November 16, 2010, the REIT announced it was reinstating its Distribution Reinvestment Plan ("DRIP"). The DRIP became effective with the November cash distribution payable on December 15, 2010. Eligible investors that choose to participate in the DRIP will have their monthly cash distributions used to purchase Units, and will also receive bonus Units equal to 4% of their monthly cash distributions.
- On December 30, 2010, the REIT closed the acquisition of the Counsel Portfolio, seven investment properties totalling approximately 811,000 square feet. The total purchase price of approximately \$142.6 million (inclusive of approximately \$2.6 million of transaction costs) was satisfied by the assumption of existing mortgage debt of \$60.3 million, additional financing placed on one of the acquired properties, proceeds from the REIT's equity offering of October 19, 2010, operating line draws and cash on hand. The addition of the Counsel Portfolio increased the REIT's investment property base by approximately 38%.
- On January 13, 2011, Target Corporation (NYSE: TGT) announced that it will be buying the leasehold interests in up to 220 Zellers locations in Canada. At December 31, 2010, there are eight Zellers leased premises within the REIT's portfolio and Management has launched a comprehensive review of these Zellers locations and commenced preliminary discussions with Target to determine which of the eight locations may be converted to Target stores. The conversion of all or some of our Zellers premises to Target may provide an opportunity for the REIT to reposition and revitalize affected properties and ultimately increase occupancy, rents and property value.
- On February 23, 2011, the REIT announced it had entered into a letter of intent with Calloway REIT to acquire four investment properties for a total purchase price of approximately \$43 million (inclusive of estimated transaction costs). The portfolio, comprising of investment properties totaling approximately 226,000 square feet, is located in Ontario and Québec and is currently 97.6% occupied.
- On March 15, 2011, the REIT completed a public offering of 8,550,000 Units at a price of \$5.85 per Unit for gross proceeds of \$50.0 million. The REIT intends to use the net proceeds to repay funds drawn on the REIT's operating line for the closing of the Counsel Transaction (as hereinafter defined), to partially fund the acquisition of four properties from Calloway REIT and for general trust purposes.

Retrocom REIT focuses on owning and acquiring community-based retail properties in cities across Canada with the objective of producing a geographically diversified portfolio of properties with stable and growing cash flows. The REIT invests primarily in income-producing community-based retail properties with strong tenant covenants, stable yields, lower vacancy levels and strong growth potential. The REIT continually reviews its portfolio and seeks to acquire additional properties with these characteristics to provide additional cash flow and further enhance the long-term portfolio value.

The REIT believes that the income-producing community-based retail property segment represents a reasonable long-term risk/return investment environment with fewer national competitors than other segments of the commercial property market. By concentrating on the community-based segment, the REIT believes it will be afforded greater opportunities to make accretive acquisitions that will contribute to achieving attractive yields for Unitholders. The REIT believes that the geographic diversity of its properties, as well as their diverse tenant mix, decreases the likelihood that a single regional economic downturn will have a material adverse impact on the REIT's distributions.

The objectives of the REIT are to: (i) generate stable and growing cash distributions on a tax efficient basis; (ii) enhance the value of the REIT's assets and maximize long-term value through the active management of its assets; and (iii) expand the asset base of the REIT and increase its income available for distribution through an accretive acquisition program.

The REIT employs both the internal and external growth strategies described below to achieve its objectives.

### ***Internal Growth Through Active Asset Management***

The REIT's internal growth strategy has been to focus on increasing rental income through actively managing the tenant mix of each property, leasing vacant space and maintaining good relations with tenants.

Arcturus Limited Partnership ("Arcturus") was subcontracted to provide property management and leasing services to the REIT in respect of the REIT's properties located in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, other than the properties comprising the Riocan Portfolio. A direct agreement was entered into with Arcturus Limited Partnership as of March 1, 2006. Upon the purchase by the REIT in March 2007 of the remaining 50% interest in Lansdowne Place in Saint John, New Brunswick, and in Staples Woodlawn Plaza in Dartmouth, Nova Scotia, Arcturus also assumed management of those two properties, which had previously been managed by Plaza Atlantic Limited. Effective August 1, 2008 Arcturus also assumed management of the Riocan Portfolio.

On December 30, 2010, the REIT entered into a property management agreement with Counsel Property Management Limited ("Counsel") pursuant to which Counsel would continue to provide property management and leasing services with respect to the Counsel Portfolio on customary market terms and conditions (the "Counsel Property Management Agreement").

As part of the SmartCentres Transaction, SmartCentres Management, pursuant to a property management contract (the "SmartCentres Property Management Contract"), is responsible for leasing, development and re-development of all of the REIT's Properties. The REIT believes that it realizes significant benefit from SmartCentres' relationships with many of the premier tenants in Canada, including many of those in the REIT's current portfolio. Under the SmartCentres Property Management Contract, SmartCentres Management provides property management services for the SmartCentres Portfolio. See "Property Management".

Management of the REIT works closely with SmartCentres to develop leasing strategies for each of the Properties that reflects the nature of the property and its position within the marketplace, as well as prevailing and forecasted economic conditions. The REIT's priority continues to be on enhancing the performance of the Properties. The REIT will continue to seek opportunities to lease-up vacancies, improve building conditions and where appropriate redevelop individual Properties to attract and retain the tenants that enable the REIT to meet the needs of the shoppers in the communities served.

Previously announced leasing transactions throughout 2010 resulted from the REIT's continuing focus on improving occupancy and income across the portfolio. The following paragraphs summarize new significant leasing developments in 2010 and up to the date of this Annual Information Form:

1. At Elgin Mall in St. Thomas, Ontario, the 86,853 square foot Zellers has renewed for an additional 5 year term.
2. At Southland Mall in Regina, Saskatchewan, Zellers entered into an offer to lease to backfill the previous Walmart location and to open a 96,965 square foot store with a lease term of 15 years, terms of which the REIT will discuss with Target in the near future.

3. At Wheatland Mall in Swift Current, Saskatchewan, a new 10 year lease was signed by Giant Tiger for 18,900 square feet at a higher net rent per square foot than the rate previously collected for the same space. The anticipated opening is November 2011.
4. At Town 'N' Country Mall in Moose Jaw, Saskatchewan, the 60,355 square foot Sears has renewed for an additional 10 year term, at the same rental rate.
5. At Lincoln Value Centre in St. Catharines, Ontario, the 128,000 square foot Walmart has renewed for an additional 15 year term, extending the lease out to 2025.
6. At Chilliwack Mall, Walmart vacated its premises in November 2010 and as expected, provided a notice of termination of its lease for its 70,828 square foot store, effective December 31, 2010. The REIT has subsequently entered into two leases with two national tenants for approximately 50,000 square feet of the former Walmart store space. These new stores are expected to open in the second quarter of 2012.

The REIT's overall occupancy rate as of December 31, 2010 was 86.6%, as compared to 89.9% at the end of 2009. The REIT continues to work with the leasing and development teams at SmartCentres to review options to improve the property income from several properties. The REIT will continue to assess options, and as opportunities arise to improve the performance of the properties, the REIT expects to have access to sufficient capital to execute any plans approved by the REIT and its Board.

### ***External Growth Through Acquisitions***

In conjunction with the REIT's internal growth strategy, the external growth strategy has been to focus on future acquisitions. As noted above, on July 8, 2008, the REIT acquired four properties from a vendor group lead by Mitchell Goldhar of SmartCentres (the "SmartCentres Vendor Group"). The SmartCentres Portfolio, totalling approximately 522,915 square feet of gross leasable area, is strategically located in the major metropolitan market of the Greater Toronto Area ("GTA").

The SmartCentres Portfolio was acquired for an agreed purchase price of approximately \$55 million consisting mainly of the assumption of existing mortgage debt and the issuance to the SmartCentres Vendor Group of Class B Units of Retrocom LP which were issued based on the agreed purchase price for the properties and an agreed price of \$5.00 per unit. As a result of the SmartCentres Transaction, there was a change in effective control (approximately 38% at that time) of the REIT to the SC/MRR Group. In addition to the REIT benefiting from SmartCentres' relationship with many of the premier tenants in Canada, through SmartCentres' leasing activities on behalf of the REIT and from SmartCentres' development expertise, the REIT's relationship with SmartCentres may provide a pipeline for future strategic opportunities to purchase additional properties. Details concerning the SmartCentres Transaction are contained in the Management Information Circular dated June 2, 2008 and available on SEDAR at [www.sedar.com](http://www.sedar.com).

On December 30, 2010, the REIT acquired the Counsel Portfolio consisting of seven commercial real estate properties from Counsel Corporation, Terra Firma Capital Corporation and other affiliates (the "Counsel Transaction"). The aggregate purchase price for the Counsel Portfolio was \$142.6 million, inclusive of approximately \$2.6 million in transaction costs. The purchase price was satisfied by the assumption of existing mortgage debt of approximately \$60.3 million, a senior secured non-revolving \$20 million bridge credit facility placed on the Lancaster Mall property, proceeds received from the REIT's October 2010 equity offering, operating line draws and cash on hand. The REIT also acquired from Counsel Corporation an additional development land parcel in Saint John, New Brunswick on January 18, 2011 for approximately \$0.6 million. The REIT has entered into a property management agreement with Counsel in respect of the Counsel Portfolio. The Counsel Portfolio, totalling 811,247 square feet of gross leasable area, is located in Ontario and New Brunswick, has a weighted-average occupancy rate of approximately 98% as at December 31, 2010, and has a number of high quality tenants. The average remaining lease term for anchor tenants is approximately eleven years and more than eight years for the overall portfolio.

On February 23, 2011, the REIT announced that it had entered into a letter of intent to acquire four commercial real estate properties from Calloway Real Estate Investment Trust (each a "Calloway Property", and collectively the "Calloway Properties") for an aggregate purchase price of approximately \$43 million (inclusive of estimated

transaction costs) (the “Proposed Acquisition”). The REIT expects to complete the Proposed Acquisition early in its second quarter of fiscal 2011, subject to the satisfactory completion of due diligence and customary closing conditions. However, there can be no assurance that all conditions will be satisfied or waived or that the Proposed Acquisition will be completed. The REIT intends to satisfy the purchase price by the assumption of existing mortgage debt on two of the Calloway Properties in an aggregate amount of approximately \$13.0 million, additional mortgage financing to be placed on the other two Calloway Properties, and a portion of the proceeds from the March 2011 equity offering. Calloway Real Estate Investment Trust (“Calloway REIT”) may be considered to be a “related party” of the REIT under Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”) as Mitchell Goldhar is a control person of each of Calloway REIT and the REIT. As a result, the Proposed Acquisition may be considered to be a “related party transaction” under MI 61-101. Please refer to “Proposed Acquisition of Calloway Properties” below.

Throughout any acquisition process, the REIT identifies potential property acquisitions using investment criteria that focus primarily on return on equity, security of cash flow, the potential for capital appreciation and the potential to increase value by more efficient management of the assets being acquired, including accessing capital for expansion and development of those assets, which access might not otherwise be available to competitors and other property owners.

The REIT implements an investment strategy to pursue the acquisition of commercial properties from several sources, including the following: (i) the property market for community-based commercial properties, including institutional investors disposing of commercial properties in order to rebalance their investment portfolios; and (ii) each property manager’s network of contacts in the real estate community.

### **Proposed Acquisition of the Calloway Properties**

As described above, Calloway REIT may be considered to be a “related party” of the REIT under MI 61-101 as Mr. Goldhar is a control person of each Calloway REIT and the REIT. As a result, the Proposed Acquisition may be considered to be a “related party transaction” under MI 61-101.

Retrocom LP, the beneficial owner of the REIT’s property portfolio, is authorized to issue an unlimited number of Class A Units, of which 1,407,064,116 Class A Units are issued and outstanding and held by the REIT, which represents 99.99% of all issued and outstanding Class A Units, and an unlimited number of exchangeable Class B Units, of which 9,110,268 Class B Units are issued and outstanding and held by SC/MRR Group. The Class B Units were issued to SC/MRR Group in connection with the SmartCentres Transaction. The SC/MRR Group is comprised of six limited partnerships formed for purposes of the SmartCentres Transaction. Mr. Goldhar, owner of SmartCentres Inc. and SmartCentres Management Inc., is also the president of the general partner of each of such limited partnerships. In addition, Mr. Goldhar beneficially owns 1,704,700 Units, representing approximately 4.0% of the total issued and outstanding Units and Special Voting Units. The 9,110,268 Special Voting Units of the REIT related to the Class B Units held in aggregate by the SC/MRR Group, together with the 1,704,700 Units held directly by Mr. Goldhar, represent, as of the date hereof, an approximately 25.6% voting and effective economic interest in the REIT (on a non-diluted basis).

Mr. Goldhar also beneficially holds, directly or indirectly, 21.5% of the issued and outstanding units of Calloway REIT.

MI 61-101 provides a number of circumstances in which a transaction between an issuer and a related party may be subject to valuation and minority approval requirement. An exemption from such requirements is available when the fair market value of the transaction is not more than 25% of the market capitalization of the issuer. The REIT has been granted exemptive relief from the requirements of MI 61-101 that, subject to certain conditions, permits it to be exempt from the minority approval and valuation requirements for transactions that would have a value of less than 25% of the REIT’s market capitalization, if SC/MRR Group’s indirect equity interest in the REIT is included in the calculation of the REIT’s market capitalization. As a result, the 25% threshold, above which the minority approval and valuation requirements would apply, is increased to reflect the approximately 22% indirect interest in the REIT held by the SC/MRR Group. On that basis, the Proposed Acquisition is not subject to the valuation and minority approval requirements under MI 61-101.

## **DESCRIPTION OF THE BUSINESS**

As of December 31, 2010, the REIT owned a portfolio of 30 retail income producing mid-market commercial properties located in secondary and tertiary cities across Canada (the “Properties”). The total gross revenues of the Properties as of December 31, 2010 were derived from retail properties which contain an aggregate of 5.15 million square feet. The Properties are located in British Columbia (one), Alberta (two), Saskatchewan (six), Ontario (fifteen), New Brunswick (three), and one property in each of Manitoba, Nova Scotia and the Yukon Territory.

As the Canadian economic environment has been changing throughout 2010, the REIT has continued to monitor retail sales, the real estate lending environment and expected new retail leasing and development opportunities. The REIT will continue to allocate available capital to enhance properties and tenancies as opportunities arise.

The following table provides certain information about each Property as at December 31, 2010:

| Property                          | Location                               | Type                       | Year Built/<br>Renovated                 | Weighted<br>Avg.<br>Remaining<br>Lease Term | Key Tenants                                                                                              | GLA              | Occupancy<br>(%) |
|-----------------------------------|----------------------------------------|----------------------------|------------------------------------------|---------------------------------------------|----------------------------------------------------------------------------------------------------------|------------------|------------------|
| Chilliwack Mall                   | Chilliwack, BC                         | Enclosed<br>Community Mall | 1981/1996                                | 1.9                                         | Walmart (1), Safeway, Chevron,<br>Liquor Store                                                           | 178,484          | 97.3%            |
| Carry Plaza                       | Medicine Hat,<br>AB                    | Open Community<br>Plaza    | 1991/2009                                | 6.1                                         | Rexall, Medicine Hat Buffet, Earl's<br>Restaurant, Rossco's Pub, Bank of<br>Montreal                     | 58,697           | 100.0%           |
| Wetaskiwin Mall                   | Wetaskiwin, AB                         | Enclosed<br>Community Mall | 1980/2002                                | 4.6                                         | Liquidation World, Dollarama, Sport<br>Chek, Bank of Nova Scotia                                         | 144,444          | 48.9%            |
| Golden Mile Shopping<br>Centre    | Regina, SK                             | Enclosed<br>Community Mall | 1959/1977,<br>1988, 1990,<br>2002 & 2003 | 2.7                                         | Extra Foods & Gas Bar, Urban Planet,<br>Rainbow Cinemas, Liquidation World,<br>Royal Bank of Canada      | 227,531          | 98.7%            |
| Kindersley Mall                   | Kindersley, SK                         | Enclosed<br>Community Mall | 1981/1996                                | 2.2                                         | Extra Foods & Gas Bar, Sask. Liquor<br>& Gaming, Canadian Tire (2)                                       | 131,218          | 55.0%            |
| South Hill Mall                   | Prince Albert,<br>SK                   | Enclosed<br>Community Mall | 1972                                     | 5.4                                         | Safeway (2), Winners, Galaxy<br>Cinemas, Shoppers Drug Mart,<br>Mattress Mattress, Liquor Board<br>Sask. | 179,061          | 72.3%            |
| Southland Mall                    | Regina, SK                             | Enclosed Regional<br>Mall  | 1977/1989,<br>1994 & 1997                | 4.2                                         | Safeway, Cineplex Odeon, Chapters,<br>Sport Chek                                                         | 439,148          | 63.1%            |
| Town 'N' Country Mall             | Moose Jaw, SK                          | Enclosed<br>Community Mall | 1973/1980                                | 5.4                                         | Zellers, Sears, Labels, Galaxy<br>Cinemas, Sport Chek                                                    | 357,580          | 89.2%            |
| Wheatland Mall                    | Swift Current,<br>SK                   | Enclosed<br>Community Mall | 1975/1988                                | 4.6                                         | Pioneer Co-Op (3), Peavey Mart,<br>Liquidation World, Dollarama                                          | 116,922          | 75.5%            |
| City Centre Mall                  | Thompson, MB                           | Enclosed<br>Community Mall | 1971/1999                                | 2.5                                         | Walmart, Safeway, Mark's Work<br>Warehouse, TD Canada Trust, Vantis<br>Credit Union                      | 185,171          | 99.0%            |
| Elgin Mall                        | St. Thomas, ON                         | Enclosed<br>Community Mall | 1974/1987 &<br>1993                      | 4.5                                         | Zellers, Metro, Galaxy Cinemas,<br>Goodlife Fitness, Sport Mart                                          | 263,705          | 87.1%            |
| 681-691 Gardiners Rd.             | Kingston, ON                           | Open Community<br>Plaza    | 1965/1985 &<br>1993                      | 1.6                                         | Goldspan Furniture, Bay Bros (TOA),<br>Speedy Muffler, MIA Computers,<br>Hakim Optical                   | 48,040           | 96.5%            |
| Kenora Shoppers Mall              | Kenora, ON                             | Enclosed<br>Community Mall | 1974/2002                                | 5.2                                         | Zellers, Extra Foods, The Beer Store                                                                     | 153,959          | 95.4%            |
| Lincoln Value Centre              | St. Catharines,<br>ON                  | Open Community<br>Plaza    | 1968/2001                                | 5.3                                         | Walmart, Canadian Tire & Gas Bar,<br>No Frills, United Furniture, DOT<br>Seasonal, Dollarama             | 356,951          | 95.3%            |
| Mountainview Mall                 | Midland, ON                            | Enclosed<br>Community Mall | 1983/1988 &<br>2008 (4)                  | 4.6                                         | Zellers, Metro, Galaxy Cinemas, The<br>Brick, Staples, Shoppers Drug Mart                                | 328,597          | 91.8%            |
| Orangeville Mall                  | Orangeville, ON                        | Enclosed<br>Community Mall | 1977/1993 &<br>2000                      | 4.0                                         | Zellers, Metro, Shoppers Drug Mart                                                                       | 183,571          | 94.7%            |
| 1480-1490 Dundas St.<br>E.        | Mississauga, ON                        | Open Community<br>Plaza    | 1970                                     | 2.1                                         | Bad Boy Furniture, The Chesterfield<br>Shop, Black & Decker                                              | 53,991           | 93.8%            |
| 1224 Dundas St.                   | Mississauga, ON                        | Open Community<br>Plaza    | 1977                                     | 1.9                                         | Deeper Life Ministries, Goodwill,<br>Canadian Tire (2)                                                   | 202,971          | 81.3%            |
| 750-760 Birchmount Rd.            | Scarborough,<br>ON                     | Open Community<br>Plaza    | 1989                                     | 2.3                                         | Pillar Direct Marketing, Baskits,<br>United Auto Parts                                                   | 66,143           | 87.4%            |
| 1100-1170<br>Burnhamthorpe Rd. W. | Mississauga, ON                        | Open Community<br>Plaza    | 1985                                     | 3.2                                         | Premier Fitness, Ontario Realty<br>Corporation (5), Re/Max, Swiss<br>Chalet                              | 199,810          | 92.9%            |
| Yorkgate Mall                     | Toronto, ON                            | Enclosed<br>Community Mall | 1990                                     | 4.1                                         | Zellers, No Frills, Seneca College,<br>Dollarama, IDA Drug Mart, LCBO                                    | 217,525          | 98.0%            |
| Kingspoint Plaza                  | Brampton, ON                           | Open Community<br>Plaza    | 1984, 1988,<br>1990,<br>2009/2010        | 6.7                                         | Giant Tiger, Goodlife Fitness,<br>Shoppers Drug Mart                                                     | 202,173          | 95.6%            |
| McIntyre Centre                   | Thunder Bay,<br>ON                     | Open Community<br>Plaza    | 1977, 1990,<br>2008                      | 7.6                                         | Shoppers Drug Mart, Goodlife<br>Fitness, Fabricland, Bulk Barn                                           | 66,081           | 100.0%           |
| Hartzel Plaza                     | St. Catharines,<br>ON                  | Open Community<br>Plaza    | 1985,<br>2008/2010                       | 6.9                                         | Metro, Niagara Community Care<br>Access Centre                                                           | 67,972           | 100.0%           |
| Red River Plaza                   | Thunder Bay,<br>ON                     | Open Community<br>Plaza    | 1965                                     | 5.6                                         | Salvation Army, Blockbuster                                                                              | 19,000           | 100.0%           |
| Lansdowne Plaza                   | Saint John, NB                         | Open Community<br>Plaza    | 1959/1980 &<br>2000                      | 3.4                                         | Eddie Bauer (6), Shoppers Drug<br>Mart, Fairway Lanes Bowling,<br>Dollarama                              | 202,561          | 68.4%            |
| Lancaster Mall                    | Saint John, NB                         | Enclosed<br>Community Mall | 1979, 1994,<br>1998,<br>2008/2010        | 13.5                                        | Zellers, No Frills, Shoppers Drug<br>Mart, Urban Planet                                                  | 234,981          | 98.4%            |
| 600 Fairville                     | Saint John, NB                         | Open Community<br>Plaza    | 1979, 1994,<br>1998,<br>2008/2010        | 5.9                                         | Global Pets, Web Corp Enterprises                                                                        | 3,515            | 100.0%           |
| Woodlawn Staples Plaza            | Dartmouth, NS                          | Open Community<br>Plaza    | 1968/2001                                | 4.8                                         | Staples, Atlantic Fabrics, Taylor<br>Flooring, Penningtons                                               | 153,402          | 80.6%            |
| Qwanlin Mall                      | Whitehorse, YT                         | Open Community<br>Plaza    | 1972/1999 &<br>2007                      | 5.8                                         | Extra Foods, Staples, Liquidation<br>World, Shoppers Drug Mart                                           | 103,947          | 100.0%           |
| <b>TOTALS</b>                     | <b>See notes on the following page</b> |                            |                                          | <b>4.8</b>                                  |                                                                                                          | <b>5,147,151</b> | <b>86.6%</b>     |

- (1) Agreement to terminate, effective December 31, 2010.
- (2) Shadow anchor, outside pad(s), no interior access to the mall.
- (3) Shadow anchor attached to mall, with interior access.
- (4) Renovation to accommodate the Brick.
- (5) Ontario Realty Corporation has given notice that it will vacate upon expiry, effective January 1, 2011.
- (6) Eddie Bauer has given notice that it will not renew upon expiry on June 30, 2011.

