Realex Properties Corp.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Dated: December 1, 2010

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GLOSSARY OF TERMS

The following is a glossary of certain terms used in this Annual Information Form and, unless otherwise indicated, in the Appendices.

"**ABCA**" means the *Business Corporations Act* (Alberta);

"**Affiliate**" or "**Associate**" when used to indicate a relationship with a person or company has the meaning as set forth in the *Securities Act* (Alberta);

"**AIF**" means this annual information form;

"**Board**" means the board of directors of Realex;

"**Common Shares**" means the voting common shares in the capital of Realex as constituted on the date hereof;

"**Initial Portfolio**" means the commercial real estate properties acquired by the Corporation on October 3, 2006, comprised of the Barclay Centre, West Chambers, Parkland County, Grande Prairie, Fort St. John, Brooks and East Village Site properties more particularly described in this AIF under the heading "Summary of Realex Properties";

"**Manager**" means Century 800 Management Inc. (previously Realex Property Management Inc.), a corporation incorporated under the ABCA;

"**Non-Voting Shares**" means the historically issued non-voting common shares in the capital of Realex.

"**Optionors**" means the vendors of one or more of the Initial Portfolio;

"**Person**" means any individual, partnership, association, body corporate, trustee, executor, administrator, legal representative, government, regulatory authority or other entity;

"**Preferred Shares**" means the Preferred Shares in the capital of Realex as constituted on the date hereof;

"**Preferred Shares Series A**" means a series of Preferred Shares in the capital of Realex designated as Preferred Shares Series A as constituted on the date hereof;

"**Realex**" or the "**Corporation**" means Realex Properties Corp., a corporation continued under the ABCA and, where the context requires, includes its subsidiaries;

"**Realex Properties**" means the properties more particularly described in this AIF under the heading "Summary of Realex Properties";

"**Shareholders**" means holders of Common Shares or Preferred Shares;

"S**ubsidiary**" has the meaning set forth in the *Securities Act* (Alberta);

"**Tax Act**" means the *Income Tax Act* (Canada), as amended from time to time, including the regulations promulgated thereunder;

"**TSXV**" means the TSX Venture Exchange.

Words importing the singular number only include the plural and vice versa and words importing any gender includes all genders.

NOTES REGARDING THIS AIF

Date of Information

Unless otherwise specified, information in this AIF is presented as at September 30, 2010, being the last day of the most recently completed fiscal year of Realex.

Forward Looking Information

This AIF contains or incorporates by reference information that constitutes ''forward-looking information'' or ''forward-looking statements'' (collectively ''forward-looking information'') within the meaning of applicable securities legislation. Forward-looking information is included throughout this AIF, including among other places, under the headings ''General Development of the Business'', ''Description of the Corporation'', ''Directors and Officers", ''Legal Proceedings and Regulators Actions'' and ''Interest of Management and Others In Material Transactions''. This forward-looking information includes, among others, statements regarding:

- business strategy and plans;
- business development plans and estimated timing;
- acquisitions and dispositions;
- new projects, including their timing;
- anticipated construction of facilities;
- estimated environmental compliance costs;
- the merits or anticipated outcome or timing of pending litigation; and
- other expectations, beliefs, plans, goals, objectives, assumptions, information and statements about possible future events, conditions, results of operations or performance.

Forward looking statements relating to business development plans, business strategy and plans of the Corporation and planned acquisitions and dispositions and the timing thereof are based on Management's experience and understanding of the commercial real estate industry and market and the fiscal resources of the Corporation, including Management's assessment of the availability and viability of financing methods; expectations relating to the securing of timing of financings and refinancing are based upon the Corporation's contractual obligations and Management's assessment of the Corporation's liquidity and capital markets; estimates relating to capital expenditures and the timing thereof are based upon our business plan and Management's assessment of the Corporation's liquidity and capital markets; forward looking statements relating to the anticipated outcome or timing of pending litigation are based upon professional advice received by the Corporation in relation thereto.

Often, but not always, forward-looking information uses words or phrases such as: ''expects'', ''does not expect'' or ''is expected'', ''anticipates'' or ''does not anticipate'', ''plans'' or ''planned'', ''estimates'' or ''estimated'', ''projects'' or ''projected'', ''forecasts'' or ''forecasted'', ''believes'', ''intends'', ''likely'', ''possible'', ''probable'', ''scheduled'', ''positioned'', ''goal'', ''objective'' or states that certain actions, events or results ''may'', ''could'', ''would'', ''might'' or ''will'' be taken, occur or be achieved.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and various future events will not occur. Although management of Realex believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that future results, levels of activity, performance or achievements will occur as anticipated. Information regarding revenues and expenses, plans for development, and potential acquisitions and dispositions assumes that the prevalent economic conditions will not materially affect the business.

Undue reliance should not be placed on forward-looking information. Forward-looking information is based on current expectations, estimates and projections that involve a number of risks which could cause actual results to vary and, in some instances to differ materially from those anticipated by Realex and described in the forward-looking information contained in this AIF. The material risk factors include, but are not limited to:

- changes in general economic and business conditions;
- the uncertainty of estimates and projections relating to the real estate industry;
- concentration of property portfolio;
- uncertainties as to the availability and cost of financing and changes in capital markets;
- the ability of tenants to fulfill their lease commitments;
- the outcome and effects of any future acquisitions and dispositions;
- relative illiquidity of real estate assets;
- lack of sole ownership over certain properties;
- Realex’s ability to implement its business strategy.
- potential delays or changes in plans with respect to development projects or capital expenditures;
- the ability of Realex to integrate any assets it may acquire or the performance of those assets;
- the possibility that government policies or laws may change, including taxation reassessment; and
- health, safety and environmental risks;

The foregoing list of risk factors is not exhaustive. Additional information on these and other factors that could affect Realex’s operations or financial results are included under the heading ‘‘Risk Factors’’ and elsewhere in this AIF. In addition, information is available in Realex's other reports on file with Canadian securities regulatory authorities. Forward-looking information is based on the estimates and opinions of Realex’s management at the time the information is presented. Realex assumes no obligation to update forward-looking information should circumstances or management’s estimates or opinions change, except as required by law.

Notes Regarding Financial Information

Financial data included in this AIF has been prepared in accordance with Canadian generally accepted accounting principles. This AIF should be read in conjunction with Realex's management's discussion and analysis and consolidated financial statements and appended notes (“**Consolidated Financial Statements**”) for the year ended September 30, 2010.

All dollar amounts set forth in this AIF are in Canadian dollars, except where otherwise indicated.

On June 2, 2010, the shareholders of the Corporation authorized the board of directors to amend the articles of the Corporation to reorganize the non-voting shares into common shares on a one-for-one basis and to consolidate the common shares on a ten-for-one basis. Effective June 16, 2010, subsequent to TSX Venture Exchange approval, the reorganization of share classes and consolidation of shares was completed. As a result, the Corporation's issued and outstanding Non-Voting Shares were exchanged for Common Shares and the Corporation's articles of incorporation were amended such that the Corporation is no longer authorized to issue Non-Voting Shares. All references to shares and share options in this annual information form, including per unit values, have been adjusted to a post-consolidation basis.

CORPORATE STRUCTURE

Incorporation

Realex Properties Corp. was incorporated under the *Canada Business Corporations Act* as "Hyperchip Inc." on September 23, 1997. The Corporation was continued under the *Business Corporations Act* (New Brunswick) on October 20, 1999 and changed its name to 510453 N.B. Inc. on October 1, 2004. On February 18, 2005, the Corporation was continued under the ABCA and amended its articles to include Non-Voting Shares and to change its name to "Hyper Energy Inc."

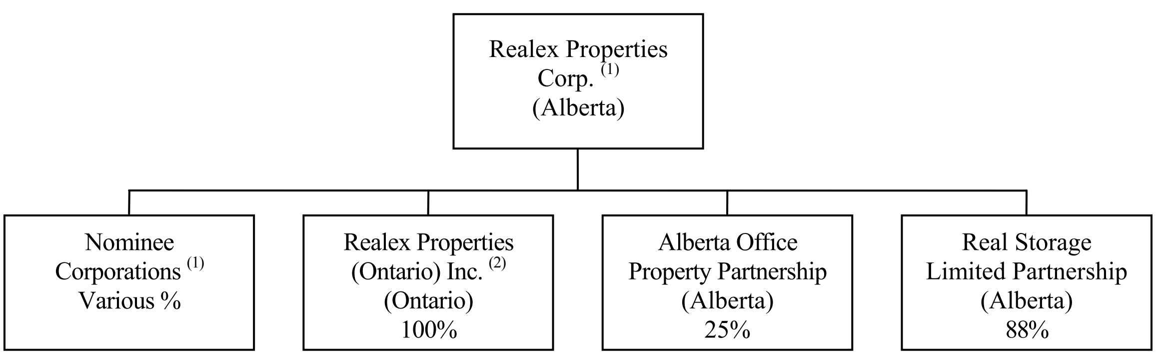
On September 29, 2006, the Corporation amended its articles to delete restrictions on transferability of shares and number of shareholders, to amend the rights, privileges, restrictions and conditions attaching to its Common Shares and Non-Voting Shares, to add the Preferred Shares to its capital structure and to change its name to Realex Properties Corp. On the same day, Realex also amended its articles to effect a one for ten consolidation of its Common Shares and Non-Voting Shares.

On June 2, 2010, the shareholders of the Corporation authorized the board of directors to amend the articles of the Corporation to reorganize the non-voting shares into common shares on a one-for-one basis and to consolidate the common shares on a ten-for-one basis. Effective June 16, 2010, subsequent to TSX Venture Exchange approval, the reorganization of share classes and consolidation of shares was completed. As a result, the Corporation's issued and outstanding non-voting shares were exchanged for common shares and the Corporation's articles of incorporation were amended such that the Corporation is no longer authorized to issue non-voting shares. All references to shares and share options in these financial statements, including per unit values, have been adjusted to a post-consolidation basis.

The head office of Realex is located at 1200, 606 – 4th Street SW, Calgary, Alberta T2P 1T1 and the registered office of Realex is located at 3700, 400 – 3rd Avenue SW, Calgary, Alberta, T2P 4H2.

Intercorporate Relationships

The following chart sets out the intercorporate relationships between the Corporation and its principal subsidiaries as at September 30, 2010. Such subsidiaries are wholly-owned by the Corporation, except agent corporations which are owned in proportion to the Corporation’s interest in the specific properties, Alberta Office Property Partnership in which the Corporation has a 25% interest and Real Storage Limited Partnership (“**Real Storage**”) in which the Corporation has an 88% variable interest, subject to change. The beneficial ownership interests in the Realex Properties are held by the Corporation.



Notes:
(1) Holds the beneficial interest in the bulk of the Realex Properties. Single purpose corporations (nominee corporations) are utilized to hold legal title to the Realex Properties.
(2) Provides property management services.

GENERAL DEVELOPMENT OF THE BUSINESS

On October 15, 2007, Realex acquired a 50% interest in a 133,509 square foot office building located in Edmonton, Alberta for an aggregate acquisition cost of approximately $23,513,000. The purchase price was satisfied from cash on hand (including advances under the operating line).

On October 31, 2007, Realex acquired a 50% interest in a 96,804 square foot office building located in Edmonton, Alberta and a 50% interest in a 26,381 square foot industrial building located in Sherwood Park, Alberta for an aggregate acquisition cost of approximately $11,851,000. The purchase price was satisfied with the assumption of an existing mortgage of approximately $2,891,000 and from cash on hand (including advances under the operating line).

On January 31, 2008, the Corporation entered into a new partnership, Real Storage, the principal business of which is the ownership, operation and development of self-storage facilities in Canada. Concurrent with its formation, the partnership acquired three self storage facilities consisting of a 63,200 square foot recently completed facility located in Windermere, BC, and two facilities totaling over 129,000 square feet under development in Sherwood Park and Fort Saskatchewan, Alberta. The purchase price to the partnership was approximately $13,746,000, including acquisition costs. The Corporation satisfied its share of the acquisition cost from cash on hand (including advances from the Corporation's credit facilities). Real Storage is consolidated in the accounts of the Corporation as it is a variable interest entity (see Note 11 of the Consolidated Financial Statements).

On August 14, 2008, Real Storage acquired a 63,000 square foot facility located in Black Diamond, Alberta. The purchase price was approximately $4,172,000, including acquisition costs. Real Storage satisfied the purchase price with an advance under its development line of credit of $2,113,000, and by the payment of the balance from cash provided by Realex.

On September 11, 2008, Real Storage acquired a development site in Abbotsford, BC. The purchase price to Real Storage was approximately $3,671,000, including acquisition costs. The purchase price was satisfied with a vendor take back mortgage of $1,800,000, and by the payment of the balance from cash provided by Realex.

On September 11, 2008, Real Storage acquired a redevelopment site in Toronto, Ontario. The purchase price to Real Storage was approximately $3,482,000, including acquisition costs. The purchase price was satisfied with cash provided by Realex.

On September 15, 2008, the Corporation acquired a 10,700 square foot expansion and other site improvements completed by the tenant at the Grande Prairie industrial property for a cost of approximately $2,267,000. The purchase price was satisfied with cash on hand.

On September 30, 2008, the Corporation completed the acquisition of 100% interests in a portfolio of six office buildings located in Kitchener and Waterloo, Ontario comprising approximately 933,000 square feet of rentable area, 2000 parking stalls and 470,000 square feet of development entitlements and also a property management company, which manages the properties acquired and also has third party management contracts in place for 100,000 square feet of additional commercial space (collectively, these transactions constitute the "**Acquisition**"). Costs attributable to the properties were $140,179,000 after taking into account adjustments for costs of acquisition, the difference between principal amount and fair value of assumed mortgages, provisions for future income tax liabilities and the difference between the contractual price of the share consideration and the share price recorded for accounting purposes. Net assets acquired was $63,124,000, after assumption of existing mortgages on five income properties totaling $65,964,000, vendor take back mortgages of $10,500,000, the difference between principal amount and fair value of assumed mortgages of $2,818,000, the provision for future income tax liabilities of $3,946,000 and other adjustments totaling $537,000. The consideration paid for the net assets acquired consisted of cash of $45,346,000 and the issuance of 7,444,071 Common Shares and 8,014,575 Non-Voting Shares at a deemed fair value of $1.15 per share. Principals of certain of the vendors became a director and officer, respectively, of the Corporation after closing.

The cash component of the Acquisition was funded from the proceeds of an acquisition loan of $25,000,000 ("**Acquisition Loan**") and the issuance of 11,906,435 Common Shares and 11,906,435 Non-Voting Shares for gross proceeds of $27,385,000.

On July 17, 2009, the Corporation sold its interest in the East Village property held for development for gross proceeds of $1,833,000 resulting in a gain on sale of approximately $620,000. The net proceeds of $1,831,000 was used to pay down the Acquisition Loan.

On September 1, 2009, Real Storage acquired a 38,700 square foot self storage facility in Whitecourt, Alberta. The purchase price to Real Storage was approximately $1,969,000, including acquisition costs. The purchase price was satisfied with a new mortgage of $1,250,000, and by the payment of the balance from cash provided by Realex.

On September 30, 2009, the Corporation acquired from the Manager, management services agreements and other related assets relating to the Initial Portfolio for total consideration of $2,000,000, payable in equal annual installments of $500,000 commencing October 1, 2009. See "Interest of Management and Others in Material Transactions".

In April 2010, the Corporation closed a public offering resulting in the issuance of 2,739,500 Common Shares at $6.40 per share for gross proceeds of $17,533,000. The net proceeds of approximately $16,153,000 was used to repay and extinguish the Acquisition Loan totaling $14,412,000 and the remainder was applied to the Corporation's Operating Facility.

As a result of refining our strategic plan and determining that our focus will be on the growth of the office and industrial portfolio, the Corporation is seeking an efficient but expeditious exit from the self storage asset class.

On June 2, 2010, the shareholders of the Corporation authorized the board of directors to amend the articles of the Corporation to reorganize the Non-Voting Shares into Common Shares on a one-for-one basis and to consolidate the common shares on a ten-for-one basis. Effective June 16, 2010, subsequent to TSX Venture Exchange approval, the reorganization of share classes and consolidation of shares was completed. As a result, the Corporation's issued and outstanding Non-Voting Shares were exchanged for Common Shares and the Corporation's articles of incorporation were amended such that the Corporation is no longer authorized to issue non-voting shares.

DESCRIPTION OF THE BUSINESS

Summary

Realex owns, acquires, develops and manages real estate properties in its core markets of Calgary and Edmonton as well as other select markets in Alberta and western Canada and in the Ontario region of Kitchener-Waterloo. The operations are underpinned by a quality property portfolio with good internal growth potential, well-positioned land holdings and a professional and experienced management team with expertise in all sectors of the real estate industry. The management team is organized into three business units, each with the capability of establishing and executing strategies, including acquiring, operating and developing properties consistent with Realex's acquisition criteria. The corporate management team is responsible for setting overall corporate strategies, corporate development, financing, public company compliance and oversight of the operations of the business units. Realex's management organization is illustrated in the chart below**.**

BUSINESS UNITS		
Corporate	**Western Canada**	**Eastern Canada**
Strategic / Capital Planning	Office / Industrial Calgary / Edmonton	Primary Office Kitchener / Waterloo
Asset Manager	Operations / Leasing / Development	Operations / Leasing / Development
Public Company Responsibilities	1,458,448 SF Managed 901,321 SF Owned	1,025,757 SF Managed 942,392 SF Owned Dominant in Kitchener / Waterloo
7 member team	**28 member team**	**22 member team**

Realex focuses on acquiring, repositioning and leasing commercial real estate properties that have strong cash flows or the near term potential for stronger cash flows, superior growth opportunities and good locations in an effort to maximize overall return on investment. Realex's guiding principle is to focus on value creation and retention through sound, ethical business, financial, leasing and property management practices.