### ***Overview of Properties***

The following table summarizes the distribution of the gross leasable area (“GLA”) and annualized revenue of the Properties by province and territory as of December 31, 2010:

| <b>GEOGRAPHIC DISTRIBUTION OF PORTFOLIO <sup>(1)</sup></b> |                        |                  |                       |                      |                       |                                     |                                  |                                 |
|------------------------------------------------------------|------------------------|------------------|-----------------------|----------------------|-----------------------|-------------------------------------|----------------------------------|---------------------------------|
| <b>Province</b>                                            | <b># of Properties</b> | <b>Total GLA</b> | <b>% of Total GLA</b> | <b>Occupied Area</b> | <b>Occupancy Rate</b> | <b>Total Net Rent<sup>(1)</sup></b> | <b>Average Net Rent In Place</b> | <b>% of Total Gross Revenue</b> |
| British Columbia                                           | 1                      | 178,484          | 3.5%                  | 173,747              | 97.3%                 | 1,296,181                           | 7.46                             | 2.9%                            |
| Alberta                                                    | 2                      | 203,141          | 4.0%                  | 129,271              | 63.6%                 | 1,506,174                           | 11.65                            | 3.0%                            |
| Saskatchewan                                               | 6                      | 1,451,460        | 28.2%                 | 1,110,541            | 76.5%                 | 11,412,855                          | 10.28                            | 27.9%                           |
| Manitoba                                                   | 1                      | 185,171          | 3.6%                  | 183,300              | 99.0%                 | 1,643,156                           | 8.96                             | 4.3%                            |
| Ontario                                                    | 15                     | 2,430,489        | 47.2%                 | 2,257,399            | 92.9%                 | 23,493,402                          | 10.41                            | 49.7%                           |
| New Brunswick                                              | 3                      | 441,057          | 8.6%                  | 373,378              | 84.7%                 | 4,124,709                           | 11.05                            | 7.9%                            |
| Nova Scotia                                                | 1                      | 153,402          | 3.0%                  | 123,586              | 80.6%                 | 1,223,689                           | 9.90                             | 2.4%                            |
| Yukon                                                      | 1                      | 103,947          | 2.0%                  | 103,947              | 100.0%                | 1,090,047                           | 10.49                            | 1.9%                            |
| <b>TOTAL</b>                                               | <b>30</b>              | <b>5,147,151</b> | <b>100%</b>           | <b>4,455,169</b>     | <b>86.6%</b>          | <b>\$45,790,212</b>                 | <b>\$10.28</b>                   | <b>100%</b>                     |

- (1) Based on revenue from last month of quarter, annualized. Rents are not adjusted for Gross Occupancy Caps.

### ***Top 20 Tenants***

The following table illustrates the twenty largest tenants for the Properties as measured by their percentage contribution to the REIT’s total annual gross revenue during the REIT’s financial year ended December 31, 2010:

**TOP 20 TENANTS BY ANNUALIZED GROSS REVENUE <sup>(1)</sup>**

| <b>Rank</b>           | <b>Tenant</b>                             | <b>Occupied Area<br/>(sq.ft.)</b> | <b>% of<br/>Total<br/>GLA</b> | <b>Group<br/>Revenue</b> | <b>% of<br/>Annualized<br/>Gross<br/>Revenue<sup>(1)</sup></b> | <b>Weighted Ave.<br/>Lease Term<br/>Remaining</b> |
|-----------------------|-------------------------------------------|-----------------------------------|-------------------------------|--------------------------|----------------------------------------------------------------|---------------------------------------------------|
| 1                     | Zellers                                   | 659,295                           | 12.8%                         | 4,778,457                | 6.2%                                                           | 6.1                                               |
| 2                     | Shoppers Drug Mart                        | 124,680                           | 2.4%                          | 3,535,542                | 4.6%                                                           | 9.6                                               |
| 3                     | Cineplex                                  | 127,778                           | 2.5%                          | 2,416,783                | 3.2%                                                           | 9.1                                               |
| 4                     | Walmart <sup>(2)</sup>                    | 279,228                           | 5.4%                          | 2,295,543                | 3.0%                                                           | 3.3                                               |
| 5                     | Food Basics                               | 138,360                           | 2.7%                          | 2,068,511                | 2.7%                                                           | 5.1                                               |
| 6                     | No Frills                                 | 92,894                            | 1.8%                          | 1,747,612                | 2.3%                                                           | 7.6                                               |
| 7                     | Extra Foods                               | 158,241                           | 3.1%                          | 1,641,520                | 2.1%                                                           | 3.3                                               |
| 8                     | Canadian Tire                             | 90,264                            | 1.8%                          | 1,481,543                | 1.9%                                                           | 9.4                                               |
| 9                     | Safeway                                   | 133,242                           | 2.6%                          | 1,351,933                | 1.8%                                                           | 2.7                                               |
| 10                    | Sport Chek                                | 57,076                            | 1.1%                          | 1,050,485                | 1.4%                                                           | 4.4                                               |
| 11                    | Goodlife Fitness                          | 46,608                            | 0.9%                          | 967,266                  | 1.3%                                                           | 10.0                                              |
| 12                    | Chapters                                  | 37,822                            | 0.7%                          | 926,404                  | 1.2%                                                           | 2.6                                               |
| 13                    | Ardene                                    | 31,205                            | 0.6%                          | 912,243                  | 1.2%                                                           | 5.4                                               |
| 14                    | Dollarama                                 | 64,377                            | 1.3%                          | 892,859                  | 1.2%                                                           | 5.3                                               |
| 15                    | Staples                                   | 68,965                            | 1.3%                          | 858,092                  | 1.1%                                                           | 6.5                                               |
| 16                    | Smitty's                                  | 23,898                            | 0.5%                          | 793,520                  | 1.0%                                                           | 6.6                                               |
| 17                    | Penningtons                               | 38,359                            | 0.7%                          | 775,691                  | 1.0%                                                           | 0.9                                               |
| 18                    | Easy Home                                 | 36,280                            | 0.7%                          | 774,881                  | 1.0%                                                           | 2.2                                               |
| 19                    | The Source                                | 22,216                            | 0.4%                          | 709,110                  | 0.9%                                                           | 3.9                                               |
| 20                    | Ontario Realty Corporation <sup>(3)</sup> | 28,397                            | 0.6%                          | 703,588                  | 0.9%                                                           | 3.6                                               |
| <b>Top 20 Tenants</b> |                                           | <b>2,259,185</b>                  | <b>43.9%</b>                  | <b>\$30,681,582</b>      | <b>40.0%</b>                                                   | <b>5.6</b>                                        |
| <b>Top 5 Tenants</b>  |                                           | <b>1,329,341</b>                  | <b>25.8%</b>                  | <b>\$15,094,836</b>      | <b>19.7%</b>                                                   | <b>6.0</b>                                        |

(1) Based on revenue from last month of quarter, annualized. Rents are not adjusted for Gross Rent Occupancy Caps.

(2) Agreement to terminate at Chilliwack Mall (70,828 square feet), effective December 31, 2010.

(3) Ontario Realty Corporation has given notice that it will vacate at 1100 Burnhamthorpe (16,529 square feet) upon expiry, effective January 1, 2011.

### ***Schedule of Lease Maturities***

As at December 31, 2010 the occupancy rate in the rental portfolio comprising the Properties was approximately 86.6%. The weighted average remaining term of all leases as of December 31, 2010 was approximately 4.8 years. The following table indicates the total occupied square footage of the Properties subject to lease expiries after December 31, 2010 (assuming tenants do not exercise renewal options or termination rights) and the percentage of the total gross leasable area relating to the Properties represented by such expiries.

| <b>LEASE EXPIRY BY YEAR</b> |                     |                    |
|-----------------------------|---------------------|--------------------|
| <b>Year</b>                 | <b>Area (Sq Ft)</b> | <b>% Total GLA</b> |
| 2011                        | 680,347             | 13.2%              |
| 2012                        | 478,709             | 9.3%               |
| 2013                        | 547,012             | 10.6%              |
| 2014                        | 625,832             | 12.2%              |
| 2015                        | 694,065             | 13.5%              |
| 2016                        | 184,513             | 3.6%               |
| 2017                        | 206,812             | 4.0%               |
| 2018                        | 214,345             | 4.2%               |
| 2019                        | 134,497             | 2.6%               |
| 2020                        | 286,993             | 5.6%               |
| Thereafter                  | 402,044             | 7.8%               |
| Vacancy                     | 691,982             | 13.4%              |
| <b>Total</b>                | <b>5,147,151</b>    | <b>100.0%</b>      |

### ***Description of Properties***

The following is a description of the Properties. All data relating to the Properties, including calculations as to percentage occupancy, are as at December 31, 2010 unless otherwise noted.

#### **British Columbia**

As at December 31, 2010, the REIT owned one retail property in the Province of British Columbia located in Chilliwack. The industries that form the base of the British Columbia economy include manufacturing, services, forestry, mining, fishing and agriculture.

#### **Chilliwack Mall – 45610 Luckakuck Way, Chilliwack, British Columbia**

Chilliwack Mall is a 178,484 square foot single-level enclosed community mall in Chilliwack, located approximately 100 kilometres east of Vancouver. Chilliwack's regional trade area has a population of approximately 240,000. Chilliwack is located in the eastern portion of the lower Fraser Valley and has a service-based economy. Chilliwack Mall is located immediately south of the Trans-Canada Highway at a busy intersection in an area that is the primary location for retail services in Chilliwack. The main competition for the mall is directly across the street at Cottonwood Mall, which is anchored by Zellers, London Drugs and Sears. Chilliwack Mall's key tenants include Walmart and Safeway. As of December 31, 2010, Chilliwack Mall was 97.3% leased and occupied by 30 tenants. However, effective December 31, 2010, Walmart provided a notice of termination of its lease for its 70,828 square foot store and has vacated the property. Therefore, as at January 1, 2011, Chilliwack Mall is 57.7% leased. The REIT has subsequently entered into two leases with two national tenants for approximately 50,000 square feet of the former Walmart store space. These new stores are expected to open in the second quarter of 2012. The mall was

built in 1981 and last renovated in 1996. It is situated on a 12.63 acre site and has parking for approximately 850 vehicles.

| <b><u>Key Tenants</u></b> | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|---------------------------|-------------------------------------|---------------------|---------------------------|
| Walmart*                  | 70,828                              | 40%                 | December 31, 2010         |
| Safeway                   | 46,544                              | 26%                 | August 2011               |
| Chevron                   | 11,696                              | 7%                  | February 2012             |
| Liquor Store              | 6,285                               | 4%                  | April 2016                |

\*Walmart has given notice to terminate the lease effective December 31, 2010

## **Alberta**

As at December 31, 2010, the REIT owned two properties in the Province of Alberta consisting of community shopping centres located in Medicine Hat and Wetaskiwin. The industries that form the base of the Alberta economy include oil and gas, livestock, agriculture, forestry and industrial products.

### **Carry Plaza – 3201 Dunmore Road, Medicine Hat, Alberta**

Carry Plaza is a 58,697 square foot single-level open neighbourhood plaza located within the south eastern periphery of Medicine Hat. Medicine Hat is located 287 kilometres east of Calgary. Medicine Hat services a broad sector of south eastern Alberta and south western Saskatchewan and has a regional trade area population of approximately 127,000. Medicine Hat's economy is dominated by the agricultural and petroleum industries. The city is located on the Trans-Canada highway linking Calgary and Regina. The plaza benefits from its location immediately across the street from Medicine Hat Mall, the city's leading regional shopping centre occupied by The Bay, Sears and Safeway. Carry Plaza has a strong mix of local and national tenants including Rexall, Medicine Hat Buffet, Earl's Restaurant, and Bank of Montreal. As of December 31, 2010, Carry Plaza was 100% leased and occupied by 20 tenants. The plaza was built in 1991. It is situated on a 4.84 acre site and has parking for 265 vehicles.

| <b><u>Key Tenants</u></b> | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|---------------------------|-------------------------------------|---------------------|---------------------------|
| Rexall                    | 13,123                              | 22%                 | July 2024                 |
| Medicine Hat Buffet       | 6,000                               | 10%                 | September 2016            |
| Earl's Restaurant         | 5,250                               | 9%                  | March 2014                |
| Rossco's Pub              | 4,679                               | 8%                  | December 2019             |
| Bank of Montreal          | 3,200                               | 5%                  | February 2016             |

### **Wetaskiwin Mall – 3725-56th Street, Wetaskiwin, Alberta**

Wetaskiwin Mall is a 144,444 square-foot single-level enclosed community mall in Wetaskiwin, located approximately 75 kilometres south of Edmonton. Wetaskiwin's regional trade area has a population of approximately 40,000. Wetaskiwin is located in a region dominated by the petroleum industry. Wetaskiwin Mall is the only enclosed mall in the town. The mall's key tenants include Liquidation World, Dollarama and Sport Chek. As of December 31, 2010, Wetaskiwin Mall was 48.9% leased and occupied by 22 tenants. The mall was built in 1980 and renovated in 2002. It is situated on a 15.1 acre site and has parking for approximately 950 vehicles. In conjunction with SmartCentres' leasing and development teams, the REIT is reviewing options to reposition this property.

| <b><u>Key Tenants</u></b> | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|---------------------------|-------------------------------------|---------------------|---------------------------|
| Liquidation World         | 22,000                              | 15%                 | January 2017              |
| Dollarama                 | 11,300                              | 8%                  | April 2017                |
| Sport Chek                | 8,312                               | 6%                  | January 2021              |
| Bank of Nova Scotia       | 3,985                               | 3%                  | May 2014                  |

## Saskatchewan

As at December 31, 2010, the REIT owned six properties in the Province of Saskatchewan consisting of community shopping malls located in Regina (2), Swift Current, Kindersley, Prince Albert and Moose Jaw. The industries that form the base of the Saskatchewan economy include agriculture, mining, manufacturing and oil and gas.

### Golden Mile Shopping Centre – 3846 Albert Street, Regina, Saskatchewan

Golden Mile Shopping Centre is a 227,531 square foot enclosed community mall located in Regina. Regina has a population of approximately 192,800. Golden Mile Shopping Centre was the first enclosed mall in the city and is situated in the South Albert Street retail corridor, approximately two kilometres from Regina's downtown core. The mall's key tenants include Extra Foods, Urban Planet, Royal Bank of Canada, Liquidation World and a ten screen Rainbow Cinema. Located in a mature residential area, the mall's nearest competition is the 439,148 square foot Southland Mall, which is anchored by Safeway and was acquired by the REIT in 2005. As of December 31, 2010, Golden Mile Shopping Centre was 98.7% leased and occupied by 62 tenants. The mall was built in 1959, redeveloped in 1977, 1988, 1990 and 2002 and renovated in 2003. It is situated on a 13.43 acre site and has parking for 820 vehicles.

| <u>Key Tenants</u>   | <u>Area Leased (sq. ft.)</u> | <u>% GLA</u> | <u>Expiry Date</u> |
|----------------------|------------------------------|--------------|--------------------|
| Extra Foods          | 41,448                       | 18%          | September 2011     |
| Urban Planet         | 24,462                       | 11%          | November 2012      |
| The Rainbow Cinema   | 23,637                       | 10%          | March 2018         |
| Liquidation World    | 16,865                       | 7%           | January 2011       |
| Royal Bank of Canada | 10,451                       | 5%           | October 2015       |

### Wheatland Mall – 1150 Central Avenue North, Swift Current, Saskatchewan

Wheatland Mall is a 116,922 square foot single-level enclosed community mall in Swift Current, located on the Trans-Canada Highway approximately 245 kilometres west of Regina. Swift Current's regional trade area has a population of approximately 55,000. Swift Current is in a region known for its agricultural, ranching and oil and gas industries. The mall occupies a strong location and is well established in Swift Current. The REIT's key tenant in the mall was Walmart, which vacated the premises and paid rent until January, 2008. Through a remerchandising plan developed to lease the vacancy, the space has now been fully leased and is occupied by Peavey Mart, Liquidation World and Dollarama. In addition, Pioneer Co-Op, the province's leading regional retailer, is located on an adjacent property under separate ownership and title and is an important shadow anchor. As of December 31, 2010, Wheatland Mall was 75.5% leased and occupied by 20 tenants. In late 2010, the REIT commenced a redevelopment plan for Wheatland Mall. Smaller CRU units and common area will be redemised resulting in larger and more versatile units and the conversion of the mall into an open community centre. A 10 year lease was executed for a 18,900 square feet Giant Tiger store which is scheduled to take possession in Q3 2011 and is expected to commence paying rent in November 2011. The mall was built in 1975 and renovated in 1988. It is situated on a 30.6 acre site and has parking for 1,256 vehicles. In the event that the REIT decides to sell its interest in the property, an adjacent landowner has, in certain circumstances, a right of first refusal to acquire the REIT's interest.

| <u>Key Tenants</u>                                  | <u>Area Leased (sq. ft.)</u> | <u>% GLA</u> | <u>Expiry Date</u> |
|-----------------------------------------------------|------------------------------|--------------|--------------------|
| Peavey Mart                                         | 29,739                       | 25%          | November 2016      |
| Liquidation World                                   | 23,705                       | 20%          | January 2017       |
| Dollarama                                           | 10,756                       | 9%           | March 2017         |
| Pioneer Co-op (shadow anchor, with interior access) |                              |              |                    |

### Kindersley Mall – 608-12th Avenue East, Kindersley, Saskatchewan

Kindersley Mall is a 131,218 square foot single-level enclosed community mall in Kindersley, located approximately 125 kilometres west of the city of Saskatoon. Kindersley's regional trade area has a population of approximately 35,000. The town is located in a region dominated by the petroleum industry. Kindersley Mall is the only enclosed mall in the area and is anchored by Extra Foods, which is the region's largest supermarket. A

Canadian Tire and McDonald's, both under separate ownership and title, form part of, and have access to, the mall and are important shadow anchors. As of December 31, 2010, Kindersley Mall was 55% leased and occupied by 21 tenants. The mall was built in 1981 and redeveloped in 1996. It is situated on an 11.75 acre site and has parking for 820 vehicles.

| <b><u>Key Tenants</u></b> | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|---------------------------|-------------------------------------|---------------------|---------------------------|
| Extra Foods               | 29,775                              | 23%                 | October 2012              |
| Sask. Liquor & Gaming     | 10,000                              | 8%                  | July 2015                 |

Zellers vacated as planned at the end of January, 2009. The REIT seeks to lease to temporary tenants where possible, while a long-term tenant (or tenants) is pursued to back-fill the space. The REIT continues to work with the SmartCentres leasing team to increase revenue and occupancy at this property.