Objectives

Management believes its diverse skills and experience and alliances with strategic partners afford Realex the opportunity to pursue a broad range of real estate investment growth opportunities including:

(1) Acquisition of income producing properties directly, through partnerships or other arrangements that offer Realex enhanced yields from management and performance based revenue sharing;

(2) Acquiring privately held real estate portfolios using structures that address the management, succession and estate planning needs of the owners; and

(3) Internal - organic revenue growth.

Acquisition of Income Producing Properties

Realex's acquisition strategy is to seek high quality assets that are well located and offer the potential for uplift in value through releasing, redevelopment or expansion. Currently, the primary geographic focus of the investment strategy is Alberta, western Canada and the Kitchener/Waterloo area of Ontario. There are no restrictions on the types of properties that Realex will consider acquiring and Realex is not subject to any diversification or geographical requirements. However, Realex's acquisition targets and focus is on urban and suburban office and mixed use buildings as well as industrial properties.

Realex may finance its portion (whole or partial interests) of the acquisition of additional properties through the payment of cash raised pursuant to additional offerings of debt or equity securities, mortgage financing, and the assumption of debt and/or the issuance of securities to the vendor of such properties.

Acquisition of Private Real Estate Holdings

Realex believes there is a unique opportunity to acquire property portfolios owned by private holders in order to implement estate and succession plans and facilitate intergenerational transfers of assets in an efficient manner. Real estate tends to be illiquid, and dividing interests among heirs and successors can be problematic in cases where successors have divergent financial objectives and skills. Realex proposes to offer solutions to both of these concerns. Private holders of real estate will have the opportunity to move their assets into a vehicle that offers professional management, cost savings through economies of scale, and portfolio diversification. Realex has in place a process of identifying, contacting and determining interest from such private property owners. Realex intends to continue to advance this initiative. Realex also believes that many of the portfolios held privately offer considerable uplift potential as the assets are typically under-managed and not maximized to their full potential.

Internal Growth

Realex intends to generate internal growth and create additional value by:

- Efficiently managing (or causing to be managed) Realex's portfolio of properties to improve operating margins, control expenses and, wherever possible, provide in its leases the ability to pass-through utility charges, property taxes and other operating costs;

- Maintaining and enhancing occupancy levels and minimizing turnover through programs aimed at increasing tenant satisfaction and retention;

- Increasing lease rates and all other sources of revenue in a manner that is competitive and consistent with the quality, location and services being offered;

- Promoting income growth and property value appreciation by expanding and renovating its properties; and

- Where economically viable, repositioning or redeveloping properties to enhance development densities, income streams and long-term value appreciation.

Asset Considerations

In considering whether a property meets the criteria for acquisition or development by Realex the following factors will be considered:

- The cash flow potential, after providing for all necessary capital, leasing, development and financing costs, etc.;

- The quality of the design and construction, current physical condition, environmental concerns, occupancy levels and tenant quality;

- The location and proximity to services and amenities valued by the existing or potential tenant(s);

- The state of infrastructure and services to the property;

- Terms and structure of existing leases, and of any constraints on managing the property;

- Opportunities to enhance value through professional property management and renovation/repositioning of the property;

- Below-market lease rates as compared to the other competing properties in the relevant market; and

- Higher than normal expenses due to inefficient operations or lack of capital.

Summary of Realex Properties

The following table sets forth information pertaining to the Realex Properties as at September 30, 2010.

Income Properties

Property	Location	Percent Owned	Total Area[1] [2]	Owned Interest[1]	Parking Stalls[2]	Site Area (Acres)[2]	Percent Leased	Property Type
Barclay Centre								
444 Seventh	Calgary, AB	100%	251,932	251,932	48	0.83	100%	Office
606 Fourth	Calgary, AB	100%	134,134	134,134	-	0.30	100%	Office
Barclay Parkade	Calgary, AB	100%	N/A	N/A	178	0.30	N/A	Parkade
Riverbend Atrium	Calgary, AB	25%	88,705	22,175	242	3.00	77%	Office
Centre 70	Calgary, AB	15%	132,329	19,850	300	1.95	96%	Office
Stockman Centre	Calgary, AB	25%	62,432	15,608	159	1.76	71%	Office
West Chambers	Edmonton, AB	100%	92,560	92,560	242	0.66	95%	Office
Bank of Montreal	Edmonton, AB	50%	133,509	66,755	-	0.71	100%	Office
St. Albert Trail	Edmonton, AB	50%	96,804	48,402	425	6.00	100%	Office
Plaza 124	Edmonton, AB	25%	152,841	38,210	272	1.00	86%	Office
Capital Centre	Edmonton, AB	25%	64,756	16,189	290	0.90	97%	Office
Morgex Building	Edmonton, AB	25%	53,000	13,250	239	4.75	100%	Office
Market Square	Kitchener, ON	100%	239,689	239,689	915	3.95	94%	Office/Retail
Galleria	Kitchener, ON	100%	236,773	236,773	347	1.79	97%	Office
50 Queen	Kitchener, ON	100%	169,616	169,616	218	0.88	90%	Office
235 King	Kitchener, ON	100%	100,797	100,797	80	0.57	96%	Office
22 Fredrick	Kitchener, ON	100%	95,848	95,848	36	0.72	87%	Office
70 King	Kitchener, ON	100%	9,485	9,485	5	0.88	100%	Retail/Parking
32 King	Kitchener, ON	100%	N/A	N/A	58	0.88	N/A	Parking
20 Spetz	Kitchener, ON	100%	N/A	N/A	56	0.57	N/A	Parking
Accelerator	Waterloo, ON	100%	92,808	92,808	388	5.46[4]	100%	Office
Southwood	Edmonton, AB	100%	75,172	75,172	58	4.50	100%	Industrial
Parkland	Parkland County, AB	100%	34,904	34,904	13	9.04	100%	Industrial
Grande Prairie	Grande Prairie, AB	100%	27,058	27,058	10	13.20	100%	Industrial
Fort St. John	Fort St. John, BC	100%	17,405	17,405	10	29.65	100%	Industrial
Brooks	Brooks, AB	100%	14,305	14,305	10	5.22	100%	Industrial
GE Turbine	Sherwood Park, AB	50%	26,381	13,191	30	1.53	100%	Industrial
			2,403,243	1,846,116	4,629	101.00	96%[3]	

(1) Total Area represents rentable square feet with Owned Interest being Realex's net ownership interest.
(2) Represents totals for the entire property.
(3) Weighted average.
(4) Under 99 year land lease

Held For Sale Properties

Property	Location	Percent Owned	Total Area[1] [2]	Owned Interest[1]	Rental Units	Site Area (Acres)[2]	Percent Leased
Income properties							
Black Diamond	Black Diamond, AB	88%[4]	81,010	71,289	399	5.50	68%
Whitecourt	Whitecourt, AB	88%[4]	38,700	34,056	257	2.67	58%
Windermere	Windermere, BC	88%[4]	123,055	108,288	348	3.22	40%
Fort Sask.	Fort Sask., AB	88%[4]	60,075	52,866	389	3.51	33%
Sherwood Park	Sherwood Park, AB	88%[4]	65,725	57,838	504	3.93	61%
Total Income Properties			368,565	324,337	1,897	18.83	51%[3]
Development Properties							
Toronto	Toronto, ON	88%[4]	N/A	N/A	N/A	1.08	-
Abbotsford	Abbotsford, BC	88%[4]	N/A	N/A	N/A	2.29	-

(1) Total Area represents rentable square feet with Owned Interest being Realex's net ownership interest.
(2) Represents totals for the entire property.
(3) Weighted average.
(4) Variable interest entity

Description of Realex Properties

Income properties

Barclay Centre, Calgary (386,066 square feet)

Realex owns a 100% interest in this property. The Barclay Centre complex covers an entire city block adjacent to Calgary's Light Rail Transit system and consists of three separate buildings – the 251,932 square foot 444 Seventh building, with 48 parking stalls, the 134,134 square foot 606 Fourth building and the 178 stall Barclay Parkade. The 444 Seventh building was completely redeveloped in 1998, with the existing building being stripped down to its concrete structure including the removal of the outdated exterior curtain wall, demolition of all interiors and an asbestos abatement program. The redevelopment also entailed building a new Plus 15 connection, new exterior façade, new mechanical, electrical, life safety and elevator control systems and construction of a recessed curtain-wall "lantern" to give the building a modern, front elevation. The entire transformation of the 444 Seventh building from its vacant state into a modern, high quality office complex was accomplished in twelve months. In 1999 and 2000, respectively, this building was recognized by BOMA (Building Owners and Managers Association) with awards for "Building of the Year" and "Building of the Century (Modernized)".

The 606 Fourth building and Barclay Centre Parkade were also extensively renovated and modernized in 1998. The parkade was cored and structurally repaired to extend its useful life well into the future while the interior of the 606 Fourth building was fully renovated including the addition of a two story atrium and a Plus 15 connection to the neighbouring tower. Both the 606 Fourth building and the 444 Seventh building were completed on time and on budget and were fully leased within the twelve-month redevelopment period.

Barclay Centre is considered to be well located within Calgary's downtown core and retains a special zoning designation that allows for development of a new complex of up to 1.4 million square feet of office space. This would require demolition of the existing structures. The property is 100% leased.

Riverbend Atrium, Calgary (88,705 square feet)

Realex holds a 25% interest in this property which is located in southeast Calgary and has excellent access to major arteries including Glenmore Trail. Originally constructed in 1981, the building was renovated in 2001. Riverbend Atrium is an 88,705 square foot office building located on 3 acres and includes 242 parking stalls. The building is 77% leased.

Centre 70, Calgary (132,329 square feet)

Realex holds a 15% interest in this property which is located on the popular Macleod Trail corridor in Calgary, south of Glenmore Trail. Centre 70 is a 132,329 square foot office building with a retail component situated on 1.95 acres and includes 300 parking stalls. The building is 96% leased**.**

Stockman Centre, Calgary (62,432 square feet)

Realex holds a 25% interest in this property which is located in northeast Calgary. Stockman Centre is a 62,432 square foot office building located on 1.76 acres and includes 159 parking stalls. The building is 71% leased.

West Chambers, Edmonton (92,560 square feet)

Realex holds a 100% interest in this property. The West Chambers Building in Edmonton is a 92,560 square foot suburban office tower located on 0.66 acres and includes 242 parking stalls. The building is 95% leased.

Bank of Montreal, Edmonton (133,509 square feet)

Realex holds a 50% interest in this property which is located in downtown Edmonton. The building was built in 1985. Bank of Montreal is a 133,509 square foot office building on 0.71 acres. The building is 100% leased.

St. Albert Trail Centre, Edmonton (96,804 square feet)

Realex holds a 50% interest in this property which is located in northwest Edmonton. The building was built in the mid 1980's and extensively renovated in 2005. St. Albert Trail Centre is a 96,804 square foot office building on 6 acres and includes 425 parking stalls. The building is 100% leased.

Plaza 124, Edmonton (152,841 square feet)

Realex holds a 25% interest in this property, which is located on a highly visible corner in the 124th Street commercial corridor of west Edmonton. Plaza 124 is a 152,841 square foot seven story office building located on 1 acre and includes 272 parking stalls. The building is 86% leased.

Capital Centre, Edmonton (64,756 square feet)

Realex holds a 25% interest in this property which is located on the western edge of Edmonton's downtown core in a desirable mixed use neighbourhood. Capital Centre is a 64,756 square foot office building with a retail component located on 0.9 acres and includes 290 parking stalls. The building is 97% leased.

Morgex Building, Edmonton (53,000 square feet)

Realex holds a 25% interest in this property which is located in northwest Edmonton. The building was custom built by Hewlett Packard in 1985 and extensively renovated in 1995. The Morgex Building is a 53,000 square foot office building on 4.75 acres and includes 239 parking stalls. The building is 100% leased.

Market Square, Kitchener (239,689 square feet)

Realex holds a 100% interest in this property which covers an entire city block and is located in the central area of downtown Kitchener. The building was constructed in 1974 with significant re-development and building additions in 1975 and 1986. Market Square is comprised of office/retail totalling 239,689 square feet with a 915 stall parkade. The building is situated on 3.95 acres and is 94% leased.

Galleria, Kitchener (236,773 square feet)

Realex holds a 100% interest in this property which is located in the central area of downtown Kitchener. The building was constructed in 1981 and renovated between 2001 and 2005 The Galleria is comprised of two adjoining office towers (8 and 11 stories) totalling 236,773 square feet, connected underground by three levels of parking (320 stalls) plus 27 surface stalls. The building is situated on 1.79 acres and is 97% leased.

50 Queen, Kitchener (169,616 square feet)

Realex holds a 100% interest in this property which is located in the central area of downtown Kitchener. The building was constructed in 1978 and extensively renovated between 2000 and 2004. 50 Queen is a 169,616 square foot, eleven-storey office building located on 0.88 acres and includes 218 underground parking stalls. The building is 90% leased.

235 King, Kitchener (100,797 square feet)

Realex holds a 100% interest in this property which is located in the central area of downtown Kitchener. The building was constructed in 1977. 235 King is a 100,798 square foot, six-storey office building located on 0.57 acres and includes 80 underground and surface parking stalls. The building is 96% leased.

22 Frederick Street, Kitchener (95,848 square feet)

Realex holds a 100% interest in this property which is located in the central area of downtown Kitchener. The building was constructed in 1973 and renovated between 1985 and 1999. 22 Frederick is a 95,848 square foot, twelve-storey office building located on 0.72 acres with 36 surface parking stalls. The building is 87% leased.

70 King, Kitchener (9,485 square feet)

Realex holds a 100% interest in this property which is located in the central area of downtown Kitchener. The building was constructed in 1977 and was refurbished in 2009. 70 King is a 9,485 square foot, two-storey heritage building located on 0.88 acres with 5 surface parking stalls. The building is 100% leased.

32 King, Kitchener (Development Site)

Realex holds a 100% interest in this property/development site which is located in the central area of downtown Kitchener. The land use classification permits a wide variety of commercial development primarily focusing on small retail outlets with residential and office uses above. This development site is located on 0.88 acres and includes 58 parking stalls.

20 Spetz, Kitchener (Development Site)

Realex holds a 100% interest in this property/development site, which is located in the central area of downtown Kitchener. The land use classification permits a wide variety of commercial development primarily focusing on small retail outlets with residential and office uses above. This development site is located on 0.57 acres and includes 56 parking stalls.

Accelerator, Waterloo (92,808 square feet)

Realex holds a 100% leasehold interest in this property located in Waterloo. Constructed in 2006, this 92,808 square foot, three-storey office building is situated on 5.46 acres and includes 388 surface parking stalls. The building is 100% leased.

Southwood Centre, Edmonton (75,172 square feet)

Realex holds a 100% interest in this property, which is an industrial warehouse property located in Edmonton's Papaschase Industrial Park. Constructed in 1999, this 75,172 square foot building is situated on 4.5 acres of business industrial zoned land adjacent to the Whitemud Freeway with close proximity to the Queen Elizabeth II Highway. The building is 100% leased with the two tenants being the sole occupants since inception.

Parkland, Parkland County (34,904 square feet)

This property is 100% owned by Realex. The property is located immediately west of Edmonton in Parkland County and is comprised of a 34,904 square foot combination industrial/office building on 9.04 acres of land. The property is entirely leased to Peak Energy Services Trust ("**Peak**") on a long term basis expiring in February 2020. The facility was completed in 2005 and is fully operational with considerable expansion capacity.

Grande Prairie (27,058 square feet)

This property is 100% owned by Realex. This property is located in Grande Prairie, Alberta, and is comprised of a 27,058 square foot combination industrial/office building on 13.2 acres of land. The property is entirely leased to Peak on a long term basis expiring in February 2020. The facility was completed in 2005 and is fully operational with considerable expansion capacity.

Fort St. John, British Columbia (17,405 square feet)

This property is 100% owned by Realex. The Fort St. John facility comprises a 17,405 square foot combination office/industrial building on 29.65 acres of land in Fort St. John, British Columbia. The Fort St. John facility was completed in June 2006 and has been entirely leased to Peak until October 2021. The total site includes 13 acres currently used for the in-place building and outside storage, a 2.5 acre site that contains a 975 square foot residence on it and approximately 14 acres that is used for storm water retention with the ability for it to be improved to accommodate Peak's future growth in the region.

Brooks, Alberta (14,305 square feet)

This property is 100% owned by Realex. The Brooks facility comprises a 14,305 square foot combination office/industrial building in Brooks, Alberta. The Brooks facility was completed in June 2006 and has been entirely leased to Peak until October 2021. The entire 5.22 acres site has been improved and has been sublet in its entirety to Central Alberta Well Services.