#### **South Hill Mall – 2995-2nd Avenue West, Prince Albert, Saskatchewan**

South Hill Mall is a 179,061 square foot single-storey enclosed community mall in Prince Albert, located approximately 140 kilometres northeast of Saskatoon. Prince Albert is the province's third largest city with a population of approximately 35,000. Prince Albert's primary industries are mining, forestry and agriculture. South Hill Mall consists of five buildings and is located on the southwest corner of 2nd Avenue West and 28th Street West approximately 1.5 kilometres north of Prince Albert's downtown area. The mall's key tenants are Winners, Shoppers Drug Mart and Galaxy Cinemas. A Safeway, on adjacent land under separate title and ownership located to the north of the mall, has direct access to the mall and is an important shadow anchor. As of December 31, 2010, South Hill Mall was 72.3% leased and occupied by 28 tenants. The mall and one stand-alone building were built in 1972. It is situated on an approximately 23 acre site and has parking for approximately 1,600 vehicles.

| <b><u>Key Tenants</u></b>                     | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|-----------------------------------------------|-------------------------------------|---------------------|---------------------------|
| Winners                                       | 26,962                              | 15%                 | April 2015                |
| Galaxy Cinemas                                | 21,961                              | 12%                 | June 2018                 |
| Shoppers Drug Mart                            | 18,356                              | 10%                 | January 2018              |
| Mattress Mattress                             | 9,453                               | 5%                  | February 2018             |
| Smitty's                                      | 8,510                               | 5%                  | January 2020              |
| Safeway (shadow anchor, with interior access) |                                     |                     |                           |

#### **Southland Mall – 2960 Gordon Road, Regina, Saskatchewan**

Southland Mall is a 439,148 square foot enclosed community mall consisting of the main mall and five stand-alone retail buildings located in Regina. Regina has a population of approximately 192,800. Southland Mall is located at the intersection of two of the city's major arterial routes immediately north of the Trans Canada Highway. The mall is anchored by Safeway, and contains a diverse mix of tenants that include Cineplex and Chapters. As of December 31, 2010, Southland Mall was 63.1% leased and occupied by 94 tenants. The mall was built in a number of phases beginning in 1977. Subsequent expansions and renovations were completed in 1989, 1994 and 1997. The five stand-alone retail buildings were built between 1995 and 2000. Southland Mall is situated on an approximately 52 acre site, and has parking for approximately 2,300 vehicles. In late 2010 the REIT commenced a multi-year revitalization project at Southland Mall. The REIT will be investing over \$11 million in revitalizing the mall including extensive upgrades to the interior and exterior of the centre. In addition, Safeway will be converting its current store into a new "Lifestyle" format store.

| <b><u>Key Tenants</u></b> | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|---------------------------|-------------------------------------|---------------------|---------------------------|
| Safeway                   | 47,447                              | 11%                 | March 2015                |
| Cineplex                  | 36,165                              | 8%                  | May 2017                  |
| Chapters                  | 25,172                              | 6%                  | April 2014                |
| Sport Chek                | 16,545                              | 4%                  | August 2015               |
| Regina Public Library     | 13,865                              | 3%                  | December 2014             |

Town 'N' Country Mall – 1235 Main Street North, Moose Jaw, Saskatchewan

Town 'N' Country Mall is a 357,580 square foot enclosed community mall in Moose Jaw, located in south-central Saskatchewan approximately 71 kilometres west of the City of Regina. Moose Jaw has a population of approximately 32,000 and serves as a hub to the many small towns and farms in the local region. Town 'N' Country Mall is Moose Jaw's only enclosed mall and is located approximately 1.6 kilometres north of the city's central business district and 1.6 kilometres south of the Trans Canada Highway. The mall is anchored by Zellers and its other key tenants include Sears, Labels, and Galaxy Cinemas. As of December 31, 2010, Town 'N' Country Mall was 89.2% leased and occupied by 45 tenants. The mall was built in two phases beginning in 1973 with the south portion added in 1980. It is situated on a 26.3 acre site and has parking for approximately 1,400 vehicles.

| <u>Key Tenants</u> | <u>Area Leased (sq. ft.)</u> | <u>% GLA</u> | <u>Expiry Date</u> |
|--------------------|------------------------------|--------------|--------------------|
| Zellers            | 112,374                      | 31%          | October 2014       |
| Sears              | 60,355                       | 17%          | August 2020        |
| Labels             | 23,248                       | 7%           | September 2018     |
| Galaxy Cinemas     | 22,173                       | 6%           | June 2021          |
| Sport Chek         | 14,908                       | 4%           | January 2013       |

**Manitoba**

As at December 31, 2010, the REIT owned one property in the Province of Manitoba being an enclosed community shopping centre located in Thompson. The industries that form the base of the Manitoba economy include the services sector, agriculture, transportation, mining and manufacturing.

City Centre Mall – 300 Mystery Lake Road, Thompson, Manitoba

City Centre Mall is an 185,171 square foot single-level enclosed community mall in Thompson, located approximately 770 kilometres north of the city of Winnipeg. Thompson's regional trade area has a population of approximately 45,000. Thompson is in a region whose economy is dominated by hydro-electricity production and a Vale-Inco nickel refinery. City Centre Mall, located in the heart of Thompson, plays a key role in the community. The mall's key tenants include Walmart, Safeway, Mark's Work Warehouse and TD Bank. There is additional expansion capacity on the site. As of December 31, 2010, City Centre Mall was 99% leased and occupied by 30 tenants. The mall was built in 1971 and renovated most recently in 1999. It is situated on an 18.95 acre site and has parking for 1,040 vehicles. In the event that the REIT decides to sell its interest in the mall, a tenant has, in certain circumstances, a right of first refusal to acquire the REIT's interest.

| <u>Key Tenants</u>    | <u>Area Leased (sq. ft.)</u> | <u>% GLA</u> | <u>Expiry Date</u> |
|-----------------------|------------------------------|--------------|--------------------|
| Walmart               | 80,000                       | 44%          | August 2012        |
| Safeway               | 39,251                       | 21%          | April 2014         |
| Mark's Work Warehouse | 8,070                        | 4%           | October 2012       |
| TD Bank               | 4,500                        | 2%           | May 2013           |
| Vantis Credit Union   | 4,286                        | 2%           | May 2011           |

**Ontario**

As at December 31, 2010, the REIT owned fifteen retail properties in the Province of Ontario located in St. Catharines (2), Kenora, St. Thomas, Midland, Orangeville, Kingston, Mississauga (3), Brampton, Thunder Bay (2) and Toronto (2). The industries that form the base of the Ontario economy include the services sector, manufacturing, mining and other natural resources.

Lincoln Value Centre – 525 Welland Avenue, St. Catharines, Ontario

Lincoln Value Centre is a 356,951 square foot single-level open community plaza in St. Catharines, located 110 kilometres south of Toronto. St. Catharines has a population of approximately 129,000. The plaza is on a large,

prominent site in the north central part of St. Catharines. The economy of St. Catharines is diverse and includes agriculture and manufacturing industries. The plaza's key tenants include Walmart, a No Frills supermarket and a new format Canadian Tire. There are several developments of competing nature within a 7 kilometre radius of the plaza, including the 989,000 square foot Pen Centre; however Lincoln Value Centre is well located within a mature residential development providing a good primary market catchment. As of December 31, 2010, Lincoln Value Centre was 95.3% leased and occupied by 15 tenants. The plaza was built in 1968 and renovated in 2001. It is situated on a 34.6 acre site and has parking for approximately 2,000 vehicles. In the event that the REIT decides to sell its interest in the plaza, a tenant has, in certain circumstances, a right of first refusal to acquire the REIT's interest. The REIT is planning renovations at Lincoln Value Centre over the next three years include improving illumination in the parking lot, making interior road improvements, upgrading building storefronts and potentially adding a new 15,000 square foot retail building. Walmart will be converting its existing store into a Walmart Supercentre, which is expected to be completed by the summer of 2011.

| <b><u>Key Tenants</u></b> | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|---------------------------|-------------------------------------|---------------------|---------------------------|
| Walmart                   | 128,400                             | 36%                 | July 2015                 |
| Canadian Tire             | 86,491                              | 24%                 | May 2020                  |
| No Frills                 | 25,950                              | 7%                  | June 2013                 |
| United Furniture          | 22,500                              | 6%                  | October 2011              |
| DOT Seasonal              | 11,975                              | 3%                  | September 2015            |

#### **Kenora Shoppers Mall – 534 Park Street, Kenora, Ontario**

Kenora Shoppers Mall is a 153,959 square foot single-level enclosed community mall in Kenora, located on the Trans-Canada Highway approximately 210 kilometres east of Winnipeg, and 290 kilometres west of Thunder Bay. Kenora is the second largest centre in north western Ontario and has a regional trade population of approximately 63,000 with the summer season adding approximately 30,000 more residents. Kenora is in the Lake of the Woods region whose economy is supported by the forestry, tourism and mining industries. Kenora Shoppers Mall is situated in downtown Kenora and faces competition from a newly developed open format retail centre across town. The mall is itself a major tourist destination as it is the only enclosed mall in the city. The mall's key tenants include Zellers and Extra Foods. As of December 31, 2010, Kenora Shoppers Mall was 95.4% leased and occupied by 18 tenants. The mall was built in 1974 and renovated in 2002. It is situated on an 8.24 acre site and has parking for approximately 500 vehicles.

| <b><u>Key Tenants</u></b> | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|---------------------------|-------------------------------------|---------------------|---------------------------|
| Zellers                   | 75,133                              | 49%                 | November 2014             |
| Extra Foods               | 28,131                              | 18%                 | July 2021                 |
| The Beer Store            | 10,380                              | 7%                  | July 2014                 |

#### **681-691 Gardiners Road – Kingston, Ontario**

681- 691 Gardiners Road is a 48,040 square foot single-level open neighbourhood plaza in Kingston. The plaza is located on Gardiners Road, directly across the street from the RIOCAN Power Centre consisting of approximately 400,000 square feet of big box retail outlets. The surrounding area includes a major residential development to the immediate south and north of the property. The plaza's tenants include Bay Bros, Speedy Muffler and Hakim Optical. As of December 31, 2010, the plaza was 96.5% leased and occupied by 5 tenants. The building was built in 1965 and renovated in 1985 and 1993. It is situated on an 11 acre site and has parking for 102 vehicles. The REIT continues to pursue shorter term tenancies at this property while redevelopment opportunities are reviewed with SmartCentres.

| <b><u>Key Tenants</u></b> | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|---------------------------|-------------------------------------|---------------------|---------------------------|
| Bay Bros                  | 25,072                              | 52%                 | September 2011            |
| Goldspan Fine Furniture   | 12,000                              | 25%                 | February 2013             |
| Speedy Muffler            | 4,879                               | 10%                 | July 2015                 |

Elgin Mall – 417 Wellington Street, St. Thomas, Ontario

Elgin Mall is a 263,705 square foot single-level enclosed community mall in St. Thomas, located approximately 28 kilometres south of the City of London. St. Thomas has a population of approximately 35,000 and is home to automobile manufacturing facilities, including Ford's Crown Victoria auto plant. Elgin Mall is anchored by Zellers. The mall's other key tenants include Metro, Galaxy Cinemas, Goodlife Fitness and Sport Mart. As of December 31, 2010, Elgin Mall was 87.1% leased and occupied by 42 tenants. The mall was built in 1974, and expanded in 1987 and 1993. It is situated on a 19.7 acre site and has parking for approximately 1,300 vehicles.

| <b><u>Key Tenants</u></b> | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|---------------------------|-------------------------------------|---------------------|---------------------------|
| Zellers                   | 86,853                              | 33%                 | October 2015              |
| Metro                     | 35,578                              | 13%                 | October 2012              |
| Galaxy Cinemas            | 21,326                              | 8%                  | November 2023             |
| Goodlife Fitness          | 13,051                              | 5%                  | June 2024                 |
| Sport Mart                | 8,601                               | 3%                  | January 2013              |

Mountainview Mall – 9226 Highway 93, Midland, Ontario

Mountainview Mall is a 328,597 square foot single-storey enclosed community mall consisting of the main mall and a single-use retail pad. It is located in Midland, on Georgian Bay approximately 54 kilometres north of the City of Barrie. Midland is centrally situated within the southern Georgian Bay area and has a regional trade population of approximately 43,000. In the summer months, the area population grows to over 100,000 due to cottages, resort hotels and provincial and national parks. Mountainview Mall is the primary mall in Midland. The mall's key tenants include Zellers, Metro, Galaxy Cinemas, The Brick, Staples, and Shoppers Drug Mart. As of December 31, 2010, Mountainview Mall was 91.8% leased and occupied by 41 tenants. The mall was built in 1983 with renovations completed in 1988 and 2008. It is situated on an approximately 37 acre site and has parking for 1,459 vehicles. In 2008, the REIT purchased an adjoining piece of developed land and building that included Staples and PartSource on long-term leases.

| <b><u>Key Tenants</u></b> | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|---------------------------|-------------------------------------|---------------------|---------------------------|
| Zellers                   | 124,430                             | 38%                 | September 2013            |
| Metro                     | 38,173                              | 12%                 | July 2013                 |
| Galaxy Cinemas            | 26,153                              | 8%                  | December 2020             |
| The Brick                 | 25,103                              | 8%                  | June 2023                 |
| Staples                   | 15,000                              | 5%                  | April 2015                |
| Shoppers Drug Mart        | 10,216                              | 3%                  | November 2015             |

Orangeville Mall – 150 First Street, Orangeville, Ontario

Orangeville Mall is an 183,571 square foot single-storey enclosed community mall consisting of the main mall and a single-use retail pad, located in Orangeville, approximately 80 kilometres northwest of the City of Toronto. Orangeville Mall is directly adjacent to RioCan Fairgrounds and is anchored by Zellers. The mall's other key tenants include Metro and Shoppers Drug Mart. As of December 31, 2010, Orangeville Mall was 94.7% leased and occupied by 30 tenants. The mall was built in 1977, with an extension for Zellers added in 1993 and the stand-alone retail building constructed in 2000. It is situated on an approximately 17 acre site and has parking for approximately 800 vehicles.

| <b><u>Key Tenants</u></b> | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|---------------------------|-------------------------------------|---------------------|---------------------------|
| Zellers                   | 86,484                              | 47%                 | September 2014            |
| Metro                     | 30,087                              | 16%                 | September 2018            |
| Shoppers Drug Mart        | 7,270                               | 4%                  | February 2015             |

1480-1490 Dundas St. E., Mississauga, Ontario

The property located at 1480/1490 Dundas St. E., Mississauga is a 53,991 square foot single-storey multi-tenant retail complex. It is centrally located in the City of Mississauga, in the westerly part of the Greater Toronto Area ("GTA"). The property is located along the Dundas St. retail corridor and is recognized as a major destination node for home furnishing related uses. The centre's key tenants include Bad Boy Furniture, The Chesterfield Shop and Black & Decker. As of December 31, 2010, the property was 93.8% leased and occupied by 5 tenants. The mall was built in approximately 1970 and is situated on an approximately 5.2 acre site and has parking for approximately 270 vehicles.

| <b><u>Key Tenants</u></b> | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|---------------------------|-------------------------------------|---------------------|---------------------------|
| Bad Boy Furniture         | 26,053                              | 48%                 | October 2012              |
| The Chesterfield Shop     | 11,842                              | 22%                 | August 2013               |
| Black & Decker            | 6,344                               | 12%                 | October 2012              |

1224 Dundas St. E., Mississauga, Ontario

The property located at 1224 Dundas St. E., Mississauga is a 202,971 square foot single-storey multi-tenant retail complex. It is centrally located in the City of Mississauga, in the westerly part of the GTA. The property is also located along the Dundas St. retail corridor. The centre's key tenants include Deeper Life, Goodwill, and Candles. As of December 31, 2010, the property was 81.3% leased and occupied by 10 tenants. The mall was built in 1977 and is situated on an approximately 9.9 acre site and has parking for approximately 1,015 vehicles.

| <b><u>Key Tenants</u></b> | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|---------------------------|-------------------------------------|---------------------|---------------------------|
| Deeper Life               | 48,544                              | 24%                 | October 2011              |
| Goodwill                  | 38,756                              | 19%                 | July 2011                 |
| Candles                   | 12,450                              | 6%                  | April 2013                |

750-760 Birchmount Rd. Toronto, Ontario

The property located at 750/760 Birchmount Rd., Toronto is a 66,143 square foot single-storey multi-tenant retail complex. It is centrally located in the easterly part of the GTA. The property is located along a commercial corridor recognized as a destination for retail shoppers. The centre's key tenants include Pillar, Baskits and UAP. As of December 31, 2010, the property was 87.4% leased and occupied by 12 tenants. The mall was built in 1989 and is situated on an approximately 3.4 acre site and has parking for approximately 289 vehicles.

| <b><u>Key Tenants</u></b> | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|---------------------------|-------------------------------------|---------------------|---------------------------|
| Pillar Direct Marketing   | 14,022                              | 21%                 | November 2011             |
| Baskits                   | 8,781                               | 13%                 | March 2015                |
| UAP                       | 7,258                               | 11%                 | February 2015             |

1100-1140-1170 Burnhamthorpe Rd. W., Mississauga, Ontario

The property located on Burnhamthorpe Rd., Mississauga is a mixed use 199,810 square foot building, with approximately 123,759 square-feet of retail and 76,051 square-feet of office retail space. The property is centrally located in the City of Mississauga, in the westerly part of the GTA. There are several retail centres, including Deer Run Shopping Centre, The Roseborough Centre, and 3900 Grand Park Drive, in proximity to the property creating a commercial node with significant destination retail traffic. The property consists of two single-storey multi-tenant retail buildings of 65,398 square feet, and 73,119 square-feet, respectively, and a 61,293 square foot building with ground floor retail and second-floor of office space. The centre's key tenants include Premier Fitness, Ontario Realty Corporation ("ORC"), Re/Max and Swiss Chalet. As of December 31, 2010, the property was 92.9% leased and occupied by 64 tenants. The mall was built in approximately 1985 and is situated on an approximately 11.5 acre site and has parking for approximately 1,000 vehicles.

| <b><u>Key Tenants</u></b> | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|---------------------------|-------------------------------------|---------------------|---------------------------|
| Premier Fitness           | 28,302                              | 14%                 | September 2013            |
| ORC*                      | 16,529                              | 8%                  | December 2010             |
| Re/Max                    | 8,171                               | 4%                  | April 2014                |
| Swiss Chalet              | 7,435                               | 4%                  | June 2011                 |

\*Ontario Realty Corporation has given notice that it will vacate upon expiry, effective January 1, 2011

#### **Yorkgate Mall – 1 York Gate Boulevard, Toronto, Ontario**

Yorkgate Mall is a 217,525 square foot two-storey enclosed community mall located along Finch Avenue and Jane Street, two main north Toronto vehicular arterials. It is anchored at either end by a single-storey No Frills and Zellers. The mall's other key tenants include Seneca College, Dollarama and LCBO. As of December 31, 2010, Yorkgate Mall was 98% leased and occupied by 69 tenants. The mall was built in 1990. It is situated on an approximately 13 acre site and has parking for 914 vehicles.

| <b><u>Key Tenants</u></b>  | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|----------------------------|-------------------------------------|---------------------|---------------------------|
| Zellers                    | 65,728                              | 30%                 | March 2015                |
| No Frills                  | 31,225                              | 14%                 | August 2014               |
| Seneca College             | 17,673                              | 8%                  | September 2012            |
| Dollarama                  | 9,801                               | 5%                  | March 2017                |
| Black Creek Medical Centre | 8,101                               | 4%                  | June 2017                 |

#### **Kingspoint Plaza – 370 Main Street, Brampton, Ontario**

Kingspoint Plaza is a 202,173 square foot open neighbourhood shopping centre, configured with an L-shaped format building and multiple outparcels. The property is located at the north-east corner of Main Street and Vodden Street and holds strong exposure along Main Street, Brampton's primary north/south roadway through the downtown business district. On the north-west corner of Main Street and Vodden is a Loblaws grocery store further enhancing the retail traffic in the area. The shopping centre is anchored by a new format Shoppers Drug Mart pad site, which includes a large second-storey 17-physician medical practice, Giant Tiger and a recently renovated and expanded state-of-the-art Goodlife Fitness. Kingspoint Plaza's other key tenants include Ontario Realty Corporation and Dollar Plus. As of December 31, 2010, Kingspoint Plaza was 95.6% leased and occupied by 29 tenants. The shopping centre was built in 1984 and has undergone renovations in 1988, 1990 and most recently in 2009 and 2010. It is situated in an approximately 17 acre site and has parking for 1,035 vehicles.

| <b><u>Key Tenants</u></b> | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|---------------------------|-------------------------------------|---------------------|---------------------------|
| Giant Tiger               | 38,233                              | 19%                 | March 2016                |
| Goodlife Fitness          | 33,557                              | 17%                 | August 2019               |
| Queen's Square Doctors    | 18,538                              | 9%                  | February 2020             |
| Shoppers Drug Mart        | 18,065                              | 9%                  | February 2025             |
| Long and McQuade          | 16,716                              | 8%                  | July 2013                 |

#### **McIntyre Centre – 1120 & 1186 Memorial Avenue, Thunder Bay, Ontario**

McIntyre Shopping Centre is a 66,081 square foot open community shopping centre comprised of an irregular shaped, 5.8 acre lot. The improvements include a multi-tenant CRU plaza and a recently constructed Shoppers Drug Mart on a stand-alone pad. The property is located along Memorial Avenue, a primary retail corridor in the city and just opposite of Intercity Shopping Centre, Northwestern Ontario's largest shopping mall that has 110 stores over 450,000 square feet and over five million shoppers per year. McIntyre Shopping Centre is anchored by Shoppers Drug Mart, while other key tenants are Goodlife Fitness and Fabricland. As of December 31, 2010, McIntyre Shopping Centre was 100% leased and occupied by 13 tenants. The shopping centre was built in 1977 and has

undergone renovations in 1977, 1990 and most recently in 2008. It is situated on an approximately 5.8 acre site and has parking for 325 vehicles.

| <b><u>Key Tenants</u></b> | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|---------------------------|-------------------------------------|---------------------|---------------------------|
| Shoppers Drug Mart        | 16,993                              | 26%                 | March 2023                |
| Goodlife Fitness          | 12,000                              | 18%                 | August 2018               |
| Fabricland                | 11,745                              | 18%                 | September 2017            |
| Bulk Barn                 | 5,796                               | 9%                  | April 2019                |
| China House               | 4,282                               | 7%                  | February 2018             |

#### **Hartzel Plaza – 149-159 Hartzel Road, St. Catharines, Ontario**

Hartzel Plaza is a 67,972 square foot open neighbourhood shopping centre, consisting of a multi-tenant CRU building and two single-tenant pads. The property is located along Hartzel Road, a primary commercial corridor within the Merritton community in the City of St. Catharines. It is anchored by Metro and complemented by a dollar store and the Niagara Community Care Access Centre. As of December 31, 2010, Hartzel Plaza was 100% leased and occupied by 6 tenants. The shopping centre was built in 1985 and has undergone renovations in 2008 through 2010. It is situated on an approximately 6.6 acre site and has parking for 329 vehicles.

| <b><u>Key Tenants</u></b>         | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|-----------------------------------|-------------------------------------|---------------------|---------------------------|
| Metro                             | 34,522                              | 51%                 | January 2020              |
| Community Care Access             | 19,000                              | 28%                 | March 2015                |
| 99 Cent Depot                     | 5,000                               | 7%                  | April 2018                |
| The St. Catharines Public Library | 4,250                               | 6%                  | March 2016                |
| Itt's Thai                        | 3,000                               | 4%                  | March 2015                |

#### **Red River Plaza – 870 Red River Road, Thunder Bay, Ontario**

Red River Plaza is a 19,000 square foot open neighbourhood plaza, consisting of a single storey building with two tenants: Blockbuster and The Salvation Army. It is located in the Port Arthur community of Thunder Bay, surrounded by an established residential neighbourhood. Red River Road is a commercial corridor and includes many similar convenience and service oriented retailers in plazas and freestanding pads. As of December 31, 2010, Red River Plaza was 100% leased and occupied by these two tenants. The plaza was built in 1965 and is situated on an approximately 1 acre site, which also provides parking for 49 vehicles.

| <b><u>Key Tenants</u></b>   | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|-----------------------------|-------------------------------------|---------------------|---------------------------|
| Salvation Army Thrift Store | 14,000                              | 74%                 | July 2016                 |
| Blockbuster                 | 5,000                               | 26%                 | July 2016                 |

#### **New Brunswick**

As at December 31, 2010, the REIT owned three properties in the Province of New Brunswick consisting of a two-level open community plaza, an open community plaza and an enclosed mall, all located in Saint John. The industries that form the base of the New Brunswick economy include the manufacturing of food, beverage and wood-based products, mining, fishing, agriculture and telecommunications.