GE Turbine, Sherwood Park (26,381 square feet)

Realex holds a 50% interest in this property which is located in Sherwood Park. The building was built in 2003. GE Turbine is a 26,381 square foot industrial building on 1.53 acres and includes 30 parking stalls. The building is 100% leased.

Held for Sale Properties

Real Storage, Whitecourt (38,700 square feet)

Realex holds an 88% variable interest (subject to change) in this self storage property, which is located in Whitecourt, Alberta. Constructed in 2005 and expanded in 2008, this self storage property contains 257 rental units. The site is 2.67 acres and is 58% leased.

Real Storage, Windermere (123,055 square feet)

Realex holds an 88% variable interest (subject to change) in this self storage property, which is located in Windermere, British Columbia. Constructed in 2007, this self storage property contains 242 rental units and 306 parking pads. The site is 3.22 acres and is 40% leased.

Real Storage, Black Diamond (81,010 square feet)

Realex holds an 88% variable interest (subject to change) in this property, which is located in Black Diamond, Alberta. Constructed in 2008, this self storage property contains 399 rental units. The site is located on 5.5 acres and is 68% leased.

Real Storage, Fort Saskatchewan (60,075 square feet)

Realex holds an 88% variable interest (subject to change) in this self storage property, which is located in Fort Saskatchewan, Alberta. Constructed in 2008, this self storage property contains 389 rental units. The site is 3.51 acres and is 33% leased.

Real Storage, Sherwood Park (65,725 square feet)

Realex holds an 88% variable interest (subject to change) in this self storage property, which is located in Sherwood Park, Alberta. Constructed in 2008, this self storage property contains 504 rental units. The site is 3.93 acres and is 61% leased.

Real Storage, Abbotsford (129,800 square feet upon development completion)

Realex holds an 88% variable interest (subject to change) in this self storage development property, which is located in Abbotsford, British Columbia. The site is 2.29 acres.

Real Storage, Toronto (128,115 square feet upon development completion)

Realex holds an 88% variable interest (subject to change) in this self storage development property, which is located in Toronto, Ontario. The site is 1.08 acres.

Nexen Tower and Adjacent Development Site Right of First Refusal

Entities controlled by certain directors of Realex and other third party owners have granted Realex rights of first refusal and offer in respect of a 50% interest in the 632,659 square foot Nexen Tower located in Calgary, Alberta. This right of first refusal and offer are subordinate to a prior right of first refusal granted to the co-owner who holds the remaining 50% interest in the property. There is no certainty that any acceptable offer will be made to the owners so as to trigger the right of first offer or refusal, or that the holder of the prior right of first refusal will not exercise its rights.

Entities controlled by certain directors of Realex and other third party owners also granted Realex similar rights of first refusal and offer in respect of a 100% interest in a development site adjacent to the Nexen Tower. The terms of such rights of first refusal and offer provide that the grantors may complete one or more joint sales or transfers to third parties of up to 50% of such development property, without first offering the property to Realex.

Description of Property Leases

An important characteristic of Realex's property portfolio is the strong credit quality of its tenants, ensuring the long-term sustainability of rental revenues. Major tenants are listed below. All leases, with the exception of the National Energy Board, Justice Canada, Public Works and Government Services Canada leases, are structured on a triple net basis which provides for the recovery of all operating and administration costs, property taxes and repairs and maintenance costs. As at September 30, 2010, the following are summaries of the major tenancies within the property portfolio and corresponding lease expiries.

Summary of Major Tenants – Top 10 Tenants by Net Rentable Square Feet

Tenant	Property	Location	Owned Interest (s.f)	% of Total Realex Area	Lease(s) Expiry Date
1. National Energy Board	444 Seventh Building	Calgary	110,950	6.01%	2013
2. Public Works	Galleria and 50 Queen	Kitchener	103,702	5.62%	2013, 2016
3. Peak Energy Services	Various[(1)]	Various[(1)]	93,672	5.07%	2015, 2021
4. Stantec Consulting	Market Square	Kitchener	79,872	4.33%	2017
5. Penn West Trust	444 Seventh Building	Calgary	71,057	3.85%	2016
6. MCAP	Galleria	Kitchener	69,054	3.74%	2019
7. Region of Waterloo	235 King, 50 Queen & Accelerator	Kitchener & Waterloo	67,886	3.68%	2013, 2031
8. Rogers Communication Inc.	Galleria	Kitchener	64,228	3.48%	2014
9. The Record	Market Square	Kitchener	55,476	3.01%	2019
10. Husky Energy	444 Seventh Building	Calgary	54,238	2.94%	2013
			770,135	41.73%	

(1) Peak is the sole tenant in the Parkland County, Grande Prairie, Fort St. John and Brooks properties.

Office and Industrial Lease Expiries by Year Ending December 31

	Owned Interest (s.f)	% of Total Realex Area
2010	17,365	0.94%
2011	164,067	8.89%
2012	56,906	3.08%
2013	401,022	21.73%
2014	263,637	14.28%
2015	145,897	7.90%
2016	137,749	7.46%
Thereafter	584,302	31.65%
Current vacancy	75,171	4.07%
	1,846,116	100.00%

Indebtedness

Indebtedness of the Corporation consists of mortgages, development loans and a revolving operating facility. As at September 30, 2010, indebtedness consisted of the following balances:

Mortgages payable (including fair value adjustment of $1,201,000)	$205,737,000
Development loan	16,789,000
Operating facility	6,850,000
Deferred financing costs	(749,000)
	228,627,000
Less amounts related to assets held for sale	18,055,000
	$210,572,000

The development loan consists of demand loans which were fully drawn at September 30, 2010. Interest is payable based on the lender's prime rate plus a margin.

The operating facility is subject to review by the lender by April 30, 2012. The facility is authorized to a maximum of $22,000,000 of which $21,868,000 is available for draws at September 30, 2010 of which $6,850,000 million is drawn. Interest is payable on any funded balance based on the bank's prime rate plus a margin. A standby fee is payable on undrawn balances.

Liabilities related to assets held for sale consists of the development loan of $16,789,000 and a mortgage payable of $1,266,000.

The following table sets forth the principal repayments in respect of mortgages payable on the Realex Properties (assuming debt is not renewed on maturity) as at September 30, 2010.

Mortgage Repayments

	Payment of Mortgages Maturing				
Fiscal Year	**Mandatory Principal Repayments**	**Maturity Payments**	**Total**	**Percentage of Total**	**Weighted Average Interest Rate of Total Debt**
2011	4,863,357	20,437,500	25,300,857	12.37%	4.97%
2012	5,127,975	2,677,471	7,805,446	3.82%	5.49%
2013	5,387,375	2,800,000	8,187,375	4.00%	5.70%
2014	5,649,832	5,723,094	11,372,926	5.56%	5.56%
2015	5,480,543	28,619,572	34,100,115	16.67%	5.50%
2016 and beyond	17,302,623	100,465,983	117,768,606	57.58%	5.69%
TOTAL	**$ 43,811,705**	**$ 160,723,620**	**$ 204,535,325**	**100.00%**	**5.56%**

Summary of Mortgages Payable Debt

Property	% Ownership	Balance at September 30, 2010[3]	Monthly Payment (Principal and Interest)[3]	Interest Rate	Maturity Date
Mortgages					
Barclay Centre					
444 Seventh Building	100%	$45,781,226	$319,606	5.990%	May 1, 2021
606 Fourth Building & Barclay Centre Parkade	100%	22,904,052	160,547	6.040%	June 1, 2021
West Chambers Building	100%	7,202,628	48,774	5.310%	July 1, 2015
Parkland County	100%	2,948,686	20,503	5.522%	March 1, 2015
Grand Prairie	100%	1,966,084	13,671	5.522%	March 1, 2015
Fort St. John	100%	3,113,487	27,912	6.250%	November 1, 2016
Brooks	100%	1,640,691	14,781	6.250%	November 1, 2016
Centre 70	15%	2,666,583	15,432	5.250%	March 1, 2017
Southwood Centre	100%	4,672,672	30,958	5.650%	June 1, 2014
Plaza 124	25%	5,402,005	18,019[2]	4.003%[2]	January 1, 2011
Capital Centre	25%	2,202,603	7,347[2]	4.003%[2]	January 1, 2011
Morgex Building	25%	1,623,816	5,417[2]	4.003%[2]	January 1, 2011
Riverbend Atrium	25%	2,861,776	9,546[2]	4.003%[2]	January 1, 2011
Stockman Centre	25%	2,347,300	7,803[2]	4.003%[2]	January 1, 2011
St. Albert Trail Centre	50%	7,316,968	53,641	6.054%	October 1, 2014
BMO	50%	14,211,557	95,437	5.940%	December 1, 2017
GE Turbine	50%	1,300,000	7,338[5]	6.774%	June 1, 2013
Galleria	100%	17,341,881	115,129	5.154%	October 1, 2015
Market Square	100%	19,105,980	126,321	5.104%	October 1, 2015
50 Queen	100%	11,516,788	76,457	5.154%	October 1, 2015
235 King	100%	5,111,063	34,355	5.277%	September 1, 2015
Accelerator	100%	9,531,502	61,558	5.230%	January 1, 2017
22 Frederick	100%	6,000,000	33,750[5]	6.750%	January 1, 2010
22 Frederick	100%	4,500,000	18,750[5]	5.000%	October 1, 2013
Real Storage-Whitecourt	100%[4]	1,265,977	9,246	5.770%	September 1, 2012
TOTAL		$204,535,325	$1,332,325	5.56%[1]	

Notes:
(1) Weighted average interest rate.
(2) Interest only at CDOR plus a margin.
(3) Reflects Realex's share.
(4) Variable Interest Entity & asset held for sale – See Note 18 and 19 of the Consolidated Financial Statements.
(5) Interest only.

Lending

Realex participates in a mortgage lending program administered by a third party. Our investment guidelines include adequate security on real estate, guarantees and satisfactory loan to value ratios. As at September 30, 2010, the Corporation had $4.7 million invested in the program. The Corporation will retain loan repayment proceeds for general corporate purposes as they are received and will discontinue further investment in mezzanine lending.

Competition Conditions

Realex competes for suitable real estate investments with individuals, corporations and institutions (both Canadian and foreign) which are currently seeking or which may in the future seek real estate investments similar to those sought by Realex. Some of these investors may have greater financial resources than those of Realex. An increase in the availability of investment funds, and an increase in interest in real estate investments, would tend to increase competition for real estate investments, thereby increasing purchase prices and reducing yields therefrom. These intensified competitive conditions in the acquisition market may exist for all forms of real estate, including commercial properties.

Economic Dependence

The Corporation is not economically dependent on any one real estate investment.

Environmental

Realex owns and manages real property and as such is subject to various Canadian federal, provincial and municipal environmental laws and regulations. Under these laws, Realex may be held liable for the costs of removal or remediation of certain hazardous or toxic substances, whether or not the Corporation knew of, or was responsible for, the presence of the hazardous or toxic substances. The costs of any required remediation or removal of these substances could be material, and are generally not limited in amount. The presence of these substances or failure to properly remediate such substances may also have an adverse effect on the ability of Realex to sell or rent a property, or to borrow money using the property as collateral, and could potentially result in claims against Realex. Realex is not aware of any material non-compliance with environmental laws at any of its properties nor is it aware of any pending or threatened investigations by environmental regulatory authorities in connection with any of its properties or any material pending or threatened claims relating to environmental conditions at its properties. No assurance can be given that environmental laws will not result in significant liability to the Corporation in the future or otherwise adversely affect the Corporation's business, financial condition or results of operations.

Employees

As at September 30, 2010, the Corporation had a total of 57 employees.

RISK FACTORS

In addition to other risks and uncertainties described elsewhere in this AIF, the operation of Realex's business is subject to the following risks, each of which should be carefully considered.

Economic Conditions

As Realex's business is dependent on rental income for a substantial portion of its revenue, Realex's operating results are sensitive to prevailing economic conditions, including changes in local, regional and national economic conditions, particularly as they may affect leasing, lease renewals and lease rates for its properties, and the financial strength of its tenants. Realex's operating results in individual markets could be adversely affected by local or regional economic downturns, which could have a material adverse effect on the business, financial condition and results of Realex.

Real Estate Industry

All real estate investments are subject to varying degrees of risk depending on the nature of the property in question. The value of Realex's investments in its properties is subject to changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as the over supply of a real estate product or a reduction in demand for real estate properties in any particular area), the attractiveness of such properties to current and potential tenants, the competition from others with similar developments and the ability of Realex to adequately maintain and improve its properties pursuant to its business plan at an economic cost. Costs resulting from changes in real estate and other tax laws, environmental and other compliance laws and federal, provincial and municipal regulatory requirements could have a material adverse effect on the business, financial condition and results of Realex.

Concentration of Property Portfolio

The Corporation's office and industrial property portfolio is concentrated in Calgary and Edmonton, Alberta and KitchenerWaterloo, Ontario. As of September 30, 2010, there were 24 properties comprising the Corporation's office and industrial portfolio, six located in Calgary, nine in the Edmonton area and nine in Kitchener-Waterloo. Such geographic concentration exposes Realex to the benefits and risks associated with the strength or weakness of the real estate markets and local economies of those particular cities. A downturn in the real estate market and/or local economy of any of Calgary, Edmonton or Kitchener-Waterloo could have an adverse effect on the value of the Corporation's portfolio and on its business and operations.

Need for Further Financing

Realex will require additional financing to implement its business plan. The ability of Realex to arrange such financing in the future will depend in part upon prevailing capital market conditions as well as the business performance of Realex. There can be no assurance that Realex will be successful in its efforts to arrange additional financing on satisfactory terms. If additional financing is raised by the issuance of securities, control of Realex may change and Shareholders may suffer additional dilution. If Realex is unable to secure adequate or satisfactory financing as required, Realex's ability to implement its business plan could be seriously and adversely affected.

Realex may be unable to obtain financing to maintain an appropriate capital structure. There is no certainty that financing will be available upon the maturity of any existing mortgage at interest rates equal to or lower than the interest rate payable under an expiring mortgage, or on other terms as favourable as the original term of the existing mortgage, or at all.

If Realex is unable to refinance its indebtedness on acceptable terms, or at all, Realex may need to dispose of one or more of its properties upon disadvantageous terms. Prevailing interest rates or other factors at the time of refinancing could increase its interest expense, and if Realex mortgages property to secure payment of indebtedness and is unable to make mortgage payments, the mortgagee could foreclose upon such property or appoint a receiver to receive an assignment of Realex's rents and leases. This could have a material adverse effect on the business, financial condition and results of Realex including Realex's ability to make dividend or other payments to its investors.

Credit and Default Risk

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. Further risks arise in the event that borrowers default on the repayment of their mortgages to Realex.

In the event of default by a tenant, Realex may experience delays in enforcing its rights as lessor and may incur significant costs in protecting its investment. In addition, a tenant may seek the protection of bankruptcy, insolvency or similar laws or simply not pay. Realex cannot evict a tenant solely because of its bankruptcy. A court, however, may authorize a tenant to reject and terminate its lease with Realex. In such a case, Realex's claim against the tenant for unpaid, future rent would be subject to a statutory limit that might be substantially less than the remaining rent owed under the lease. The loss of rental payments from tenants and costs of re-leasing could adversely affect Realex's cash flows and operating results.

In the event of default by borrowers under Realex's mortgages receivable, Realex may be forced into long term costly realization proceedings, with no certainty that amounts owing will be collected.

Demand Risk

The value of Real Properties and any improvements thereon may depend on the strength of the commercial property market in Realex's target markets. Realex's future income would be adversely affected if there was a marked increase in the vacancy rates or decrease in the market lease rates for its properties.

Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The ability of Realex to lease un-leased properties will be affected by many factors. The failure of Realex to lease un-leased properties on a timely basis or at all would likely have an adverse effect on Realex's financial condition. The terms of any subsequent lease may be less favourable to Realex than the existing lease. Realex could be adversely affected, in particular, if any major tenant ceases to be a tenant and cannot be replaced on similar or better terms.

Illiquidity

Real estate is relatively illiquid relative to publicly traded securities. Such illiquidity will limit Realex's ability to adjust its portfolio in response to changing economic or investment conditions. Financial difficulties of other property owners that result in distress sales could depress real estate values in markets in which Realex operates. If Realex was required to liquidate its assets, there is a risk that it would realize sale proceeds of less than the book value of the properties that have been or may in the future be acquired by Realex.

Dependence on Key Personnel

The success of Realex is largely dependent upon the quality of its management and personnel. Loss of the services of such persons, or the inability to attract personnel of equal ability, could materially affect Realex's business operations and prospects. Realex has not purchased "key man" insurance on any of its directors, officers or key employees, and has no current plans to do so.

Lack of Sole Control Over Certain Properties

Realex owns, and may acquire properties that it will own, through joint ventures, partnerships, co-tenancies or other arrangements. Investments in partnerships, joint ventures, co-tenancies or other arrangements may involve risks not present where a third party is not involved, including the possibility that Realex's partners, co-owners or co-venturers might become bankrupt or otherwise fail to fund their share of required capital contributions and debt repayments. The Corporation is contingently liable for certain obligations of its partners, co-owners or co-venturers in its partnerships, co-ownership or joint venture activities. Additionally, Realex's partners, co-venturers or co-owners might at any time have economic or other business interests or goals, which are inconsistent with Realex's economic or other business interests or goals. Realex may not have sole control of certain major decisions relating to these properties, including decisions relating to: the sale of the properties; refinancing; timing and amount of distributions of cash from such properties; and capital improvements.