#### **Lansdowne Plaza – 55 Lansdowne Avenue, Saint John, New Brunswick**

Lansdowne Plaza is a 202,561 square foot two-level open community plaza in Saint John. Saint John is one of the major industrial centres of Atlantic Canada and has a population of approximately 180,000. The plaza is conveniently situated near a high concentration of residential development in the city's north end, resulting in steady consumer traffic. It has a favourable tenant mix comprised of local, regional and national companies. Lansdowne Plaza's key tenants include Shoppers Drug Mart, Dollarama and a call centre operated by Eddie Bauer. As of

December 31, 2010, Lansdowne Plaza was 68.4% leased and occupied by 25 tenants. The plaza consists of five separate buildings built in 1959 and renovated in 1980 and 2000. The plaza is situated on a 16.7 acre site and has parking for approximately 970 vehicles.

| <b><u>Key Tenants</u></b> | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|---------------------------|-------------------------------------|---------------------|---------------------------|
| Eddie Bauer**             | 37,815                              | 19%                 | June 2011                 |
| Shoppers Drug Mart        | 18,013                              | 9%                  | September 2020            |
| Fairway Lanes             | 14,000                              | 7%                  | August 2015               |
| Dollarama                 | 10,460                              | 5%                  | May 2010                  |
| New Brunswick Liquor Co.  | 7,414                               | 4%                  | August 2011               |

\*\* Eddie Bauer has given notice that it will not renew upon expiry on June 30, 2011

#### **Lancaster Mall – 621 Fairville Boulevard, Saint John, New Brunswick**

Lancaster Mall is a 234,981 square foot enclosed community mall in Saint John. Saint John is one of the major industrial centres of Atlantic Canada and has a population of approximately 180,000. The mall is conveniently situated on the west side of the City on the southeast corner of Fairville Boulevard and Catherwood Street and is bordered by the Trans Canada Highway to the south. The mall consists of an L-shaped single-storey building anchored by No Frills and Zellers. Lancaster Mall's other key tenants include Shoppers Drug Mart, Urban Planet and McDonald's. As of December 31, 2010, Lancaster Mall was 98.4% leased and occupied by 32 tenants. The mall is situated on a 22 acre site and has parking for approximately 900 vehicles.

| <b><u>Key Tenants</u></b>          | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|------------------------------------|-------------------------------------|---------------------|---------------------------|
| Zellers                            | 102,293                             | 44%                 | August 2029               |
| No Frills                          | 35,719                              | 15%                 | August 2025               |
| Shoppers Drug Mart                 | 17,277                              | 7%                  | October 2023              |
| Urban Planet – Head Lease          | 10,904                              | 5%                  | July 2019                 |
| Great Canadian Dollar – Head Lease | 5,548                               | 2%                  | December 2013             |

#### **600 Fairville Boulevard, Saint John, New Brunswick**

600 Fairville Boulevard is a 3,515 square foot open community plaza in Saint John. Saint John is one of the major industrial centres of Atlantic Canada and has a population of approximately 180,000. The plaza is situated just opposite of the Lancaster Mall, on the west side of the City on the southeast corner of Fairville Boulevard and Catherwood Street. The plaza consists of a building occupied by Global Pets and Web Corp Enterprises. As of December 31, 2010, 600 Fairville Plaza was 100% leased and occupied by 2 tenants.

| <b><u>Key Tenants</u></b> | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|---------------------------|-------------------------------------|---------------------|---------------------------|
| Global Pet Foods          | 2,040                               | 58%                 | May 2020                  |
| Web Corp Enterprises      | 1,475                               | 42%                 | January 2012              |

#### **Nova Scotia**

As at December 31, 2010, the REIT owned one property in the Province of Nova Scotia, an open community neighbourhood plaza in the Halifax Regional Municipality. The industries that form the base of the Nova Scotia economy include mining, forestry, fishing and tourism.

#### **Woodlawn Staples Plaza – 114-120 Woodlawn Road, Halifax Regional Municipality, Nova Scotia**

Woodlawn Staples Plaza is a 153,402 square foot two-level open community plaza located in Dartmouth, in the Halifax Regional Municipality. The Halifax Regional Municipality has a population of approximately 359,000. The plaza is situated near the busiest intersection of a traditionally strong retail market in Dartmouth. Woodlawn Staples Plaza is a major community shopping centre in an area with a growing residential base. The plaza's key tenants

include Atlantic Fabrics, Pennington's and a freestanding Staples. As of December 31, 2010, Woodlawn Staples Plaza was 80.6% leased and occupied by 33 tenants. The plaza was built in 1968 and was last renovated in 2001. It is situated on a 9.36 acre site and has parking for 512 vehicles.

| <b><u>Key Tenants</u></b> | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|---------------------------|-------------------------------------|---------------------|---------------------------|
| Staples                   | 25,815                              | 17%                 | August 2016               |
| Atlantic Fabrics          | 21,000                              | 14%                 | May 2022                  |
| Taylor Flooring           | 8,387                               | 5%                  | April 2011                |
| Pennington's              | 7,411                               | 5%                  | July 2011                 |

## **Yukon**

As at December 31, 2010, the REIT owned one property in the Yukon Territory consisting of a community shopping centre located in Whitehorse. The industries that form the base of the Yukon economy include mining, tourism and the services sector.

### **Qwanlin Mall – 303 Ogilvie Street, Whitehorse, Yukon**

Qwanlin Mall is a 103,947 square foot single-level community plaza located in Whitehorse. Whitehorse is the capital and the largest community in the Yukon Territory, with approximately 21,400 people or two-thirds of the territory's population. Qwanlin Mall is located in Whitehorse's downtown core and is close to local retail trade and tourist traffic. Qwanlin Mall's key tenants are Extra Foods, Staples and a recently expanded and renovated Shoppers Drug Mart. As of December 31, 2010, Qwanlin Mall was 100% leased to 5 tenants. The mall was built in 1972 and renovated in 1999 and 2007. It is situated on a 6.11 acre site and has parking for approximately 300 vehicles.

| <b><u>Key Tenants</u></b> | <b><u>Area Leased (sq. ft.)</u></b> | <b><u>% GLA</u></b> | <b><u>Expiry Date</u></b> |
|---------------------------|-------------------------------------|---------------------|---------------------------|
| Extra Foods               | 33,487                              | 32%                 | April 2014                |
| Staples                   | 28,150                              | 27%                 | April 2019                |
| Liquidation World         | 21,275                              | 20%                 | September 2017            |
| Shoppers Drug Mart        | 18,490                              | 18%                 | June 2017                 |

## ***Debt Strategy***

The REIT seeks to maintain a combination of short, medium and long-term debt maturities that are appropriate for the overall debt level of its portfolio, taking into account availability of financing and market conditions and the financial characteristics of each Property. The Declaration of Trust provides that the REIT may not incur or assume any indebtedness if, after incurring or assuming such indebtedness, the total indebtedness of the REIT (including convertible debentures of the REIT from time to time outstanding) would be more than 70% of Gross Book Value. The Declaration of Trust also limits new debt on individual properties or pools of properties to no more than 75% of their value.

As at December 31, 2010, the total consolidated indebtedness of the REIT was 63.5% of Gross Book Value. Overall interest rates and debt maturities are reviewed regularly by the Trustees to ensure that appropriate debt management strategies are implemented.

The REIT has in place a \$20 million revolving operating line with a Canadian chartered bank, maturing June 29, 2012, secured by specific charges on certain income-producing properties. On December 23, the REIT increased its operating line by \$10 million for a total maximum availability of \$30 million in connection with the financing of the acquisition of the Counsel Portfolio. The incremental \$10 million facility expires March 31, 2011. As at December 31, 2010, the balance owing on the operating line was approximately \$19.2 million, and subsequently was further drawn in the first quarter of 2011 to an outstanding balance of \$25.3 million. As at the date of this Annual Information Form the operating line was fully repaid to a nil balance, with the proceeds of the equity offering announced on February 23, 2011.

On July 8, 2010, the REIT repaid the outstanding balance of approximately \$12.6 million on its \$33.5 million non-revolving bridge loan facility which it drew on July 8, 2008.

On December 30, 2010, the REIT obtained a senior secured non-revolving bridge credit facility (the “Bridge Facility”) in the amount of \$20 million to finance Lancaster Mall. Interest is at prime plus 250 basis points and it matures on March 30, 2011. As at December 31, 2010, and as at the date of this Annual Information Form, the Bridge Facility has been fully drawn. The REIT expects to obtain a mortgage on Lancaster Mall and repay the outstanding balance on the Bridge Facility.

In 2010, the REIT repaid or refinanced three properties with debt coming due during the year. The REIT repaid the mortgage on 681-691 Gardiners Road and refinanced Elgin Mall and Lincoln Value Centre with increased mortgage amounts.

### ***Schedule of Debt Maturities***

The following table summarizes, as at December 31, 2010, the REIT’s principal debt repayments (excluding capital lease obligations and convertible debentures) over each of the next five calendar years and thereafter (assuming such debt is not renewed at maturity):

| <b>All figures in<br/>\$000's</b> | <b>Payment of Mortgage<br/>Principal</b> | <b>Debt Maturing<br/>During the year</b> | <b>Total</b>   | <b>% of Total</b> | <b>Weighted Average<br/>Interest Rate <sup>1</sup></b> |
|-----------------------------------|------------------------------------------|------------------------------------------|----------------|-------------------|--------------------------------------------------------|
| 2011                              | 5,843                                    | 56,801                                   | 62,644         | 23.99%            | 6.54%                                                  |
| 2012                              | 5,407                                    | 27,248                                   | 32,655         | 12.51%            | 6.56%                                                  |
| 2013                              | 4,980                                    | 6,244                                    | 11,244         | 4.30%             | 6.96%                                                  |
| 2014                              | 4,695                                    | 14,035                                   | 18,730         | 7.17%             | 6.19%                                                  |
| 2015                              | 3,578                                    | 42,855                                   | 46,433         | 17.78%            | 5.57%                                                  |
| Thereafter                        | 7,489                                    | 81,912                                   | 89,401         | 34.24%            | 5.53%                                                  |
| <b>Total</b>                      | <b>31,992</b>                            | <b>229,095</b>                           | <b>261,087</b> | <b>100%</b>       |                                                        |

Long Term Debt as a percentage of Gross Book Value 63.50%

Weighted average interest rate 6.02%

<sup>1</sup> Without giving effect to the Interest Rate Subsidy Agreement

Additional information in respect of the REIT’s indebtedness and other obligations is included in the REIT’s financial statements and MD&A for its most recently completed financial year, which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

### ***Competitive Conditions***

By concentrating in the income-producing community-based retail property segment the REIT hopes to take advantage of a more favourable risk/return investment environment with fewer national competitors than other segments of the commercial property market. The REIT believes that the geographic diversity of its properties, as well as their diverse tenant mix, decreases the likelihood that a single regional economic downturn or failure of a single retail tenant will have a material adverse impact on the REIT’s yields. The Declaration of Trust has limits on the amount of exposure that the REIT may have to any one tenant. The REIT believes that its relationship with SmartCentres will generate additional opportunities.

## **RISK FACTORS**

There are certain risks inherent in the activities of the REIT, including the following:

### ***Real Property Ownership***

The REIT owns interests in real property. All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, and competition from other available premises and various other factors.

The value of real property and any improvements thereto depends on the credit and financial stability of the tenants. The REIT's revenue may be adversely affected if tenants become unable to meet their obligations under their leases or if a significant amount of available space in the properties in which the REIT has an interest becomes vacant and is not able to be leased on economically favourable lease terms.

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the REIT than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the REIT's investment may be incurred. Furthermore, at any time, a tenant of any of the properties in which the REIT has an interest may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available to the REIT.

The ability to rent unleased space in the properties in which the REIT has an interest will be affected by many factors. Costs may be incurred in making improvements or repairs to the property required by a new tenant and will be incurred if it is necessary to reconfigure space in a property if, for example, an anchor tenant vacates a large area that must be re-leased to two or more tenants requiring less square footage. Work required to re-lease space may also result in a delay in the realization of replacement rental revenue for the vacating tenant.

Certain of the key tenants are permitted to cease operating from their leased premises at any time at their option. Other key tenants are permitted to cease operating from their leased premises or to terminate their leases if certain events occur. Some key tenants have a right to cease operating from their premises if certain other key tenants cease operating from their premises. In most cases, the landlord then has the right, under certain conditions, to terminate the lease and thus be in a position to re-let the space. The exercise of such rights by a tenant may have a negative effect on a property. There can be no assurance that such rights will not be exercised in the future.

Certain significant expenditures, including property taxes, ground rent, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether the property is producing any income. If the REIT is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale or the landlord's exercise of remedies.

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

### ***Availability of Growth Opportunities***

The REIT's business plan includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and effectively operating and leasing such properties. If the REIT is unable to manage its growth effectively, its business, operating results, financial condition and distributions could be adversely affected. There can be no assurance that the REIT will be able to acquire assets on an accretive basis or that distributions to Unitholders will increase or be maintained at present levels.

### ***Reliance on Anchor Tenants***

Retail shopping centres have traditionally relied on there being a number of anchor tenants (department stores, grocery stores and discount department stores) in the centre and therefore they are subject to the risk of such anchor tenants either moving out of the property or going out of business. If any anchor tenant were to leave a property, the property could be negatively affected by such a loss. The REIT's tenant profile includes a number of retail anchors in smaller markets including some with near-term lease expiries.

### ***Financing Risks***

A portion of the cash flow generated by the Properties will be devoted to servicing the REIT's outstanding indebtedness, and there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments thereunder. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing.

The REIT is subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by the REIT's properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness. In order to minimize this risk, the REIT will attempt to appropriately structure the timing of the renewal of significant tenant leases on its properties in relation to the time at which mortgage indebtedness on such properties becomes due for refinancing.

### ***Competition***

The real estate business is competitive. Numerous other developers, managers and owners of retail properties compete with the REIT in seeking tenants. Some of the properties located in the same markets as the REIT's properties are newer, better located, less levered or have stronger anchor tenants than the REIT's properties. Some property owners with properties located in the same markets as the REIT's properties are better capitalized and stronger financially and hence better able to withstand an economic downturn. The existence of developers, managers and owners in such markets and competition for the REIT's tenants could have an adverse effect on the REIT's ability to lease space in its properties in such markets and on the rents charged or concessions granted, and could adversely affect the REIT's revenues and its ability to meet its debt obligations.

Competition for acquisitions of real properties can be intense, and some competitors may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those that the REIT is prepared to accept. An increase in the availability of investment funds and an increase in interest in real property investments may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield thereon.

### ***Access to Capital***

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain and redevelop its properties, as well as to fund its growth strategy from time to time. The longer term ability of the REIT to fund the required capital expenditures is dependent on both equity and debt capital markets. There is no assurance that capital will be available when needed or on favourable terms. The REIT is also subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by the REIT's properties will not be able to be re-financed or that terms of such re-financing will not be as favourable as the terms of existing indebtedness.

### ***Availability of Cash Flow***

Cash flow generated by existing properties and any future acquired properties will be devoted to servicing cash obligations such as principal repayments, tenant allowances, leasing commissions, capital expenditures and other fixed costs. Capital for recoverable improvements may exceed recovery of amounts from tenants. The REIT may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. The REIT may also temporarily fund such items, if necessary, through its operating line. If the REIT is unable to meet interest

or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing.

### ***Environmental Matters***

As an owner of interests in real property in Canada, the REIT is subject to various Canadian federal, provincial and municipal laws relating to environmental matters. Such laws provide that the REIT could be, or become, liable for environmental harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties. Further, liability may be incurred by the REIT with respect to the release of such substances from the REIT's properties to properties owned by third parties, including properties adjacent to the REIT's properties. The failure to remove or otherwise address such substances or properties, if any, may adversely affect the REIT's ability to sell such property, realize the full value of property or borrow using such property as collateral security, and could potentially result in claims against the REIT by public or private parties by way of government orders and/or civil action. The REIT's operating policy, and a requirement in the Declaration of Trust, is to obtain a Phase I environmental site assessment ("ESA"), conducted by an independent and experienced environmental consultant, prior to acquiring a property and to have Phase II ESA work completed where recommended in a Phase I ESA. Although such ESAs provide the REIT with some level of assurance about the condition of property, the REIT may become subject to liability for undetected contamination or other environmental conditions at its properties against which it cannot insure, or against which the REIT may elect not to insure where insurance premium costs are considered to be disproportionate to the assessed risk.

Some of the REIT's properties have, or have had, tenants that generated, handled, stored or used, or currently generate, handle, store or use, hazardous, toxic or other regulated substances and wastes, which has resulted in the presence or suspected presence of such substances or wastes at or under certain of the REIT's properties. For example, retail gas stations and dry cleaning operations are currently located, or have been located in the past, at some of the REIT's properties. Where appropriate, tenant leases specify that the tenant will conduct its business in accordance with environmental laws and be responsible for any liabilities arising out of infractions. Also, asbestos-containing materials, underground storage tanks, petroleum hydrocarbons, lead paint and mould are known or suspected to be present at, or adjacent to, certain of the REIT's properties. Issues have been identified by the ESAs that were conducted, including the potential need to further investigate, remediate or otherwise address certain contamination, or potential contamination, at some of the REIT's properties. Not all of the issues that have been identified through this process have been fully addressed, delineated or quantified, and further work is required to address such matters, which are being managed with the assistance of professional consultants, as appropriate. The ESAs indicate that expenditures in respect of investigation, remediation or monitoring that is or may be required at or related to the REIT's properties is not expected to be material; however, the final costs of investigation, remediation or monitoring may exceed management's expectations. Where circumstances so warrant, investigations, including ESAs, have been, or will be, conducted to determine the presence and/or extent of hazardous, toxic or other regulated substances (including designated substances that have specific legislative requirements) or other environmental conditions that need to be addressed.

The REIT is not aware of any material non-compliance with environmental laws at any of its properties, and is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties. The REIT will continue to implement policies and procedures to assess, manage and monitor environmental conditions at its properties to manage exposure to liability. The REIT holds insurance to cover a sudden and/or accidental environmental mishap that may occur in the future. The REIT will endeavour to continue to insure against such accidents to the extent that such coverage is commercially viable.

The REIT makes the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues. Although there can be no assurances, the REIT does not believe that such costs relating to environmental matters will have a material adverse effect on the REIT's business, financial condition or results of operations. However, environmental laws can change and the REIT or its subsidiaries may become subject to even more stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have an adverse effect on the REIT's business, financial condition or results of operations and distributions.

### ***Fluctuations in the Market Price of Units***

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. One of the factors that may influence the market price of the Units is the annual yield on the Units. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which accordingly could adversely affect the market price of the Units. In addition, the market price of the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the REIT.

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

The Trustees will, from time to time, in their individual capacities deal with parties with whom the REIT may be dealing, or may be seeking investments similar to those desired by the REIT. The Declaration of Trust contains conflict of interest provisions requiring the Trustees to disclose material interests in material contracts and transactions and to refrain from voting thereon. See “Management of the REIT - Board of Trustees”.

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

The management and operation of the REIT depends on the service of key personnel. Investors who are not prepared to rely on this management should not invest in the Units. Additionally, the loss of the service of key personnel could have an adverse effect on the REIT. The REIT does not have key person insurance on any of its key employees.

### ***Trustees***

The Trustees, with the exception of Richard Michaeloff, will not devote their full time to the affairs of the REIT but will devote as much time as is necessary. In addition, the SC/MRR Group, through Mitchell Goldhar, has the ability to appoint members to the Board of Trustees disproportionate to its relative percentage ownership of Trust Units. See “Management of the REIT – Board of Trustees”.

### ***Retail Concentration***

The REIT’s portfolio is entirely comprised of Canadian retail properties. Consequently, the market value of the Properties and the income generated from them could be negatively affected by adverse changes in the retail environment.

### ***General Uninsured Losses***

The REIT carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with policy specifications, limits and deductibles customarily carried for similar properties. There are, however, certain types of risks, generally of a catastrophic nature, such as wars or existing environmental contamination, which are either uninsurable or not insurable on an economically viable basis. The REIT has insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements, and further sudden or accidental environmental mishaps, and will continue to carry such insurance if it is economical to do so. Should an uninsured or underinsured loss occur, the REIT could lose its investment in, and anticipated profits and cash flows from, one or more of its properties, but would continue to be obligated to repay any recourse mortgage indebtedness on such properties.

Many insurance companies have eliminated coverage for acts of terrorism from their policies, and borrowers may not be able to obtain coverage for terrorist acts at commercially reasonable rates or at any price. In the event that a property sustains damage as a result of an uninsured terrorist or similar act, the REIT may sustain damages that will negatively impact the financial condition of the REIT. As well, to the extent the REIT is unable to obtain insurance for acts of terrorism, the ability of the REIT to refinance outstanding indebtedness may be adversely affected or the terms applicable to refinanced indebtedness may be more onerous than the original debt terms.

## ***Tax-Related Risk Factors***

There can be no assurance that income tax laws, or the judicial interpretation thereof or the administrative and/or assessing practices of the Canada Revenue Agency (“CRA”), and/or the treatment of mutual fund trusts will not be changed in a manner which adversely affects Unitholders or holders of Debentures.

### **(a) SIFT Rules**

The REIT currently qualifies as a mutual fund trust for income tax purposes. The Tax Act contains rules relating to the federal income taxation of a “specified investment flow-through” trust or partnership (a “SIFT”) (the “SIFT Rules”). A SIFT includes a publicly-listed or traded partnership and trust, such as an income trust and could include a real estate investment trust.