Risks Relating to Taxation and Reassessment

Realex may be subject to certain provisions of the *Income Tax Act* (Canada) (the "**Tax Act**") and applicable provincial income tax legislation relating to characterization of costs incurred in its business which affects whether such costs are deductible and, if deductible, the rate at which they may be deducted for the purposes of calculating taxable income. Realex has filed all required income tax returns and believes that it has complied fully with the provisions of the Tax Act and applicable provincial income tax legislation, but such returns are subject to review and reassessment, and have not been audited by income tax authorities. Realex may potentially be subject to a higher than expected past or future tax liability as well as interest and penalties in the event of a successful reassessment of Realex, and such amount could be material.

Due to the nature of the transactions undertaken with respect to the acquisition of the Initial Portfolio and the Acquisition, to the extent that Realex ultimately sells any of the Initial Portfolio or certain Acquisition properties that it has acquired, Realex will realise a significant capital gain and recaptured capital cost allowance upon such sales.

Competition for Real Estate Investments

Realex competes for suitable real estate investments with individuals, corporations and institutions (both Canadian and foreign) which are currently seeking or which may in the future seek real estate investments similar to those sought by Realex. Some of these investors may have greater financial resources than those of Realex. An increase in the availability of investment funds, and an increase in interest in real estate investments, would tend to increase competition for real estate investments, thereby increasing purchase prices and reducing yields therefrom. In addition, Realex may require additional financing to complete future real estate acquisitions which may not be available on terms acceptable to Realex.

Ability to Achieve Growth Plan

The Corporation intends to acquire indirectly through joint ventures with third party investors or, on its own, urban and suburban office and industrial properties in Canada. The ability to complete acquisitions requires there to be an adequate number of property acquisition candidates at prices which will allow the Corporation to achieve targeted rates of return on its investment. The Corporation may determine that current market or pricing conditions in the Canadian urban and suburban office and industrial market make future acquisitions uneconomical or that the available acquisition opportunities may not be sufficiently attractive to Realex.

Fixed Costs

Certain expenditures, including mortgage payments, insurance costs and related property taxes, must be made regardless of whether Realex's properties are producing sufficient income to service such expenses. Realex's properties are subject to mortgages, which require debt service payments. If Realex is unable or unwilling to make the required mortgage payments on any property owned by it, losses could be sustained as a result of the mortgagee's exercise of its right of foreclosure or power of sale, as applicable. In addition, interest rates on variable rate debt are subject to fluctuations and may affect the viability of a particular property.

Insurance Risks

Uninsured losses or losses in excess of Realex's insurance coverage could have a material adverse effect on the business, financial condition and results of Realex. Realex maintains comprehensive liability, fire, flood (where appropriate), extended coverage and rental loss insurance with respect to its properties with policy specifications, limits and deductibles customary with respect to similar properties. Certain types of losses, however, may be either uninsurable or not economically insurable, such as losses due to earthquakes, extreme weather phenomena, riots, acts of war or terrorism. Should an uninsured or underinsured loss occur, Realex could lose its investment in, and anticipated income from a property or properties. In addition, even if any such loss is insured, Realex may be required to pay a significant deductible on any claim for recovery of such a loss prior to the insurer's obligation to reimburse Realex for the loss, or the amount of the loss may exceed Realex's coverage for the loss.

Environmental Liabilities

Under various federal and provincial environmental laws and regulations, a current or previous owner or operator of real property may be held liable for the costs of removal or remediation of certain hazardous or toxic substances, including, without limitation, asbestos-containing materials or oil-related items that could be located on, in or under such property. Such laws and regulations often impose liability, whether or not the owner or operator knew of, or was responsible for, the presence of the hazardous or toxic substances. The costs of any required removal or remediation of these substances could be material. The liability of an owner or operator is generally not limited under such laws and regulations and could exceed a property's value or even the value of the total assets of the owner or operator. The presence of these substances or failure to remediate such substances properly may also have an adverse effect on an owner or operator's ability to sell or lease a property, or to borrow money using the property as collateral. In connection with the ownership or operation of its properties, Realex could be liable for such costs as well as for certain other costs, including governmental fines and damages for injuries caused to persons or property. As a result, the presence, with or without Realex's knowledge, of hazardous or toxic substances at a property held or operated by Realex could have a material adverse effect on Realex's business and its results of operations.

Risk of Insolvency of Optionors

Distributions and redemptions on the 49,454 Preferred Shares Series A of Realex issued on October 3, 2006 are to, in effect, offset repayments made pursuant to certain limited recourse promissory notes provided to Realex by the Optionors. Consequently, the insolvency of the Optionors, or any of them could have a material adverse effect on Realex's ability to collect on such promissory notes and on the business, financial condition and results of Realex.

Potential Conflicts of Interest

Realex may be subject to various conflicts of interest because of the fact that the directors and executive management, and their associates are engaged in a wide range of real estate and other business activities. Realex may become involved in transactions which conflict with the interests of the foregoing. Existing exclusivity agreements address certain of these conflicts of interest.

DIVIDENDS AND DIVIDEND POLICY

For the years ended September 30, 2010, 2009 and 2008 the Corporation paid the following dividends:

		Dividend Rate per Share (1)	
Record Date	**Payment Date**	**Common**	**Non-Voting**
December 31, 2007	January 15, 2008	$0.075	$0.075
February 29, 2008	March 14, 2008	$0.075	$0.075
May 30, 2008	June 13, 2008	$0.075	$0.075
August 29, 2008	September 12, 2008	$0.075	$0.075
December 30, 2008	January 15, 2009	$0.075	$0.075
March 13, 2009	March 31, 2009	$0.075	$0.075
May 29, 2009	June 15, 2009	$0.075	$0.075
August 31, 2009	September 15, 2009	$0.075	$0.075
December 31, 2009	January 15, 2010	$0.075	$0.075
February 26, 2010	March 15, 2010	$0.075	$0.075
May 31, 2010	June 15, 2010	$0.10	$0.10
August 31, 2010	September 15, 2010	$0.10	n/a (2)

Notes:

(1) For dividends paid prior to June 16, 2010, the dividend rate per share is adjusted to reflect the 10:1 consolidation of the Corporation's Common Shares on June 16, 2010.
(2) All Non-Voting Shares were converted to Common Shares on June 16, 2010

On December 18, 2009, December 19, 2008 and December 28, 2007 the Corporation paid a dividend to all shareholders of Preferred Shares Series A in the amount of $10.1104 per share to shareholders of record on December 17, 2009, December 18, 2008 and December 13, 2007, respectively. The shareholders of the Preferred Shares Series A shares consented to the offset of such dividend payable to amounts owed by the shareholders to the Corporation under promissory notes.

There are no restrictions in the constating documents of the Corporation which prevent the Corporation from paying dividends. Provisions of the ABCA limit the payment of dividends in certain circumstances. The Corporation has not established a policy in respect of the payment of dividends.

On February 26, 2009, the Corporation commenced a Dividend Reinvestment Plan (the "**DRIP**"). Under the terms of the DRIP, eligible holders of Common Shares and Non-Voting Shares of Realex may elect to automatically reinvest their cash dividends in additional Common Shares or Non-Voting Shares of Realex, without incurring any commissions, service charges or brokerage fees. Shareholders who elect to reinvest cash dividends under the DRIP will receive Common Shares or Non-Voting Shares at a price equal to the average closing price of the Common Shares or Non-Voting Shares, as applicable, on the TSXV for the five day trading period ending on the business day immediately prior to the dividend payment date. Effective August 13, 2009, the Board suspended the DRIP.

DESCRIPTION OF CAPITAL STRUCTURE

General Description of Capital Structure

The following is a summary of the material rights, privileges, restrictions and conditions attached to the Common Shares and Preferred Shares. The summary is qualified in its entirety by the full text of such attributes contained in the articles of Realex**.**

There are currently two authorized classes of shares of Realex, as follows:

- an unlimited number of Common Shares;
- an unlimited number of Preferred Shares, issuable in series.

Common Shares

The holders of Common Shares are entitled to notice of, to attend and to one vote per Common Share at any meeting of Shareholders other than one called solely for holders of other classes of shares.

The holders of Common Shares shall be entitled to receive dividends as and when declared by the Board of Directors of the Corporation on the Common Shares as a class, subject to prior satisfaction of all preferential rights to dividends attached to shares of other classes of shares of the Corporation ranking in priority to the Common Shares in respect of dividends.