Under the SIFT Rules, distributions of certain income by a SIFT are not deductible in computing the SIFT’s taxable income, and a SIFT is subject to tax on such income at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. Distributions paid by a SIFT as returns of capital will not be subject to the tax.

The SIFT Rules do not apply to a trust that meets prescribed conditions relating to the nature of its income and investments (the “REIT Conditions”). In general, in order to meet the REIT Conditions in a particular taxation year (i) the real estate investment trust must at no time in the taxation year, hold “non-portfolio property” other than “qualified REIT properties”, (ii) not less than 95% of the real estate investment trust’s revenues for the taxation year must be derived from one or more of the following: (a) rent from “real or immovable properties”; (b) interest; (c) capital gains from dispositions of real or immovable properties; (d) dividends; and (e) royalties, (iii) not less than 75% of the real estate investment trust’s revenues for the taxation year must be derived from one or more of the following: (a) rent from “real or immovable properties”; (b) interest from mortgages, or hypothecs, on real or immovable property situated in Canada; and (c) capital gains from dispositions of real or immovable properties, and (iv) at no time in the taxation year may the total fair market value of all properties held by the real estate investment trust, each of which is a real or immovable property, cash, or, generally, a debt obligation of a government in Canada or certain other public bodies, be less than 75% of the equity value of the real estate investment trust at that time.

On December 16, 2010, Department of Finance announced amendments to the REIT rules. The changes that impact the REIT mostly include: (i) for both revenue tests, revenue is to be defined as gross revenue, and will include capital gains; (ii) the rule providing that at least 95% of a REIT’s revenues be derived from certain passive sources is proposed to be modified to require that only 90% of the REIT’s revenues be derived from qualifying sources; and (iii) REITs are permitted to hold up to 10% of their non-portfolio property in the form that is not qualified REIT property.

As a result of the Reorganization, Management believes that the REIT meets the REIT Conditions and is not subject to SIFT tax, provided that the REIT continues to qualify for the REIT Conditions at all times. Accordingly, no net future income tax assets or liabilities were recorded in the December 31, 2010 financial statements. There could be no assurance that subsequent investments or activities undertaken by the REIT will not result in the REIT failing to qualify for the REIT Conditions and being subject to the SIFT rules.

### **(b) Qualified Investment Status**

The Tax Act imposes penalties for the acquisition or holding of non-qualified investments by Plans. The REIT will endeavour to ensure that the Units continue to be qualified investments for Plans. Under the current version of the Tax Act, Units will be qualified investments for Plans if the REIT is qualified as a “mutual fund trust” or listed on a “designated stock exchange”. Debt obligations of the REIT would not be qualified investments under the Tax Act for Plans unless an investment grade rating from a recognized credit rating agency is obtained in respect of the debt obligation and it is part of a minimum \$25 million issuance. Securities issued or held by the REIT and received as a result of a redemption in specie of Units may not be qualified investments for Plans, and this may give rise to adverse consequences to such Plans or the annuitant or beneficiary under, or holder of, that Plan.

(c) Distributions in the Form of Units

If the Trustees determine that the REIT does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional Units. Unitholders will generally be required to include an amount equal to the fair market value of those Units in their taxable income, in circumstances where they do not directly receive a cash distribution.

(d) Deduction of Expenses

It is anticipated that substantially all expenses to be claimed by the REIT and Retrocom LP will be reasonable and deductible, that the cost amount and capital cost allowance claims of entities indirectly owned by the REIT will have been correctly determined and that the allocation of Retrocom LP's income for purposes of the Tax Act among its partners is reasonable. There can be no assurance that the Tax Act, or the interpretation of the Tax Act, will not change, or that the CRA will agree. If the CRA successfully challenges the deductibility of such expenses or the allocation of such income, Retrocom LP's allocation of taxable income to the REIT, and, indirectly, the taxable income of the REIT and the Unitholders, will increase or change.

(e) Tax Deferred Distributions

The extent to which distributions will be tax deferred in the future will depend on the extent that Retrocom LP can claim capital cost allowance and other available deductions.

(f) Accelerated Realization of Gains

Since Retrocom LP acquired certain properties on a tax-deferred basis, its tax cost in these properties is less than their fair market value. Accordingly, if one or more of such properties are disposed of, the gain recognized by Retrocom LP will be in excess of that which it would have realized if it had acquired the properties at their fair market values.

***Specific Lease Considerations***

Some of the leases in the Properties are leased on a base year or semi-gross basis or otherwise have caps on operating costs and/or tax recoveries. As a result, the REIT will bear the economic cost of increases in certain of the operating costs and/or property taxes in such cases to the extent it is not able to fully recover increases in operating costs and property taxes from these tenants.

***Interest Rate Fluctuations***

The REIT's financing includes indebtedness with interest payments based on variable lending rates that will result in fluctuations in the REIT's cost of borrowing. To the extent that interest rates rise, the REIT's operating results and financial condition could be adversely affected. See paragraph (i) under "Operating Policies" for limitations on floating rate indebtedness.

***Dilution***

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

***Nature of Investment***

A holder of a Unit of the REIT does not hold a share of a body corporate. As holders of Units of the REIT, the Unitholders will not have statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The rights of Unitholders are based primarily on the Declaration of Trust. There is no statute governing the affairs of the REIT equivalent to the *Business Corporations Act* (Ontario) or the *Canada Business Corporations Act* which sets out the rights and entitlements of

shareholders of corporations in various circumstances. Further, the 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.

### ***Unitholder Holding a Significant Number of Units***

According to reports filed under applicable Canadian securities legislation, as at December 31, 2010, Mitchell Goldhar of Vaughan, Ontario beneficially owns or controls a number of the outstanding Units of the REIT which, together with the Special Voting Units, represent an approximately 33% voting interest in the REIT. Notwithstanding the foregoing, the Declaration of Trust provides that if in any given 365 day period in the five year period from July 8, 2008, the average weighted aggregate number of Special Voting Units plus Units held or controlled by Mitchell Goldhar, companies controlled by Mitchell Goldhar or affiliates of such companies (collectively referred to herein as “SmartCentres”) is equal to or greater than 9,100,268, then so long as a nominee of Mitchell Goldhar remains a Trustee and SmartCentres directly or indirectly beneficially owns or controls less than 25% of the voting rights attached to all voting securities of the REIT, the REIT shall issue such number of additional Special Voting Units which will entitle SmartCentres to cast 25% of the votes attached to all voting securities of the REIT at a meeting of the holders of Units and Special Voting Units. SmartCentres’ entitlement under this clause shall extend for an additional five year period should SmartCentres sell in aggregate at least \$300,000,000 of freehold assets to the REIT or its affiliates during the initial 5 year period, provided that number of Units and Special Voting Units held or controlled by SmartCentres shall be not less than 9,100,268 of the aggregate issued and outstanding Units plus Special Voting Units and provided that a nominee of Mr. Mitchell Goldhar remains a trustee of the REIT. If Mr. Goldhar sells substantial amounts of Units in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such effect. As a result of his voting interest in the REIT, Mr. Goldhar may be able to exert significant influence over matters that are to be determined by votes of the Unitholders and Special Unitholders of the REIT. The timing and receipt of any takeover or control premium by Unitholders could depend on the determination of Mr. Goldhar as to when to sell Units. This could delay or prevent a change of control that might be attractive to, and provide liquidity for, Unitholders, and could limit the price that investors are willing to pay in the future for Units.

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

It is anticipated that the redemption right will not be the primary mechanism for holders of Units to liquidate their investments. Regulatory approvals will be required in connection with the distribution *in specie* of certain securities issued or held by the REIT or a Subsidiary of the REIT, as determined by the Trustees, in accordance with the Declaration of Trust, to holders of Units in connection with a redemption.

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

### ***Possibility of Unitholder Liability***

Recourse for any liability of the REIT is intended to be limited to the assets of the REIT. The Declaration of Trust provides that no Unitholder or annuitant under a plan of which a Unitholder acts as trustee or carrier (an “annuitant”) will be held to have any personal liability as such, and that no resort shall be had to the private property of any Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the REIT or of the Trustees.

The *Trust Beneficiaries’ Liability Act*, 2004 was enacted in Ontario in December 2004. That statute provides that Unitholders of the Trust are not liable, as beneficiaries of a trust, for any act, default, obligation or liability of the Trust or any of its Trustees arising after December 16, 2004. Because of the uncertainty of the law, and that the

statute has not been judicially considered, it is possible that reliance on the statute by a Unitholder could be successfully challenged on jurisdictional or other grounds. Similar legislation now exists in other provinces.

In order to further protect the Unitholders, the Trust may require provisions in agreements to the effect that an obligation will not be personally binding upon and resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any Unitholder, but the property of the Trust or a specific portion thereof only shall be bound. However, in conducting its affairs, the Trust has acquired and may acquire real property investments subject to existing contractual obligations, including obligations under mortgages and leases, which do not include such provisions.

## **INVESTMENT GUIDELINES AND OPERATING POLICIES**

### ***Investment Guidelines***

The Declaration of Trust provides certain guidelines on investments that may be made by the REIT.

The assets of the REIT may be invested only with the approval of the Trustees and only in accordance with the following restrictions:

- (a) notwithstanding anything in paragraphs (b) to (k) below, the REIT must not make any investment, take any action or omit to take any action that would result in Units not being units of a “mutual fund trust” within the meaning of the Tax Act, that would result in Units not being qualified investments for Plans, that would result in the REIT being liable under the Tax Act to pay a tax as a result of holdings by the REIT of “foreign property” as defined in the Tax Act, that would result in Units being foreign property for the purpose of the Tax Act for any such Plan or that would result in the REIT paying a tax under Part XI of the Tax Act;
- (b) the REIT may only invest, directly or indirectly, in:
  - (i) interests (including fee ownership and leasehold interests) in income-producing real property located primarily in Canada;
  - (ii) corporations, trusts, partnerships or other persons which solely have, directly or indirectly, interests (including the ownership of leasehold interests) in income-producing property located primarily in Canada (or activities relating or ancillary thereto); and
  - (iii) such other activities as are consistent with the other investment guidelines of the REIT and are approved by a majority of the Trustees from time to time.
- (c) the REIT will not invest in any interest in a single real property if, after giving effect to the proposed investment, the cost of investment to the REIT (net of the amount of debt incurred or assumed in connection with such investment) will exceed 20% of the Adjusted Unitholders’ Equity at the time the investment is made;
- (d) the REIT may, directly or indirectly, invest in a joint venture arrangement for the purposes of owning interests or investments otherwise permitted to be held by the REIT; provided that such joint venture arrangement contains terms and conditions which, in the opinion of the Trustees, are commercially reasonable, including without limitation such terms and conditions relating to restrictions on transfer and the acquisition and sale of the REIT’s and any joint venturer’s interest in the joint venture arrangement, provisions to provide liquidity to the REIT (such as buy-sell mechanisms), provisions to limit the liability of the REIT to third parties, and provisions to provide for the participation of the REIT in the management of the joint venture arrangement. For purposes hereof, a joint venture arrangement is an arrangement between the REIT and one or more other persons (“joint venturers”) pursuant to which the REIT, directly or indirectly, conducts an undertaking for one or more of the purposes set out above and in respect of which the REIT may hold its interest jointly or in common or in another manner with others either directly or through the ownership of securities of a corporation or other entity (a “joint venture entity”), including, without limitation, a general partnership, limited partnership or limited liability company;

- (e) except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of Canada or of a province of Canada, short-term government debt securities, or receivables under instalment receipt agreements or money market instruments of, or guaranteed by, a Schedule I Canadian bank maturing prior to one year from the date of issue or except as permitted pursuant to subparagraphs (b), (d), (g), (i) and (j) of these guidelines, and pursuant to subparagraph (a) under the heading “Investment Guidelines and Operating Policies – Operating Policies”, the REIT may not hold securities other than (i) securities of any issuer referred to in subparagraph (b); (ii) securities of a joint venture entity; or (iii) securities of an entity wholly-owned, directly or indirectly, by the REIT formed and operated solely for the purpose of holding, directly or indirectly, a particular real property or real properties and provided further that, notwithstanding anything contained in the Declaration of Trust to the contrary, the REIT may acquire securities of other real estate investment trusts;
- (f) the REIT must not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- (g) the REIT must not invest, directly or indirectly:
  - (i) in operating businesses unless such investment is an indirect investment and is incidental to a transaction:
    - (A) where revenue will be derived, directly or indirectly, principally from real property; or
    - (B) which principally involves the ownership, maintenance, improvement, leasing or management, directly or indirectly, of real property (in each case as determined by the Trustees); or
  - (ii) in predominantly special purpose properties, such as hotels, nursing homes or resort properties;
- (h) provided that the REIT will maintain its status as a mutual fund trust within the meaning of the Tax Act, the REIT may invest in raw land for development and ownership or for other development projects for the purpose of (i) renovating or expanding properties or facilities on adjacent properties, or (ii) developing new properties which will, upon completion, be income producing provided that the aggregate value of the investments of the REIT in raw land, after giving effect to the proposed investment, will not exceed 5% of the Gross Book Value;
- (i) the REIT may invest in mortgages and mortgage bonds (including participating or convertible mortgages) and similar instruments where:
  - (i) the mortgage or mortgage bond is issued by a subsidiary;
  - (ii) (A) the real property which is security therefor is income-producing real property which otherwise meets the other investment guidelines of the REIT;
  - (B) the amount of the mortgage loan is not in excess of 75% of the market value of the property securing the mortgage and the mortgage has at least 1.2X debt service coverage;
  - (C) the mortgage is a first ranking mortgage registered on title to the real property which is security therefor; and
  - (D) the aggregate book value of the investments of the REIT in mortgages, after giving effect to the proposed investment, will not exceed 20% of Adjusted Unitholders’ Equity;
- (j) notwithstanding any of the provisions hereof, the REIT may invest in any mortgage which is not a first ranking mortgage for purposes of providing, directly or indirectly, financing in connection with a transaction in which the REIT is the vendor or with the intention of using such mortgage as part of a method for subsequently acquiring an interest in or control of a property or a portfolio of properties; provided that

the aggregate value of the investments of the REIT in mortgages, after giving effect to the proposed investment, will not exceed 20% of the Adjusted Unitholders' Equity; and

- (k) the REIT may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any indebtedness assumed or incurred by the REIT) up to 15% of the Adjusted Unitholders' Equity of the REIT in investments which do not comply with one or more of subparagraphs (b), (d), (e), (i) and (j) under the heading "Investment Guidelines" or subparagraphs (c) and (e) under the heading "Operating Policies".

For the purpose of the foregoing restrictions, the assets, liabilities and transactions of a corporation or other entity wholly or partially owned by the REIT will be deemed to be those of the REIT on a proportionate consolidation basis. In addition, any references in the foregoing to investment in real property will be deemed to include an investment in a joint venture arrangement that invests in real property.

### ***Operating Policies***

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

- (a) the REIT must not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof, the term "hedging" has the meaning ascribed thereto by National Instrument 81-102 adopted by the Canadian Securities Administrators, as amended from time to time;
- (b) (i) any written instrument creating an obligation which is or includes the granting by the REIT of a mortgage; and  
  
(ii) to the extent management determines to be practicable, any written instrument which is, in the judgment of management, a material obligation,  
  
must contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort must not be had to, nor will recourse or satisfaction be sought from, the private property of any of the Trustees, Unitholders, Special Unitholders, annuitants under a plan of which a Unitholder acts as a trustee or carrier, or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof is bound; the REIT, however, is not required, but must use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the REIT upon the acquisition of real property;
- (c) the REIT will not lease or sublease to any person any real property, premises or space where that person and its affiliates would, after the contemplated lease or sublease, be leasing or subleasing real property, premises or space having a fair market value net of encumbrances in excess of 20% of Adjusted Unitholders' Equity;
- (d) the limitation contained in paragraph (c) will not apply to the renewal of a lease or sublease and will not apply where the lessee or sub lessee is, or where the lease or sublease is guaranteed by: (i) the Government of Canada, the Government of the United States, any province or territory of Canada, any state of the United States, any municipality or city in Canada, or any agency or crown corporation thereof; (ii) any entity, of which any of the bonds, debentures or other evidences of indebtedness of, or guaranteed by, such entity, or any of the other securities of such entity, have received and continue to hold, an investment grade rating from a recognized credit rating agency, in each case at the time the lease or sublease is entered into, or at the time other satisfactory leasing or pre-leasing arrangements (as determined by the Trustees in their discretion) were entered into; or (iii) a Canadian chartered bank or a trust company or insurance company registered or licensed federally or under the laws of a province of Canada;
- (e) in addition to the provisions of paragraph (h) under the heading "Investment Guidelines", the REIT may engage in activities in order to maintain its real properties in good repair or to improve the income-producing potential of properties in which the REIT has an interest;

- (f) title to each real property shall be held by and registered in the name of the REIT, the Trustees or a corporation or other entity owned, directly or indirectly, by the REIT or jointly-owned, directly or indirectly, by the REIT, with joint venturers or a corporation which is a nominee, directly or indirectly, of the REIT which holds registered title to such real property pursuant to a nominee agreement with the REIT;
- (g) the REIT will not incur any new indebtedness (otherwise than by the assumption of existing indebtedness) or renew or refinance any indebtedness under a mortgage on any of the real property of the REIT where (i) in the case of an individual property, the total amount of indebtedness secured by mortgages on such property exceeds 75% of the market value of such individual property; or (ii) in the case of more than one property or a pool or portfolio of properties, the total amount of indebtedness secured by mortgages on such properties exceeds 75% of the market value of such properties on an aggregate basis;
- (h) the REIT will not incur or assume any indebtedness if, after giving effect to such indebtedness, the total indebtedness of the REIT (including convertible debentures of the REIT from time to time outstanding) would be more than 70% of the Gross Book Value. For the purposes of this paragraph, the term “indebtedness” means any obligation of the REIT for borrowed money provided that (A) an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the REIT in accordance with GAAP; and (B) indebtedness excludes trade accounts payable, distributions payable to Unitholders and accrued liabilities arising in the ordinary course of business;
- (i) at no time will the REIT incur indebtedness aggregating more than 15% of its Gross Book Value (excluding trade account payables, accrued liabilities arising in the ordinary course of business, debt with an original maturity of one year or more falling due in the next 12 months or variable rate debt for which the REIT has entered into interest rate swap agreements to fix the interest rate for a one year period or more and distributions payable to Unitholders) at floating interest rates or having maturities of less than one year;
- (j) the REIT will not directly or indirectly guarantee any indebtedness or liabilities of any kind of a third party, except indebtedness or liabilities assumed or incurred by an entity in which the REIT holds an interest, directly or indirectly, or by an entity jointly-owned by the REIT with joint venturers and operated solely for the purpose of holding a particular property or properties where such indebtedness, if granted by the REIT directly, would not cause the REIT to otherwise contravene the guidelines set out under the heading “Investment Guidelines” or these operating policies. The REIT is not required but must use its reasonable best efforts to comply with this requirement (i) in respect of obligations assumed by the REIT pursuant to the acquisition of real property or (ii) if doing so is necessary or desirable in order to further the initiatives of the REIT permitted under the Declaration of Trust;
- (k) no acquisition may be made nor any development undertaken unless and until the officers of the REIT have prepared and presented to the Investment Committee or the Trustees a written report containing their recommendation that the REIT make the investment together with a financial analysis of the estimated cost and projected return from the investment and such supplementary information and data (including, without limitation, underlying assumptions, proposed financial arrangements, leasing and economic and market data) as is reasonably necessary to the investment decision;
- (l) the REIT must obtain and maintain at all times property insurance coverage in respect of potential liabilities of the REIT from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties; and
- (m) the REIT must obtain a building condition report and a Phase I environmental assessment (“ESA”) of each real property to be acquired by it and, if the Phase I ESA report recommends a Phase II ESA be conducted, the REIT must conduct a Phase II ESA, in each case by an independent and experienced environmental consultant; as a condition to any acquisition, any such ESA to be satisfactory to the Trustees within their sole discretion.

For the purpose of the foregoing policies, the assets, liabilities and transactions of a corporation or other entity wholly or partially owned by the REIT will be deemed to be those of the REIT on a proportionate consolidated basis.

In addition, any references in the foregoing investment guidelines and operating policies to investment in real property will be deemed to include an investment in a joint venture that invests in real property.

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

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

### **DISTRIBUTION POLICY AND HISTORY**

The following outlines the distribution policy of the REIT as contained in the Declaration of Trust. The distribution policy may be amended only with the approval of a majority of the votes cast at a meeting of Unitholders. Subject to compliance with such distribution policy, determinations as to the amounts actually distributable will be made in the sole discretion of the Trustees.

#### ***General***

The REIT made monthly distributions from April, 2004 until December, 2006. On December 21, 2006, the REIT announced that it would be making quarterly rather than monthly distribution payments following the December 2006 distribution. From January 2007 to September 2008 the REIT made quarterly distributions and on September 16, 2008 the REIT announced that it would return to monthly distributions beginning with the distribution for the month ending October 31, 2008. The REIT has made cash distributions for each month since the distribution for the month ending October 31, 2008.

Any distribution for a month other than December will be made proportionately to persons who are Unitholders as at the close of business on the record date for such distribution, which is the last business day of the month to which such distribution relates, or such other date, if any, as is fixed in accordance with the Declaration of Trust. Any distribution for the month of December shall be made proportionally to persons who are Unitholders of record on December 31, or such other date, if any, as is fixed in accordance with the Declaration of Trust but the Unitholders have the legal right to enforce payment of such distribution as of the date it was declared. Distributions are paid on or about the 15<sup>th</sup> day of the month following the record date for which it was declared.

#### ***Special Unitholder Distributions***

The Special Unitholders are not entitled to a distribution under the Declaration of Trust in reference to the Special Voting Units. However, distributions are declared and paid on the Class B LP Units at the same time and in an amount such that the amount distributed to the Class B LP Unitholder is economically equivalent to the amount that the REIT would have distributed to such Class B LP Unitholder if each Class B LP Unit owned by such Class B LP Unitholder were a Unit in the REIT.

#### ***Computation of Net Realized Capital Gains and Net Recapture Income***

The net realized capital gains of the REIT for any year means the amount, if any, by which the capital gains of the REIT for the year exceed the aggregate of the amount of any capital losses of the REIT for the year and the amount of any net capital losses of the REIT for prior years. The net recapture income of the REIT for any year means the amount, if any, by which the amount required to be included in the income of the REIT for income tax purposes for such year in respect of recapture of capital cost allowance previously claimed by the REIT exceeds terminal losses realized by the REIT in the year.

### ***Tax Deferral on Distributions***

The adjusted cost base of Units held by a Unitholder generally will be reduced by the non-taxable portion of distributions made to the Unitholder (other than the non-taxable portion of certain capital gains). A Unitholder will generally realize a capital gain to the extent that the adjusted cost base of the Unitholder's Units would otherwise be a negative amount, notwithstanding that the Unitholder has not sold any Units.

### ***Distribution Reinvestment Plan***

On November 16, 2010, the REIT reinstated its Distribution Reinvestment Plan which had been suspended on March 21, 2007, pursuant to which registered Unitholders are entitled to elect to have all cash distributions of the REIT automatically reinvested in additional Units at a price per Unit calculated by reference to the weighted average of the trading price for the Units on the TSX for the ten trading days immediately preceding the relevant Distribution Date. Unitholders who so elect will receive a further distribution of Units equal in value to 4% of each distribution that was reinvested by the Unitholder.

No brokerage commissions are payable in connection with the purchase of Units under the Distribution Reinvestment Plan and all administrative costs are borne by the REIT. Cash undistributed by the REIT upon the issuance of additional Units under the Distribution Reinvestment Plan will be invested in the REIT to be used for future property acquisitions, capital improvements and working capital.

Unitholders resident outside of Canada are not entitled to participate in the Distribution Reinvestment Plan. Upon ceasing to be a resident of Canada, a Unitholder must terminate the Unitholder's participation in the Distribution Reinvestment Plan.

### ***Distribution History***

The distribution history of the REIT for the last three years is as follows. Quarterly distributions of \$0.15 per unit were paid for each quarter from December 2006 to June 2008. On September 16, 2008 the REIT announced that the distribution would be \$0.1125 for the quarter ended September 30, 2008 and that it would be returning to monthly distributions. For each month from October 2008 to date the REIT paid a monthly distribution of \$0.0375 per unit (\$0.45 on an annual basis).

Distributions can be affected by certain factors. See "Risk Factors".

## **CAPITAL STRUCTURE**

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

### ***General***

The REIT is an unincorporated open-end trust created pursuant to the Declaration of Trust under, and governed by, the laws of the Province of Ontario. Although the REIT is a "mutual fund trust" as defined in the Tax Act, the REIT is not a "mutual fund" as defined by applicable securities legislation. The REIT has been established for an indefinite term.

### ***Units***

The REIT is authorized to issue an unlimited number of Units, each of which represents a Unitholder's proportionate undivided beneficial interest in the REIT. No Unit has any preference or priority over another. No Unitholder has or is deemed to have any right of ownership of any of the assets of the REIT.

Each Unit confers the right to one vote at any meeting of Unitholders and to participate pro rata in any distributions by the REIT, whether of net income, net realized capital gains or other amounts and, in the event of termination of

the REIT, in the net assets of the REIT remaining after satisfaction of all liabilities. Units will be fully paid and non-assessable when issued (unless issued on an instalment basis) and are transferable. Except as set out below under “Redemption Right”, the Units have no conversion, retraction, redemption or pre-emptive rights. Issued and outstanding Units may be subdivided or consolidated from time to time by the Trustees without Unitholder approval. Fractional Units, if any, will be issued on any consolidation but fractional Units will not entitle the holders thereof to vote. The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of such Act or any other legislation. Furthermore, the REIT is not a trust company and accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

The Units are not shares in the REIT. As holders of Units in the REIT, the Unitholders do not have statutory rights like a shareholder of a corporation incorporated under either the *Business Corporations Act* (Ontario) or the *Canada Business Corporations Act* including, for example, the right to bring “oppression” or “derivative” actions.

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

The Declaration of Trust also provides that the REIT may issue an unlimited number of Special Voting Units, provided that Special Voting Units shall only be issued concurrently with or in relation to the issuance of Exchangeable Securities. No Special Voting Unit shall be entitled to any legal or beneficial interest or share in the distributions or net assets of the REIT. Special Voting Units shall be automatically cancelled and the former holder of such Special Voting Unit will cease to have any rights with respect thereto concurrently with the issuance of Units on the exchange of the related Exchangeable Securities. Each Special Voting Unit is intended to be the voting equivalent of a Unit. Accordingly, the holders of Special Voting Units will be entitled to that number of votes on any ballot vote at a meeting of Unitholders, or in respect of any written resolution of Unitholders, that is equal to the number of votes such holder would have been entitled to if the Exchangeable Securities to which such Special Voting Units relate had been exchanged for Units.

However, other than voting rights, the holders of Special Voting Units have no rights (whether as to distributions or otherwise) in respect of the REIT and Special Voting Units do not represent any claim or interest in, and no holder of Special Voting Units will have or be deemed to have any right of ownership in, any of the assets of the REIT.

Currently the only issued and outstanding Special Voting Units are those that were issued to the SC/MRR Group as part of the SmartCentres Transaction, in conjunction with the issuance to the SC/MRR Group of Class B units in Retrocom LP, which are the Exchangeable Securities to which these Special Voting Units relate.

### ***Meetings of Unitholders***

The Declaration of Trust provides that meetings of Unitholders and Special Unitholders must be called and held in various circumstances, including for the election or removal of Trustees, the appointment or removal of the auditors of the REIT, the approval of amendments to the Declaration of Trust (except as described below under “Amendments to Declaration of Trust”), the sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT as approved by the Trustees) and the termination of the REIT. Meetings of Unitholders and Special Unitholders will be called and held annually for the election of the Trustees and the appointment of the auditors of the REIT. All meetings of Unitholders must be held in Canada.

Certain amendments to the Declaration of Trust require the approval of two-thirds of the votes cast by Unitholders and Special Unitholders. See “Amendments to the Declaration of Trust” below.

A meeting of Unitholders and Special Unitholders may be convened at any time and for any purpose by the Trustees and must be convened, except in certain circumstances, if requisitioned in writing by the holders of not less than 10% of the Units and Special Unitholders then outstanding. A requisition must state in reasonable detail the business proposed to be transacted at the meeting. Unitholders and Special Unitholders have the right to obtain a list of Unitholders and Special Unitholders to the same extent and upon the same conditions as those that apply to shareholders of a corporation governed by the *Business Corporations Act* (Ontario).

Unitholders and Special Unitholders may attend and vote at all meetings of the Unitholders and Special Unitholders either in person or by proxy and a proxyholder need not be a Unitholder or a Special Unitholder. Two persons present in person or represented by proxy will constitute a quorum for the transaction of business at all such meetings. At any meeting at which a quorum is not present within one-half hour after the time fixed for the holding of such meeting, the meeting, if convened upon the request of the Unitholders or Special Unitholders, will be dissolved, but in any other case, the meeting will stand adjourned to a day not less than seven days later and to a place and time as chosen by the chair of the meeting, and if at such adjourned meeting a quorum is not present, the Unitholders and Special Unitholders present either in person or by proxy will be deemed to constitute a quorum.

### ***Redemption Right***

Units are redeemable at any time on demand by the holders thereof upon delivery to the REIT of a duly completed and properly executed notice requesting redemption in a form reasonably acceptable to the Trustees, together with written instructions as to the number of Units to be redeemed. A Unitholder not otherwise holding a fully registered Unit certificate who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer who will be required to deliver the completed redemption notice form to the REIT and to The Canadian Depository for Securities Limited ("CDS"). Upon receipt of the redemption notice by the REIT, all rights to and under the Units tendered for redemption are surrendered and the holder thereof will be entitled to receive a price per Unit ("Redemption Price") equal to the lesser of: (i) 90% of the "market price" of the Units on the principal market on which the Units are quoted for trading during the ten trading day period commencing immediately following the date on which the Units were surrendered for redemption (the "Redemption Date"); and (ii) 100% of the "closing market price" on the principal market on which the Units are listed for trading on the Redemption Date.

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

If Units are not listed or quoted for trading in a public market, the Redemption Price will be the fair market value of the Units, which will be determined by the Trustees in their sole discretion.

The aggregate Redemption Price payable by the REIT in respect of any Units surrendered for redemption during any calendar month will be satisfied by way of a cash payment in Canadian dollars within 30 days after the end of the calendar month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitation that: (i) the total amount payable by the REIT in respect of such Units and all other Units tendered for redemption in the same calendar month must not exceed \$50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such Units are tendered for redemption, the outstanding Units must be listed for trading on the TSX or traded or quoted on any other stock exchange or market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, in any market where the Units are quoted for trading) on the Redemption Date or for more than five trading days during the ten-day trading period commencing immediately after the Redemption Date.

Cash payable on redemptions will be paid pro rata to all Unitholders tendering Units for redemption in any month. The Reorganization (as described under Tax Related Risk) resulted in a change in the redemption mechanism of the Units, such that, in certain circumstances, where the payment of the redemption price for the redeemed Units would cause the REIT's monthly cash redemption obligations to exceed \$50,000, such payment shall be satisfied by a

special distribution *in specie* of certain securities issued or held by the REIT or a subsidiary of the REIT, as determined by the Trustees.

It is anticipated that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Units.

### ***Purchases of Units***

The REIT may from time to time purchase Units in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies. Any such purchase will constitute an “issuer bid” under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof.

### ***Take-Over Bids***

The Declaration of Trust contains provisions to the effect that if a take-over bid or issuer bid is made for Units within the meaning of the *Securities Act* (Ontario) and not less than 90% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Unitholders who do not accept the offer either, at the election of each Unitholder, on the terms offered by the offeror or at the fair value of such Unitholder’s Units determined in accordance with the procedures set out in the Declaration of Trust.

### ***Issuance of Units***

The REIT may issue new Units from time to time. Unitholders do not have any pre-emptive rights whereby additional Units proposed to be issued are first offered to existing Unitholders. If the Trustees determine that the REIT does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trustees to be available for the payment of such distribution. In addition, Units may be issued pursuant to the Distribution Reinvestment Plan (see “Distribution Policy – Distribution Reinvestment Plan”) and any option plan or long-term incentive plan established by the REIT from time to time, new Units may be issued for cash through public offerings, through rights offerings to existing Unitholders (i.e., in which Unitholders receive rights to subscribe for new Units in proportion to their existing holdings of the Units, which rights may be exercised or sold to other investors), through private placements (i.e., offerings to specific investors which are not made generally available to the public or existing Unitholders) or as a result of conversion rights exercised under convertible securities, including options, warrants and subscription receipts. The REIT may also issue new Units as consideration for the acquisition of new properties or assets by it. The price or the value of the consideration for which Units may be issued will be determined by the Trustees, and, where the Trustees so determine, generally in consultation with investment dealers or brokers who may act as underwriters in connection with offerings of Units and subject to applicable regulatory approvals.

The Declaration of Trust also provides that immediately after any *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated so that each Unitholder will hold, after the consolidation, the same number of Units as the Unitholder held before the non-cash distribution. In this case, each certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation. Where amounts distributed represent income, non-resident holders will be subject to withholding tax and the consolidation will not result in such non-resident Unitholders holding the same number of Units. Such non-resident Unitholders will be required to surrender the certificates (if any) representing their original Units in exchange for a certificate representing post consolidation Units.

### ***Limitation on Non-Resident Ownership***

In order for the REIT to maintain its status as a “mutual fund trust” under the Tax Act, the REIT must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, at no time may non-residents of Canada (within the meaning of the Tax Act) be the beneficial owners of more than 49% of the Units or the Special Voting Units and the Trustees will inform the transfer agent and

registrar of this restriction. The Trustees may require the registered holder of Units and/or Special Voting Units to provide the Trustees with a declaration as to the jurisdictions in which beneficial owners of the Units or Special Voting Units registered in such Unitholder's or Special Unitholder's name, as the case may be, are resident and as to whether such beneficial owners are non-resident. If the Trustees become aware, as a result of acquiring such declarations as to beneficial ownership or as a result of other investigations, that the beneficial owners of 49% of the Units or Special Voting Units then outstanding are, or may be, non-residents or that such a situation is imminent, the Trustees may make a public announcement thereof and will not accept a subscription for Units from or issue Units or Special Voting Units to a person unless the person provides a declaration that the person is not a non-resident and does not hold such Units or Special Voting Units for the benefit of non-residents. If, notwithstanding the foregoing, the Trustees determine that more than 49% of the Units or Special Voting Units are held by non-residents, the Trustees may send a notice to non-resident holders of Units or Special Voting Units, as the case may be, chosen in inverse order to the order of acquisition or registration or in such manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or Special Voting Units (including the Exchangeable Securities to which such Special Voting Units are attached) or a portion thereof within a specified period of not more than 30 days. If the Unitholders or Special Unitholders receiving such notice have not sold the specified number of Units or Special Voting Units or provided the Trustees with satisfactory evidence that they are not non-residents within such period, the Trustees may, on behalf of such Unitholders or Special Unitholders sell such Units or Special Voting Units and, in the interim, must suspend the voting and distribution rights attached to such Units or Special Voting Units. Upon such sale the affected holders will cease to be holders of Units or Special Voting Units and their rights will be limited to receiving the net proceeds of sale upon surrender of the certificates, if any, representing such securities.

### ***Information and Reports***

The REIT will furnish to Unitholders and Special Unitholders such financial statements (including quarterly and annual financial statements) and other reports as are from time to time required by the Declaration of Trust and by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation. Prior to each meeting of Unitholders and Special Unitholders, the Trustees will provide the Unitholders and Special Unitholders (along with notice of such meeting) information similar to that required to be provided to shareholders of a public corporation governed by the *Business Corporations Act* (Ontario).

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

The Declaration of Trust may be amended or altered from time to time. Certain amendments require approval by at least two-thirds of the votes cast at a meeting of the Unitholders and Special Unitholders called for such purpose. Other amendments to the Declaration of Trust require approval by a majority of the votes cast at a meeting of the Unitholders and Special Unitholders called for such purpose.

The following amendments, among others, require the approval of two-thirds of the votes cast by all Unitholders and Special Unitholders at a meeting:

- (a) an exchange, reclassification or cancellation of all or part of the Units;
- (b) the addition, change or removal of the rights, privileges, restrictions or conditions attached to the Units;
- (c) the constraint of the issue, transfer or ownership of the Units or the change or removal of such constraint;
- (d) the sale or transfer of the assets of the REIT as an entirety or substantially as an entirety (other than as part of an internal reorganization of the assets of the REIT as approved by the Trustees);
- (e) the termination of the REIT; and
- (f) except as described herein, the amendment of Investment Guidelines and Operating Policies of the REIT.

The following amendments specifically require the approval of the Special Unitholders:

- (a) during the term of any exchange agreement governing the terms and conditions upon which Exchangeable Securities may be converted into or exchanged for Special Voting Units, no amendment to any attributes of the Special Voting Units in question shall be made without the approval of Special Unitholders holding, in the aggregate, at least 66 2/3% of the outstanding Special Voting Units in question; and
- (b) for so long as the SC/MRR Group otherwise qualifies for the board appointment entitlements described below under “Board of Trustees”, no amendments shall be made to those entitlements without the written consent of Mitchell Goldhar, on behalf of the SC/MRR Group.

The Trustees may, without the approval of the Unitholders and Special Unitholders, make certain amendments to the Declaration of Trust, including amendments:

- (a) aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over: (i) the Trustees or over the REIT; (ii) the status of the REIT as a “mutual fund trust” or “registered investment” under the Tax Act (including whether the Units and Special Voting Units are foreign property for purposes of the Tax Act); or (iii) the distribution of Units;
- (b) which, in the opinion of the Trustees, provide additional protection for the Unitholders and Special Unitholders;
- (c) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of Trustees, necessary or desirable and not prejudicial to the Unitholders and Special Unitholders;
- (d) which, in the opinion of the Trustees, are necessary or desirable to remove conflicts or inconsistencies between the disclosure in the Prospectus and the Declaration of Trust;
- (e) of a minor or clerical nature or to correct typographical mistakes, ambiguities or manifest omissions or errors, which amendments, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the Unitholders and Special Unitholders;
- (f) which, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation or other laws or accounting standards;
- (g) which, in the opinion of the Trustees, are necessary or desirable to enable the REIT to implement a Unit option or purchase plan or issue Units for which the purchase price is payable in instalments
- (h) to create one or more additional classes of units solely to provide voting rights to holders of shares, units or other securities that are exchangeable for Units entitling the holder thereof to a number of votes not exceeding the number of Units into which the exchangeable shares, units or other securities are exchangeable or convertible but that do not otherwise entitle the holder thereof to any rights with respect to the REIT’s property or income other than a return of capital; and
- (i) for any purpose (except one in respect of which a Unitholder or Special Unitholder vote is specifically otherwise required) which, in the opinion of the Trustees, is not prejudicial to Unitholders and Special Unitholders and is necessary or desirable.

## **DESCRIPTION OF OTHER SECURITIES**

### *7.50% Convertible Debenture*

As at the date hereof, the REIT had outstanding \$20,000,000 in aggregate principal amount of 7.50% convertible unsecured subordinated debentures, due on July 31, 2012 (the “7.5% Convertible Debentures”). Below is a

summary of the material attributes of the 7.5% Convertible Debenture. Reference should be made to the trust indenture (the “Indenture”) dated July 26, 2005 between the REIT and CIBC Mellon Trust Company for the full text, and complete description.

The 7.5% Convertible Debentures were issued by the REIT on July 26, 2005 as part of the purchase price paid by the REIT to acquire the Riocan Portfolio. Interest on the 7.5% Convertible Debentures is compounded semi-annually and payable semi-annually on July 31 and January 31 of each year. The 7.5% Convertible Debentures are convertible at the holders’ option into Units at any time prior to the earlier of maturity and the business day immediately preceding the date fixed by the REIT for redemption of the 7.5% Convertible Debentures at a conversion price of \$9.25 per Unit (the “Conversion Price”). The 7.5% Convertible Debentures are not redeemable by the REIT prior to July 31, 2009. From July 31, 2009 and prior to July 31, 2011, such debentures may be redeemed in whole or in part at the option of the REIT at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price for the REIT’s Units on the TSX is not less than 125% of the Conversion Price. On and after July 31, 2011, and prior to the maturity date, such debentures may be redeemed in whole or in part at the option of the REIT on not more than 60 days and not less than 30 days prior notice at a price equal to their principal amount plus accrued and unpaid interest. The payment of the principal of, and interest on, the 7.5% Convertible Debentures has priority over the payment of any cash or other distributions to the holders of Units, but is subordinated to all senior indebtedness and indebtedness to trade creditors of the REIT. The 7.5% Convertible Debentures do not limit the ability of the REIT to incur additional indebtedness that ranks senior to the 7.5% Convertible Debentures or from mortgaging, pledging or charging its properties to secure any indebtedness. The 7.5% Convertible Debentures are listed and posted for trading on the TSX (RMM.DB).

#### *6.75% Convertible Debenture*

As at the date hereof, the REIT had outstanding \$19,210,000 in aggregate principal amount of 6.75% convertible unsecured subordinated debentures, due on July 31, 2015 (the “6.75% Convertible Debentures”). Below is a summary of the material attributes of the 6.75% Convertible Debenture. Reference should be made to the trust indenture (the “Indenture”) dated July 8, 2010 between the REIT and BNY Trust Company of Canada for the full text, and complete description.

The 6.75% Convertible Debentures were issued by the REIT on July 8, 2010 for \$20 million principal amount and July 27, 2010 for additional \$2.84 pursuant to an exercise of over-allotment option. Interest on the 6.75% Convertible Debentures is compounded semi-annually and payable semi-annually on July 31 and January 31 of each year. The 6.75% Convertible Debentures are convertible at the holders’ option into Units at any time prior to the earlier of maturity and the date fixed by the REIT for redemption at a conversion price of \$5.05 per Unit (the “Conversion Price”). The 6.75% Convertible Debentures are not redeemable by the REIT prior to July 31, 2013. From July 31, 2013, and prior to July 31, 2014, such debentures may be redeemed in whole or in part at the option of the REIT at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price for the REIT’s Units on the TSX is not less than 125% of the Conversion Price. On and after July 31, 2014, and prior to the maturity date, such debentures may be redeemed in whole or in part at the option of the REIT, at a price equal to their principal amount plus accrued and unpaid interest. The payment of the principal of, and interest on, the 6.75% Convertible Debentures has priority over the payment of any cash or other distributions to the holders of Units, but is subordinated to all senior indebtedness and indebtedness to trade creditors of the REIT. The 6.75% Convertible Debentures do not limit the ability of the REIT to incur additional indebtedness that ranks senior to the 6.75% Convertible Debentures or from mortgaging, pledging or charging its properties to secure any indebtedness. The 6.75% Convertible Debentures are listed and posted for trading on the TSX (RMM.DB.A).

#### ***Warrants***

On July 8, 2008, in connection with the SmartCentres Transaction, the REIT issued to SmartCentres Management Inc. 1,500,000 warrants each entitling the holder to acquire at any time and from time to time prior to July 8, 2013, one (1) Unit at a price of \$5.50 (the “Warrants”). The Warrants and the warrant certificate relating to the Warrants are not transferable, except to an affiliate of SmartCentres Management Inc.

## MARKET FOR SECURITIES

The Units are listed and posted for trading on the TSX under the symbol “RMM”. The following table sets forth the high and low reported trading prices and the trading volume of the REIT Units on the TSX for the periods indicated:

| <u>Period</u> | <u>High (\$)</u> | <u>Low (\$)</u> | <u>Volume</u> |
|---------------|------------------|-----------------|---------------|
| <b>2010</b>   |                  |                 |               |
| December      | 5.25             | 4.92            | 734,451       |
| November      | 5.49             | 4.90            | 2,074,451     |
| October       | 5.09             | 4.96            | 1,175,716     |
| September     | 5.27             | 4.50            | 1,905,811     |
| August        | 4.45             | 4.07            | 628,962       |
| July          | 4.30             | 3.65            | 728,240       |
| June          | 3.90             | 3.55            | 424,951       |
| May           | 4.14             | 3.40            | 696,329       |
| April         | 4.23             | 3.90            | 708,018       |
| March         | 4.23             | 3.66            | 713,988       |
| February      | 3.80             | 3.50            | 587,666       |
| January       | 3.99             | 3.05            | 1,173,660     |

The 7.5% Convertible Debentures are listed and posted for trading on the TSX under the symbol “RMM.DB”. The following table sets forth the high and low reported trading prices and the trading volume of the Unsecured Debentures on the TSX for the periods indicated:

| <u>Period</u> | <u>High (\$)</u> | <u>Low (\$)</u> | <u>Volume</u> |
|---------------|------------------|-----------------|---------------|
| <b>2010</b>   |                  |                 |               |
| December      | 103.49           | 100.16          | 111,000       |
| November      | 103.75           | 100.15          | 87,000        |
| October       | 104.00           | 102.00          | 174,000       |
| September     | 102.50           | 101.75          | 176,000       |
| August        | 103.96           | 100.00          | 151,000       |
| July          | 104.55           | 100.00          | 76,000        |
| June          | 105.00           | 99.50           | 495,000       |
| May           | 100.50           | 98.00           | 305,000       |
| April         | 103.45           | 97.60           | 458,000       |
| March         | 101.00           | 99.00           | 179,000       |
| February      | 100.00           | 98.00           | 775,000       |
| January       | 100.00           | 96.00           | 709,000       |

The 6.75% Convertible Debentures are listed and posted for trading on the TSX under the symbol “RMM.DB.A”. The following table sets forth the high and low reported trading prices and the trading volume of the Unsecured Debentures on the TSX for the periods indicated:

| <u>Period</u> | <u>High (\$)</u> | <u>Low (\$)</u> | <u>Volume</u> |
|---------------|------------------|-----------------|---------------|
| <b>2010</b>   |                  |                 |               |
| December      | 105.00           | 103.52          | 675,000       |
| November      | 108.12           | 103.00          | 888,000       |
| October       | 105.49           | 104.00          | 167,000       |
| September     | 104.50           | 101.00          | 948,000       |

| <u>Period</u> | <u>High (\$)</u> | <u>Low (\$)</u> | <u>Volume</u> |
|---------------|------------------|-----------------|---------------|
| August        | 102.00           | 100.00          | 1,153,000     |
| July          | 100.50           | 98.00           | 1,776,000     |

## **MANAGEMENT OF THE REIT**

The governance, investment guidelines and operating policies of the REIT are overseen by the Board of Trustees, a majority of who must be resident Canadians and a majority of who must be and remain Independent Trustees. The role of the Trustees is similar to the role of directors of a corporation. The day-to-day activities of the REIT are directed by its officers. The REIT retains certain property management firms to administer the day-to-day operations of the properties in which the REIT has or will have an interest. See “Property Management”.

## **BOARD OF TRUSTEES**

### ***General***

The Declaration of Trust provides that the investment policies and operations of the REIT will be the responsibility of the Board. The Declaration of Trust provides for a Board of between three and 12 Trustees. Currently there are seven Trustees. Subject to the rights described below under “SC/MRR Board Representation and Minimum Voting Entitlement”, the number of Trustees may be changed by the Unitholders and Special Unitholders or, by the Trustees, provided that the Trustees may not, between meetings of Unitholders and Special Unitholders, other than as may be required in order to give effect to Mitchell Goldhar’s entitlements described below, appoint an additional Trustee if, after such appointment, the total number of Trustees would be greater than one and one-third times the number of Trustees in office immediately following the last annual meeting of Unitholders and Special Unitholders. Subject to certain conditions, a vacancy occurring among the Trustees may be filled by resolution of the remaining Trustees so long as they constitute a quorum or by Unitholders and Special Unitholders at a meeting of the Unitholders and Special Unitholders.

Subject to the entitlements of Mitchell Goldhar described below, the Trustees are to be elected by resolution passed by a majority of the votes cast at a meeting of the Unitholders and Special Unitholders. Trustees elected at an annual meeting will be elected for terms expiring at the next annual meeting and will be eligible for re-election. A Trustee elected to fill a vacancy will be elected for the remaining term of the Trustee he or she is succeeding. Trustees may be removed with or without cause by a majority of the votes cast at a meeting of Unitholders and Special Unitholders or with cause by two-thirds of the remaining Trustees.

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

### ***SC/MRR Board Representation and Minimum Voting Entitlement***

On the closing of the SmartCentres Transaction, the REIT entered into the Third Amended and Restated Declaration of Trust in order to, among other things, increase the number of Trustees on the Board from six to nine and provide Mitchell Goldhar with the right to appoint (i) three of the Board members while the SC/MRR Group holds at least 25% of the REIT’s total aggregate issued and outstanding Units and Special Voting Units, (ii) two of the Board members while the SC/MRR Group holds at least 15% but less than 25% of the Units and Special Voting Units and (iii) one of the Board members while the SC/MRR Group holds at least 5% but less than 15% of the Units and Special Voting Units.

The SC/MRR Group was also granted a minimum voting entitlement, under certain circumstances, including that the aggregate number of Units and Special Voting Units held by the SC/MRR Group is at least equal to the number of Special Voting Units issued on the closing and that a nominee of Mitchell Goldhar remains a Trustee of the REIT, to

receive additional Special Voting Units in order to maintain its voting interest at a minimum of 25% for a period of five years from the date of the closing of the SmartCentres Transaction (the “**Minimum Voting Entitlement**”). The Minimum Voting Entitlement may be extended for a further five year period under certain circumstances, including in the event that members of the SC/MRR Group sell or originate the sale to the REIT of at least \$300 million of assets (excluding the SmartCentres Portfolio). Finally, for so long as the SC/MRR Group otherwise qualifies for the Minimum Voting Entitlement, members of senior management of the REIT will be subject to the approval of Mitchell Goldhar.

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

The Declaration of Trust contains “conflict of interest” provisions to protect Unitholders and Special Unitholders without creating undue limitations on the REIT. As the Trustees are engaged in a wide range of real estate and other activities, the Declaration of Trust contains provisions, similar to those contained in the *Canada Business Corporations Act*, that require each Trustee to disclose to the REIT any interest in a material contract or transaction or proposed material contract or transaction with the REIT (including a contract or transaction involving the making or disposition of any investment in real property or a joint venture agreement) or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT. Such disclosure is required to be made at the first meeting at which a proposed contract or transaction is considered. If a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the Trustees, a Trustee is required to disclose in writing to the REIT, or request to have entered into the minutes of meetings of Trustees, the nature and extent of his interest forthwith after the Trustee becomes aware of the contract or transaction or proposed contract or transaction. In any case, a Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating to his remuneration or for indemnity under the provisions of the Declaration of Trust or liability insurance.

### ***Independent Trustee Matters***

Matters requiring the approval of a majority of the Independent Trustees to become effective, include the following:

- The entering into, waiver of, exercise or enforcement of any rights or remedies under any agreement entered into by the REIT, or the making, directly or indirectly, of any co-investment, with any Trustee who is not an Independent Trustee or any of such Trustee’s respective related parties;
- The refinancing or renewal of any indebtedness owing by or to any Trustee who is not an Independent Trustee or any of such Trustee’s respective related parties;
- The grant of options or issuing of Units under any option or purchase plan, or any amendment thereto, provided to any Trustee, any officer and/or others;
- Any change in the number of Trustees of the REIT and the appointment of Trustees to fill any vacancies created by any increase in the number of Trustees;
- Decisions relating to compensation of Trustees; and
- Decisions relating to any claim by or against any vendor of properties to the REIT or any of such vendor’s related parties.

### ***Governance***

The governance, investment guidelines and operating policies of the REIT are set out in the Declaration of Trust and overseen by the Board of Trustees, a majority of whom are Independent Trustees.

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

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

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

The REIT's Board has in place appropriate structures to ensure that it can function independently of management, including the appointment of a Chairman of the Board who is an Independent Trustee. The responsibilities of the Chairman of the Board include overseeing the Board's discharge of its responsibilities. The current Chairman of the Board is Mr. Patrick Lavelle. The Chairman's role and responsibilities include managing the affairs of the Board of Trustees and, together with the Governance and Compensation Committee, monitoring the effectiveness of the Board.

Management's responsibilities are determined by the REIT's Board. The day-to-day role and responsibilities of the Chief Executive Officer of the REIT are determined by the Board pursuant to a written mandate describing areas of responsibility for the Chief Executive Officer. All major policy decisions relating to the business of the REIT are made by the Board or a committee thereof.

### **TRUSTEES AND OFFICERS OF THE REIT**

The Declaration of Trust provides for a Board of between three and twelve Trustees. There are currently seven Trustees. The following table sets forth, as of the date hereof, the name, municipality of residence, positions held with the REIT and the principal occupation of each Trustee and officer of the REIT, and the number of Units owned by each of them or over which control or direction is exercised by each of them:

| <b><u>Name and Municipality of Residence</u></b>                      | <b><u>Position with the REIT</u></b>                              | <b><u>Trustee or Officer Since</u></b> | <b><u>Principal Occupation</u></b> | <b><u>Units Beneficially Owned<sup>(5)</sup></u></b> | <b><u>Principal Amount of Convertible Debentures Owned</u></b> |
|-----------------------------------------------------------------------|-------------------------------------------------------------------|----------------------------------------|------------------------------------|------------------------------------------------------|----------------------------------------------------------------|
| PATRICK J. LAVELLE <sup>(1),(3)</sup><br>Toronto, Ontario             | Trustee and Chairman of the Board                                 | 2004                                   | Corporate Director                 | 50,500                                               | \$25,000                                                       |
| CHRISTOPHER J. CANN, CGA <sup>(1),(2),(4)</sup><br>Pickering, Ontario | Trustee and Chairman of the Audit Committee                       | 2004                                   | Executive Consultant               | 56,000                                               | \$50,000                                                       |
| HANI ZAYADI <sup>(1),(3)</sup><br>West Vancouver, British Columbia    | Trustee                                                           | 2006                                   | Corporate Director                 | 10,000                                               | Nil                                                            |
| EDWARD DATO,<br><sup>(1),(2),(3)</sup><br>Toronto, Ontario            | Trustee and Chairman of the Governance and Compensation Committee | 2008                                   | Financial Consultant               | 45,000                                               | \$72,000                                                       |

| <b><u>Name and Municipality of Residence</u></b>            | <b><u>Position with the REIT</u></b>             | <b><u>Trustee or Officer Since</u></b> | <b><u>Principal Occupation</u></b>                                        | <b><u>Units Beneficially Owned<sup>(5)</sup></u></b> | <b><u>Principal Amount of Convertible Debentures Owned</u></b> |
|-------------------------------------------------------------|--------------------------------------------------|----------------------------------------|---------------------------------------------------------------------------|------------------------------------------------------|----------------------------------------------------------------|
| MAURO PAMBIANCHI, <sup>(4)</sup><br>Toronto, Ontario        | Trustee and Chairman of the Investment Committee | 2010                                   | Executive Vice President and Chief Development Officer, SmartCentres Inc. | 50,000                                               | Nil                                                            |
| ROBERT WOLF, <sup>(1),(2),(3),(4)</sup><br>Toronto, Ontario | Trustee                                          | 2010                                   | Financial Consultant                                                      | 5,000                                                | Nil                                                            |
| RICHARD MICHAELOFF,<br>Toronto, Ontario                     | Trustee, Chief Executive Officer                 | 2008                                   | Chief Executive Officer, REIT                                             | 20,000                                               | Nil                                                            |
| TERESA NETO,<br>Etobicoke, Ontario                          | Chief Financial Officer                          | 2010                                   | Chief Financial Officer, REIT                                             | 3,000                                                | Nil                                                            |
| DANIEL KOLBER,<br>Toronto, Ontario                          | Vice President, Asset Management                 | 2007                                   | Vice President, Asset Management, REIT                                    | 8,000                                                | Nil                                                            |
| VINCENT BERRY,<br>Toronto, Ontario                          | Legal Counsel                                    | 2010                                   | Legal Counsel, REIT                                                       | Nil                                                  | Nil                                                            |

Notes:

(1) Independent Trustee.

(2) Member of the Audit Committee.

(3) Member of the Governance and Compensation Committee.

(4) Member of the Investment Committee.

(5) Includes Units issued pursuant to the REIT's Long Term Incentive Plan ("LTIP").

The principal factor underlying the determination of Trustee "independence" is whether or not a particular Trustee has a "material relationship" with the REIT, which is a relationship that could be reasonably expected to interfere with the exercise of the Trustee's independent judgment. Notwithstanding the foregoing, National Instrument 58-101 (*Disclosure of Corporate Governance Practices* of the Canadian Securities Administrators) deems certain relationships to be "material relationships". The following analysis has been based upon the definition of "material relationship" as set out in NI 58-101. Mr. Michaeloff is the Chief Executive Office of the REIT and is therefore not an Independent Trustee. Mr. Pambianchi is employed by SmartCentres Inc., a party in a material relationship with the REIT, and therefore does not qualify as an Independent Trustee. The other five trustees do qualify as Independent Trustees.

All Trustees hold office until the close of the next annual meeting of the Unitholders of the REIT or until their successors are duly elected or appointed.

The Trustees and officers of the REIT, as a group, beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 247,500 Units or approximately 0.6% of the issued and outstanding Units of the REIT.

Additional biographical information regarding the Trustees and the officers of the REIT is provided as follows:

**Patrick J. Lavelle**, Trustee and Chairman. Mr. Lavelle is a Corporate Director and Chairman and Chief Executive Officer of Patrick J. Lavelle & Associates, a strategic management consulting firm. From November 2000 until March 2002, Mr. Lavelle was also the Chairman and Chief Executive Officer of Unique Broadband Systems Inc. From January 1, 1998 until December 2001, he served, by appointment of the Prime Minister of Canada, as Chairman of Export Development Canada and prior thereto was Chairman of the Business Development Bank of Canada. His appointments in public service have included Deputy Minister of Industry, Trade and Technology for the Province of Ontario and Agent General for the Government of Ontario in Paris, France. Mr. Lavelle has served as a director of a number of public and private Canadian and United States companies and served as chair of a corporate governance program at York University, Toronto, Ontario. Mr. Lavelle was a member of the board of directors of Slater Steel Inc. when it announced, in June 2003, that it and certain of its U.S. and Canadian subsidiaries filed for creditor protection under the *Companies' Creditors Arrangement Act* (Canada) and the U.S. Bankruptcy Code.

**Christopher J. Cann**, Trustee. Mr. Cann has been the President and Chief Executive Officer of Cann Consult Inc. since 1994, a company that is involved in the ownership and management of shopping centres. Mr. Cann has over 40 years of experience in the banking industry with an emphasis on mortgage lending. During his career, Mr. Cann has held a number of senior management positions including President and Chief Executive Officer of Maple NHA Mortgage Trust from 2001 to 2002, President and Chief Executive Officer of Prenor Trust Company of Canada from 1987 to 1994, Executive Vice President of Central Trust Company from 1984 to 1987 and President and Chief Executive Officer of Eaton Bay Trust Company from 1981 to 1984. Mr. Cann was appointed in 1972 Vice Chairman of the Trust Companies Association and from 1972 to 1973 served as President of the Trust Companies Institute.

**Hani Zayadi**, Trustee. Mr. Zayadi recently retired from the position of Group Managing Director, Food, Liquor & Fuel Division of Coles Myer Ltd., Australia's largest retailer. Mr. Zayadi has held a number of senior executive positions with leading retailers including, as CEO of Zellers, Woodwards and Kmart Australia and NZ and as senior VP at Walmart and Future Shop in Canada. Mr. Zayadi has also been on numerous corporate and non profit boards.

**Edward Dato**, Trustee. Mr. Dato is a financial consultant and was recently financial advisor at Waterfront Toronto, where he also served as the Executive Director, District Energy from August 2006 to June 2007 and the Chief Financial Officer from June 2003 to July 2006. Prior to joining Waterfront Toronto, Mr. Dato held various positions including as Vice President Corporate at Canadian Pacific Limited, Chief Financial Officer at Marathon Realty Company Limited and Brookfield Development Corporation and Vice President and Manager at Bank of Montreal. Mr. Dato was a trustee of Sunrise Retirement REIT until it was sold in 2007. Mr. Dato earned his M.B.A. from York University and is a Certified Management Accountant.

**Mauro Pambianchi**, Trustee. Mr. Pambianchi is Executive Vice-President and Chief Development Officer at SmartCentres, responsible for the company's development program across the country, including all aspects of development, from land acquisition through to zoning approvals, design development, leasing and construction. Prior to joining SmartCentres in September 2001, Mr. Pambianchi served as Senior Vice-President, Retail Division at Brookfield Properties, and, prior to that, he held progressively senior development positions over 18 years at The Cadillac Fairview Corporation Limited, most recently as Senior Vice-President, Retail Development. Mr. Pambianchi holds a Bachelor of Architecture degree from McGill University and an MBA from the Rotman School at the University of Toronto.

**Robert Wolf**, Trustee. Mr. Wolf, through RTW Capital Corporation, has been providing consulting and private investment services to small to medium sized businesses in a variety of sectors since February 2008. Prior to March 2008, Mr. Wolf served as Chief Financial Officer of RioCan Real Estate Investment Trust, Canada's largest REIT, from its inception in 1994. Prior to 1994, Mr. Wolf held a variety of positions in both public and private/public real estate companies. He obtained his Chartered Accountancy designation in 1984 and holds an MBA from The Schulich School of Business at York University and a Bachelor of Commerce from McGill University. Mr. Wolf is a director of C.A. Bancorp Canadian Realty Finance Corporation (TSX listed).

**Richard Michaeloff**, Trustee, Chief Executive Officer. Mr. Michaeloff was appointed Chief Executive Officer in July 2010. Prior to the appointment, Mr. Michaeloff served as a Trustee since 2008 and was the Senior Vice President, Finance and Treasury at SmartCentres, responsible for the Finance, Treasury and Corporate Legal Groups since September 2007. Prior to joining SmartCentres, Mr. Michaeloff served as Chief Operating Officer of the El-Ad Group Ltd. Prior to that, Mr. Michaeloff was associate director in the investment banking group at Scotia Capital Inc. from 2001 to 2002. From 1988 until 2001, he served in various capacities at The Cadillac Fairview Corporation Limited, including as Vice President, Corporate Finance, starting in 1996. Mr. Michaeloff earned his Bachelor of Laws at the University of Western Ontario and an M.B.A. from York University. He is a member of the Law Society of Upper Canada.

**Teresa Neto**, Chief Financial Officer. Ms. Neto joined the REIT as Chief Financial Officer in June 2010. Prior to joining the REIT Ms. Neto was Vice President, Financial Reporting for The Real Property Association of Canada ("REALpac"), Canada's senior national industry association for owners and managers of investment real estate, from 2006 to 2010. Prior to REALpac, Ms. Neto spent nine years in the telecommunications industry from 1997 to 2005 where she held various senior Finance and Accounting positions, including Director, Treasury at MTS Allstream Inc. Prior to that, Ms. Neto worked in the consumer packaged goods and communications industries. Ms. Neto is a 1988 Chartered Accountant and graduated from Laurentian University with a Bachelor of Arts degree. Ms. Neto commenced her career at Touche Ross & Co. (a predecessor company of Deloitte.).

**Daniel Kolber**, Vice President, Asset Management. Mr. Kolber joined the REIT in early 2005 to facilitate its acquisitions program and to run the asset management group. Prior to this, Mr. Kolber worked in commercial real estate brokerage for a publicly traded developer, focusing on the purchase and sale of mid-market retail assets across Canada. Mr. Kolber has a BA from the University of Western Ontario and earned his MBA from the Rotman School of Management at the University of Toronto.

**Vincent Berry**, Legal Counsel. Mr. Berry joined the REIT in October 2010. Mr. Berry is a commercial real estate lawyer by training with extensive private practice experience with such firms as Lang Michener and more recently Torkin Manes. Prior to joining Retrocom, Mr. Berry was chief Canadian legal officer (Vice President Lending) for almost 10 years for Capmark Canada Ltd., an international real estate finance company. Mr. Berry received a B.B.A. (Honours) from St. Francis Xavier University and received an L.L.B. (cum laude) from the University of Ottawa. He is a member of the Law Society of Upper Canada and is an affiliate member of International Council of Shopping Centres.

## **ASSET MANAGEMENT**

The REIT is self-managed. As at December 31, 2010, the REIT had 11 employees. None of the REIT's employees is covered by a collective bargaining agreement. The REIT has good relationships with its employees.

## **PROPERTY MANAGEMENT**

### ***Property Management Agreements***

As at December 31, 2010, Arcturus Limited Partnership ("Arcturus LP") was providing property management services for all of the REIT's Portfolio other than the SmartCentres Portfolio pursuant to a property management agreement dated March 2006, as amended from time to time (the "Arcturus Property Management Agreement"). Pursuant to a property management agreement entered into with SmartCentres Management on July 8, 2008 (the "SmartCentres Property Management Agreement"), SmartCentres Management is providing property management services to the SmartCentres Portfolio and leasing and development services for the whole of the REIT's Portfolio (See "Development Agreement" below).

SmartCentres had the right to become the property manager for substantially all of the REIT's portfolio pursuant to a long-term property management contract. The contract provided for all property management services including operations, leasing and development. SmartCentres agreed with the REIT to take over leasing, development and re-development of the properties, the three key areas which the REIT believes it will see significant value-added

benefits such as SmartCentres' relationships with many of the premier tenants in Canada including many of those in the REIT's current portfolio.

On December 23, 2010, the REIT entered into the Counsel Property Management Agreement pursuant to which Counsel would continue to provide property management and leasing services with respect to the Counsel Portfolio on customary market terms and conditions.

Each property management firm is required to comply with an approved strategic growth plan and provide the REIT with detailed performance reports monthly, quarterly and annually. The duties of each property management firm include: (i) management of the subject properties including inspection of the properties, negotiating contracts, ensuring reasonable security, handling tenant requests and negotiations, arranging for such improvements and repairs as may be required by the REIT and the purchase of all materials and services, and incurring such expenses (with certain exceptions), as the property manager deems necessary in connection therewith, all in accordance with an approved budget, (ii) collection of all rents and other charges and payments of costs and expenses related to the management of the properties and (iii) periodic reporting on the financial condition of the properties and preparing budgets and leasing plans. In addition, in respect to the SmartCentres Property Management Agreement, duties include the supervision and conduct of all leasing operations, including negotiating and executing leases in accordance with an approved leasing plan.

#### ***Payments by Property Manager***

Each property manager is responsible for employment expenses of its personnel, rent and other office expenses, and miscellaneous administrative expenses relating to its functions, other than the costs of on-site offices and personnel dedicated to any one or more of the Properties.

#### ***Term and Termination***

The Arcturus Property Management Agreement was amended effective August 1, 2008 to extend the term from the initial expiry date of March 31, 2009 to July 31, 2010. The agreement contains an automatic renewal for a further one year period unless the REIT advises Arcturus that the agreement is terminated. The Arcturus Property Management Agreement may be terminated by the REIT at any time upon the occurrence of certain events of default thereunder or at any time on 90 days' prior notice or upon payment in lieu of notice. The Agreement may also be terminated by Arcturus, without cause, on six months prior notice to the REIT.

Upon the termination or non-renewal of the Arcturus Property Management Agreement (unless such termination is due to the default of Arcturus or Arcturus terminates such agreement without cause), the REIT must pay certain severance costs in respect of the employees of Arcturus dedicated to servicing the properties of the REIT managed by Arcturus if such employees are terminated by Arcturus.

The SmartCentres Property Management Agreement is for an initial term of five years, expiring on July 7, 2013, with an automatic renewal for a further five years unless either Retrocom LP or SmartCentres Management terminates the agreement on not less than 180 days notice to the other, prior to the fifth anniversary.

The Counsel Property Management Agreement is for an initial term of two years, with an automatic renewal for a further one year unless either Retrocom LP or Counsel terminates the agreement on not less than 90 days notice to the other.

#### ***Development Agreement***

By an agreement with an effective date of July 8, 2008 (the "Development Agreement"), SmartCentres Management agreed to provide certain construction and development services in connection with the REIT's Properties. Under the terms of the Development Agreement, SmartCentres Management will carry out all development, redevelopment, planning, zoning and construction services for such of the Properties as are designated by the REIT for such work and, if applicable, and as requested by the REIT will be involved in the sale of any Properties designated for sale by the REIT. SmartCentres is also tasked with formulating an overall portfolio strategy for the

Properties and where applicable a strategy for development, redevelopment or sale of individual Properties of the REIT.

### ***Fees***

In 2010, the REIT paid the following amounts in property management fees and leasing fees:

|              | <b>Property Mgmt Fee</b> | <b>Leasing Fee</b> |
|--------------|--------------------------|--------------------|
| Arcturus     | 1,291,451                | -                  |
| SmartCentres | 249,745                  | 1,142,297          |
| Counsel      | -                        | -                  |
| Total        | <u>1,541,196</u>         | <u>1,142,297</u>   |

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

There are no legal proceedings or regulatory actions involving the REIT that would have a material adverse effect on the REIT. The businesses carried on by the REIT, directly or indirectly, entail an inherent risk of liability. The REIT expects that from time to time the REIT may be subject to lawsuits as a result of the nature of its business. The REIT maintains business and property insurance policies in amounts and with such coverage and deductibles as are deemed appropriate, based on the nature of the risks of the business, historical experience and industry standards.

### **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

No Trustee or officer of the REIT, insider of the REIT or any associate or affiliate of any of the foregoing persons has or had any material interest in any transaction since the date of formation of the REIT or any proposed transaction that has materially affected or will materially affect the REIT or any of its subsidiaries, except as disclosed herein or as follows:

- the acquisition by the REIT of certain of the Initial Properties. See “Acquisition of Initial Properties” in the Prospectus; and
- the acquisition by the REIT of the SmartCentres Portfolio pursuant to the SmartCentres Transaction.

### **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Units of the REIT is CIBC Mellon Trust Company at its principal office in Toronto, Ontario.

### **MATERIAL CONTRACTS**

The following are the only material contracts, other than contracts entered into in the ordinary course of business, entered into in the most recently completed financial year or before the most recently completed financial year but still in effect, or proposed to be entered into, by the REIT or its subsidiaries:

- (a) the Indenture described under “Description of Other Securities”;
- (b) the Arcturus Property Management Agreement described under “Property Management - Property Management Agreements”;

- (c) the Counsel Property Management Agreement described under “Property Management- Property Management Agreements”;
- (d) the purchase and support agreement dated April 30, 2008 between Retrocom LP and the SC/MRR Group in respect of the SmartCentres Transaction;
- (e) the SmartCentres Property Management Agreement described under “General Development of the Business - Internal Growth Through Active Asset Management” and “Property Management - Property Management Agreements”;
- (f) the SmartCentres Development Agreement described under “Property Management – Development Agreement”;
- (g) the Distribution Reinvestment Plan described under “Distribution Policy - Distribution Reinvestment Plan”;
- (h) the operating facility described under “Debt Strategy”; and
- (i) the Bridge Facility described under “Debt Strategy”.

#### **INTERESTS OF EXPERTS**

The REIT’s auditors are KPMG LLP who has prepared the Auditors’ Report to Shareholders in respect of its audited annual consolidated financial statements. KPMG LLP is independent of the REIT in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

#### **AUDIT COMMITTEE INFORMATION**

The Declaration of Trust requires the creation of an Audit Committee, consisting of at least three Trustees, to review the financial statements of the REIT. One member of the Audit Committee must be an accountant and all Trustees on the Audit Committee must be Independent Trustees and must be financially literate. The Audit Committee’s responsibilities include: (i) reviewing the REIT’s procedures for internal control with the REIT’s auditors and Chief Financial Officer; (ii) reviewing and approving the engagement of the auditors; (iii) reviewing annual and quarterly financial statements as well as all other material continuous disclosure documents, such as the REIT’s annual information form and management’s discussion and analysis; (iv) assessing the REIT’s financial and accounting personnel; (v) assessing the REIT’s accounting policies; (vi) reviewing the REIT’s risk management procedures; and (vii) reviewing any significant transactions outside the REIT’s ordinary course of business and any pending litigation involving the REIT. Attached as Schedule “A” hereto is the Charter of the Audit Committee.

The Audit Committee has direct communication channels with the Chief Financial Officer of the REIT as well as with the external auditors of the REIT to discuss and review specific issues as appropriate. The Audit Committee is comprised of Christopher Cann, who is the Chairman of the Committee, Robert Wolf and Edward Dato, each of whom is an Independent Trustee and is financially literate. See “Trustees and Officers of the REIT” for a brief summary of the education and experience of each member of the Audit Committee, including any education or experience that has provided the member with an understanding of the accounting principles used by the REIT to prepare its financial statements.

The Audit Committee must pre-approve all non-audit services to be provided to the REIT by the external auditors.

#### ***Audit Fees***

The table below provides disclosure of the services provided by the REIT’s external auditors and fees recognized and accrued in the REIT’s financial statements.

**Audit Fees**

|                                    | <b>2010</b>       | <b>2009</b>       |
|------------------------------------|-------------------|-------------------|
| Audits for respective fiscal years | \$ 220,000        | \$ 220,000        |
| Quarterly reviews                  | 62,500            | 82,500            |
| Other Audit Related Fees           | 98,894            | 98,894            |
| Other Fees                         | 273,000           | 40,583            |
| Tax Compliance                     | 48,700            | 98,350            |
| <b>Total</b>                       | <b>\$ 703,094</b> | <b>\$ 540,327</b> |

**ADDITIONAL INFORMATION**

The REIT will provide to any person or corporation, upon request to the Chief Executive Officer of the REIT, at 700 Applewood Crescent, Suite 300, Vaughan, Ontario L4K 5X3:

- (a) when the REIT is selling its Units pursuant to a preliminary short form prospectus or a short form prospectus:
  - (i) one copy of this annual information form together with one copy of any document, or the pertinent pages of any document, incorporated by reference therein;
  - (ii) one copy of the REIT's comparative financial statements for its most recently completed financial year together with the report of its auditors thereon and one copy of the REIT's interim financial statements, if any, that have been filed subsequent to the financial statements for its most recently completed financial year;
  - (iii) one copy of the management information circular for its most recent annual meeting of Unitholders; and
  - (iv) one copy of any other documents that are incorporated by reference into the REIT's preliminary short form prospectus or short form prospectus and are not referred to above; or
- (b) at any other time, one copy of any documents referred to in (a)(i), (ii) and (iii) above, provided that the REIT may require the payment of a reasonable charge if the request is made by a person or corporation who is not a holder of Units of the REIT.

Additional information including trustees' and officers' remuneration and indebtedness, principal holders of the REIT's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the management information circular for the REIT's most recent annual meeting of Unitholders. Additional information is also included in the REIT's financial statements and MD&A for its most recently completed financial year. The foregoing and other information about the REIT can be found on the SEDAR website for Canadian regulatory filings at [www.sedar.com](http://www.sedar.com).

**SCHEDULE “A”**  
**CHARTER OF THE AUDIT COMMITTEE OF**  
**RETROCOM MID-MARKET REAL ESTATE INVESTMENT TRUST**

**1. PURPOSE OF THE COMMITTEE**

**1.1 Responsibilities**

The Audit Committee (the “**Committee**”) is a committee of the Board of Trustees (the “**Board**”) of Retrocom Mid-Market Real Estate Investment Trust (the “**REIT**”) whose primary function is to review, advise and make recommendations to the Board on:

- (a) the integrity of the financial information of the REIT;
- (b) the financial reporting process of the REIT;
- (c) the systems of internal controls which management and the Board have established for the REIT;
- (d) the performance of the REIT’s external auditors;
- (e) the external auditors’ qualifications and independence; and
- (f) the REIT’s compliance with related legal and regulatory requirements and internal policies.

**1.2 General**

The Committee’s purpose includes responsibility for such other matters as are set out in this Charter or as may otherwise be assigned to the Committee by the Board.

**1.3 Interpretation**

The provisions of this Charter are subject to the provisions of REIT’s First Amended and Restated Declaration of Trust, dated March 22, 2004, as amended (the “**Declaration of Trust**”) and any applicable legislation.

**2. ESTABLISHMENT AND COMPOSITION OF COMMITTEE**

**2.1 Establishment of the Committee**

The Board hereby acknowledges the existence of the Committee, as established in the Declaration of Trust.

**2.2 Appointment and Removal of Members of the Committee**

- (a) The members of the Committee shall be appointed by the Board.
- (b) The appointment of members of the Committee shall take place from time to time and at the first meeting of the Board after a meeting of the unitholders at which Trustees are elected, provided that if the appointment of members of the Committee is not so made, the Trustees who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.
- (c) The Board may appoint a member to fill a vacancy that occurs in the Committee between annual elections of Trustees. The Board shall fill any vacancy if the membership of the Committee is less than three Trustees.

- (d) Any member of the Committee may be removed from the Committee by a resolution of the Board.

### **2.3 Composition of Committee**

The Audit Committee shall consist of not less than three Trustees appointed by the Board, all of whom must be Independent Trustees (as defined by the Declaration of Trust) and in accordance with applicable regulatory and stock exchange requirements.

### **2.4 Qualifications of Members**

Each member of the Audit Committee shall be financially literate as such qualification is interpreted by the Board in its business judgment. A Trustee who, in the opinion of the Board, is not financially literate may be appointed to the Audit Committee provided they undertake to become financially literate within a reasonable period of time following their appointment. The majority of Trustees appointed to the Committee shall be Canadian residents.

## **3. COMMITTEE CHAIR**

### **3.1 Board to Appoint Chair**

The Board shall designate one member of the Audit Committee as the committee Chair. Members of the Audit Committee shall serve at the pleasure of the Board for such term or terms as the Board may determine or until he or she resigns.

### **3.2 Chair to be Appointed Annually**

The designation of the Committee's Chair shall take place annually at the first meeting of the Board after a meeting of the unitholders at which Trustees are elected, provided that if the designation of Chair is not so made, the Trustee who is then serving as Chair shall continue as Chair until his or her successor is appointed.

### **3.3 Duties of the Chair**

- (a) provides leadership to the Committee with respect to its functions as described in this Mandate and as otherwise may be appropriate, including overseeing the logistics of the operations of the Committee;
- (b) chairs meetings of the Committee, unless not present;
- (c) ensures that the Committee meets on a regular basis and at least four times per year;
- (d) reviews in advance the agenda and supporting material for Committee meetings as prepared by the Secretary or other members of management;
- (e) in consultation with the Chair of the Board and the Committee members, establishes a calendar for holding meetings of and sets the agendas for the meetings of the Committee;
- (f) acts as liaison and maintains communication with the Chair of the Board and the Board to optimize and co-ordinate input from Trustees, and to optimize effectiveness of the Committee. This includes reporting to the full Board on all proceedings and deliberations of the Committee at the first meeting of the Board after each Committee meeting and at such other times and in such manner as the Board or the Declaration of Trust of the REIT may require or as the Committee considers advisable;
- (g) ensures that the Committee receives adequate and regular updates from management on all issues relating to the business of the REIT; and

- (h) reports annually to the Board on the role of the Committee and the effectiveness of the Committee's role in contributing to the objectives and responsibilities of the Board as a whole.

#### **3.4 Absence of Committee Chair**

If the Chair of the Committee is not present at any meeting of the Committee, one of the other members of the Committee who is present at the meeting shall be chosen by the Committee to preside at the meeting.

### **4. COMMITTEE MEETINGS**

#### **4.1 Invitees**

**4.2** The Committee may invite Trustees, officers, employees, advisors or consultants of the Trust or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee.

#### **4.3 Time and Place of Meetings**

The time and place of the meetings of the Committee and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee. Any member of the Committee may call a meeting of the Committee. The Committee shall meet at such times as it deems appropriate but must not meet less than four times a year.

#### **4.4 Notice of Meetings**

Notice of the time and place of every meeting shall be given in writing (including by way of written facsimile communication) to each member of the Committee and to each Auditor at least 48 hours prior to the time fixed for such meeting; provided, however, that an Auditor or a member may in any manner waive a notice of a meeting. Attendance of an Auditor or a member at a meeting constitutes a waiver of notice of the meeting except where the Auditor or member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

#### **4.5 Attendance of Auditors at Meetings**

Every Auditor is entitled, at the expense of the REIT, to attend any meeting of the Audit Committee and be heard thereat and, if so requested by a member of the Audit Committee shall, attend any meeting of the Audit Committee held during the term of office of the Auditors.

#### **4.6 Questions Arising at Meetings**

Questions arising at any meeting of the Audit Committee shall be decided by a majority of the votes cast. Decisions may be taken by written consent signed by all of the members of the Audit Committee.

#### **4.7 Meet Independently**

The Committee must meet independently of management for a segment of each Audit Committee meeting.

#### **4.8 Secretary**

The Chair shall designate from time to time a person who may, but need not, be a member of the Committee, to be Secretary of the Committee. The Committee shall keep minutes of its meetings in which shall be recorded all actions taken by the Committee which minutes shall be made available to the Board.

#### **4.9 Quorum**

A quorum of the Committee shall be a majority of its members present in person. A Trustee may participate in a meeting of the Committee by means of a conference telephone and a Trustee so participating shall be considered to be present at that meeting.

#### **4.10 Right to Vote**

Each member of the Committee shall have the right to vote on matters that come before the Committee. Where for any reason a member of the Committee is disqualified from voting or participating in a decision, any other independent and disinterested Trustee not already a member of the Committee may be designated by the Trustees to act as an alternate.

#### **4.11 Regular Reporting**

The Committee shall report to the Board at the Board's next meeting the proceedings at the meetings of the Committee and all recommendations made by the Committee at such meetings.

### **5. AUTHORITY OF THE COMMITTEE**

The Audit Committee is entitled to engage in the following conduct:

- (a) The Audit Committee or any Trustee shall have unrestricted access to members of management and relevant information.
- (b) The Audit Committee or any Trustee may retain independent counsel, accountants or others to assist it in the conduct of any investigation.
- (c) The Audit Committee shall have the authority to communicate directly with the external auditors.

### **6. RESPONSIBILITIES OF THE COMMITTEE**

#### **6.1 General Responsibilities**

- (a) conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities;
- (b) report Committee activities and actions to the Board with recommendations, as the Committee deems appropriate;
- (c) review and update the Audit Committee's charter annually;
- (d) perform an evaluation of the Audit Committee's performance at least annually;
- (e) meet a minimum of four times per year or more frequently as circumstances require and at any time at the request of a member or the Auditor;
- (f) meet at least annually with the external auditors and management in separate sessions to discuss any matters that the Audit Committee believes should be discussed privately and to provide a forum for any relevant issues to be raised;
- (g) review with management, and the external auditors, the scope of review of internal control over financial reporting, significant findings, recommendations and management's responses for implementation of actions to correct weaknesses in internal controls;
- (h) review disclosures made by the CEO and CFO regarding significant deficiencies in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in the REIT's internal controls;

- (i) review with the REIT's legal counsel any legal or regulatory matters that could have a significant impact on the REIT's financial statements or compliance with applicable laws and regulations, and inquiries received from regulators;
- (j) review and assess the adequacy of the REIT's policies and procedures for the review of financial information derived from the REIT's financial statements and publicly disclosed;
- (k) ensure all complaints arising through the REIT's "whistleblower" policy related to accounting, internal controls or auditing matters are disclosed to the Audit Committee; and
- (l) review any significant transactions outside the REIT's ordinary course of business and all pending litigation involving the REIT.

## **6.2 External Auditors**

- (a) recommend to the Board the external auditors to be appointed, approve compensation of the external auditors and review and approve any proposal to change the external auditors;
- (b) review independence and qualifications of the external auditors. In assessing such independence the Audit Committee shall discuss with the external auditors, and may require a letter from the external auditors outlining, any relationships between the external auditors and the REIT or its affiliates;
- (c) review the scope and approach of the annual audit plan with the external auditors;
- (d) discuss with the external auditors the quality and acceptability of the REIT's accounting principles including all critical accounting policies and practices used, any alternative treatments that have been discussed with management as well as any other material communications with management;
- (e) assess the external auditors' processes for identifying and responding to key audit and internal control risks;
- (f) ensure the rotation of the lead audit partner every five years and other audit partners every seven years, and consider regular rotation of the audit firm;
- (g) evaluate the performance of the external auditors and present it to the Board;
- (h) determine which non-audit services the external auditors are prohibited by law or regulation, or as determined by the Audit Committee, from providing and pre-approve all services provided by the external auditors. The Committee may delegate such pre-approval authority to a member of the Committee. The decision of any Committee member to whom pre-approval authority is delegated must be presented to the full Audit Committee at its next scheduled meeting, and
- (i) the Audit Committee shall approve all employees, partners and former employees or partners of the present and former external auditors to be hired by the REIT.

## **6.3 Financial Reporting**

- (a) review and approve the REIT's interim financial statements and interim financial information and disclosures under Management's Discussion and Analysis and earnings press releases, prior to filing. If the members of the Audit Committee deem it to be necessary, they shall provide a report to the Board based on this review;
- (j) before the Board approves the annual financial statements and related MD&A, the Audit Committee shall review with management and the external auditors, at the completion of the annual audit:
  - i. the REIT's annual financial statements, MD&A and related footnotes;

- ii. the external auditors' audit of the financial statements and their report;
  - iii. any significant changes required in the external auditors' audit plan;
  - iv. any difficulties or disputes with management encountered during the audit;
  - v. the REIT's accounting policies;
  - vi. other matters related to conduct, which should be communicated to the Committee under generally accepted auditing standards; and
  - vii. the Audit Committee shall then present a report to the Board for its review;
- (k) review significant accounting and reporting issues and understand their impact on the financial statements. These include complex or unusual transactions and highly judgmental areas; major issues regarding accounting principles and financial presentations, including significant changes in the REIT's selection or application of accounting principles; the effect of regulatory and accounting initiatives, as well as off-balance sheet arrangements, on the financial statements of the REIT;
  - (l) review analyses prepared by management and/or the external auditors detailing financial reporting issues and judgments made in connection with the preparation of financial information, including analyses of the effects of alternative GAAP methods;
  - (m) advise management, based upon the Audit Committee's review and discussion, whether anything has come to the Audit Committee's attention that causes it to believe that the financial statements contain an untrue statement of material fact or omit to state a necessary material fact; and
  - (n) review and monitor the administration of and compliance with the REIT's Declaration of Trust as it may affect the integrity of the REIT's financial statements and its systems of internal controls.

#### **6.4 Treatment of Complaints**

- (a) establish procedures for the receipt, recording and treatment of complaints received by the REIT regarding accounting, internal controls, or auditing matters; and
- (o) establish procedures for the confidential and anonymous submission by employees of concerns regarding accounting or auditing matters of the REIT.

#### **6.5 Limitation on the Oversight Role of the Audit Committee**

Nothing in this Charter is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all members of the Board are subject.

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the REIT's financial statements and disclosures are complete and accurate and in accordance with generally accepted accounting principles in Canada and applicable rules and regulations. These are the responsibility of management and the external auditors.

### **7. RESOURCES OF THE COMMITTEE**

- (a) The Committee shall have adequate resources to discharge its responsibilities. The Committee may, for and on behalf of the REIT and at the REIT's sole expense, engage such consultants as it considers in its sole discretion necessary to assist it in fulfilling its duties and responsibilities, including a search firm to assist it in identifying, selecting and evaluating any potential candidates for election or appointment to the Board.

- (b) The members of the Committee shall have the right, for the purposes of discharging the powers and responsibilities of the Committee, to inspect any relevant records of the REIT and its subsidiaries.

**8. REMUNERATION OF COMMITTEE MEMBERS**

Members of the Committee and the Chair shall receive such remuneration for their service on the Committee as the Board may determine from time to time.

**9. REGULAR PERFORMANCE EVALUATION**

On a regular basis, the Committee shall follow the process established by the Board and overseen by the Governance and Compensation Committee for assessing the performance and effectiveness of the Committee.

**10. CHARTER REVIEW**

The Committee shall review and assess the adequacy of this Charter annually and recommend to the Board any changes it deems appropriate.

**11. PARALLEL AUTHORITY OF THE TRUSTEES**

Notwithstanding the appointment of the Audit Committee, the Trustees may consider and approve any matter that the Audit Committee has the authority to consider or approve.

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