The holders of Common Shares shall be entitled in the event of any liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, and subject to prior satisfaction of all preferential rights to return of capital on dissolution attached to all shares of other classes of shares of the Corporation ranking in priority to the Common Shares in respect of return of capital on dissolution, to share rateably, together with the holders of shares of any other class of shares of the Corporation ranking equally with the Common Shares in respect of return of capital on dissolution, in such assets of the Corporation as are available for distribution.

Preferred Shares

The Preferred Shares may be issued, from time to time, in one or more series with such rights, privileges, restrictions and conditions as the Board may determine. The Preferred Shares are entitled to preference over the Non-Voting Shares and the Common Shares and over any other shares ranking junior to the Preferred Shares with respect to the payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding-up of the Corporation.

Preferred Shares Series A

Subject to applicable law, the holders of the Preferred Shares Series A ("**Series A Shareholders**") are not entitled as such to any voting rights or to receive notice of or to attend any meeting of Shareholders. Each Preferred Share Series A entitles the holder thereof to a cumulative annual cash dividend as and when declared equal to 6.1% of the aggregate of the stated value of such share and the amount of accrued and unpaid dividends thereon. In the event of the distribution of the assets of the Corporation among its shareholders for the purpose of winding up its affairs, each holder of Preferred Shares Series A shall be entitled to receive $1,000 per Preferred Share Series A, together with any accrued and unpaid dividends thereon. The Corporation may redeem some or all of outstanding the Preferred Shares Series A after December 31, 2013, and a Series A Shareholder may require the Corporation to retract some or all of its Preferred Shares Series A at any time on or after December 31, 2013, in either case at a price equal to $1,000 plus all accrued and unpaid dividends thereon. If a Series A Shareholder is indebted to the Corporation at the time of redemption or retraction, as the case may be, the Corporation may set-off the full amount of such indebtedness against the applicable redemption price or retraction price. The Corporation may not declare or pay dividends on the Common Shares or on any other shares ranking junior to the Preferred Shares with respect to dividends if, subsequent to such dividend, the Corporation would be unable to redeem or retract all of the outstanding Preferred Shares Series A.

In addition, while the Preferred Shares Series A are outstanding the Corporation may not, except in certain circumstances:

(a) issue any shares ranking prior to or on a parity with the Preferred Shares Series A;

(b) declare, pay or set aside for payment any dividends on the Common Shares or any other shares of the Corporation ranking junior to the Preferred Shares Series A as to the payment of dividends;

(c) redeem, purchase or make any capital distribution in respect of any shares of the Corporation ranking junior to or on a parity with the Preferred Shares Series A Shares in the event of the liquidation, dissolution or winding-up of the Corporation; or

(d) set aside any money or make any payments for any sinking fund or other retirement fund applicable to any shares of the Corporation ranking junior to the Preferred Shares Series A, unless all dividends for the last completed period for which dividends are payable have been paid in respect of the Preferred Shares Series A and all other shares ranking senior to or on a parity with the Preferred Shares Series A in respect of the payment of dividends.

The Preferred Shares Series A are not transferable in whole or in part without the prior written consent of the Board, which consent may be unreasonably withheld.

Options

As of September 30, 2010, Realex has outstanding share options that, if exercised, would result in the further issuance of 1,489,660 Common Shares. The outstanding share options include a one-time grant of 455,000 options (the "performance options") granted in October 2006 that were subject to certain performance criteria which have not been met. The balance of the outstanding share options have been granted in accordance with the Corporation's share option plan. The total number of options the Corporation can grant under the plan, excluding the performance options, to employees and consultants cannot exceed the sum of 10% of the issued and outstanding shares and the performance options. Share options are subject to vesting requirements, as established by the Board of Directors. As of the date of the AIF, 710,776 of the options to acquire Common Shares had vested.

In addition, during the 24 month period expiring April 6, 2011, the Corporation's President and Chief Executive Officer, Mr. Thomas Heslip, shall have the right, subject always to availability of such shares under the stock option plan of Realex, to acquire up to a maximum of 200,000 common shares of Realex, issued at the weighted average trading priced over the five days prior to exercising his right to acquire these shares. This right may be exercised no more than once within any six month period, subject only to the maximum amount which may be acquired. Notwithstanding that such shares may be free from trading restrictions under applicable securities laws, the shares shall be subject to a one year trading restriction and shall be subject to the rules, policies, restrictions and regulations of the TSXV.

MARKET FOR SECURITIES

The Common Shares are listed on the TSXV under the symbol "RP". The Preferred Shares Series A of Realex are not listed on an exchange.

Trading Price and Volume

The following table sets forth the monthly reported high and low trading prices and trading volumes of the Common Shares and Non-Voting Shares as reported by the TSXV from October 1, 2009 to November 30, 2010:

	COMMON			**NON-VOTING (2)**		
	Price (1)			**Price (1)**		
Month	**High**	**Low**	**Volume**	**High**	**Low**	**Volume**
October 2009	$5.50	$4.10	9,255	$5.00	$3.80	98,702
November 2009	$6.00	$4.30	28,155	$4.90	$4.10	4,779
December 2010	$8.40	$4.10	20,063	$6.00	$4.50	26,210
January 2010	$7.90	$6.00	17,645	$7.30	$5.60	44,071
February 2010	$6.50	$6.00	13,429	$6.90	$5.20	7,824
March 2010	$7.00	$5.10	33,719	$6.50	$4.00	6,759
April 2010	$7.00	$5.80	38,664	$6.40	$6.00	29,045
May 2010	$6.50	$5.40	17,451	$6.30	$5.00	9,556
June 2010	$6.50	$6.00	576,684	$6.00	$6.00	1,000
July 2010	$6.50	$6.00	54,819	n/a	n/a	n/a
August 2010	$6.60	$6.20	90,062	n/a	n/a	n/a
September 2010	$7.24	$6.40	524,493	n/a	n/a	n/a
October 2010	$8.85	$6.86	468,854	n/a	n/a	n/a
November 1-15 2010	$8.00	$7.70	41,647	n/a	n/a	n/a

Notes:

(1) Share prices listed have been adjusted to reflect the 10:1 share consolidation of Common Shares on June 16, 2010
(2) On June 16, 2010, the Non-Voting Shares were converted to Common Shares on a 1:1 basis.

ESCROWED SECURITIES

As at November 30, 2010, they were no escrowed securities.

DIRECTORS AND OFFICERS

Directors and Officers

The names, principal occupations and municipalities of residence of Realex's directors and officers, as well as the year each director first became a director, are set out below. Each director is appointed to serve until the next annual meeting or until his successor is elected or appointed.

Directors

Name and Province of Residence	Year of appointment or election	Principal Occupation During Past 5 Years
MANFRED CONRAD Ontario, Canada	2008	President, The Cora Group Inc. (a private real estate company).
KEN DAVIDSON (1,3) Ontario, Canada	2009	Consultant and Corporate Director.
BAHAA FALTOUS Alberta, Canada	2007	President, Moli Industries Ltd. (a steel design, fabrication and erection company) and President, JEC Enterprises Inc. (a land development company).
LES JOHANNESEN (1,3) Alberta, Canada	2008	Chartered Accountant and Business Consultant.
JOSEPH F. KILLI (2) Alberta, Canada	2006	Vice-Chair, Realex Properties Corp. Chairman and, prior to February 28, 2006, Chief Executive Officer of Parkbridge Lifestyle Communities Inc. (a public real estate company).
GREGORY MILAVSKY (1) Ontario, Canada	2010	Senior Advisor, Canterbury Park Capital (a private equity company). Prior to April 2006, Managing Director and Group Head, Scotiabank Private Equity Investments (a principal investments firm).
GARY E. PERRON (3) Alberta, Canada	2006	Managing Director and Senior Vice-President of BMO Nesbitt Burns Inc. (an investment bank).
DAVID V. RICHARDS (2,4) Alberta, Canada	2005	President and Managing Director of Network Capital Inc. (a private venture capital company).
MARC D. SARDACHUK (3) Alberta, Canada	2006	Managing Partner of Law Investments LP (a private real estate partnership). Prior to September 30, 2009, Executive Vice President of Realex. Prior to April 6, 2009, President and Chief Executive Officer of Realex. Prior to September 29, 2006, President of Law Investments Ltd. (a private real estate company).
ANTONIE VANDEN BRINK (2) Alberta, Canada	2006	President and Chief Executive Officer of Tokay Resources Ltd. (a private investment company).

Notes:
(1) Member of the Audit Committee
(2) Member of the Governance Committee
(3) Member of the Compensation Committee
(4) Chair

Officers

Name and Province of Residence	Position with Realex	Officer Since	Principal Occupation During Past 5 Years
JOSEPH F. KILLI Alberta, Canada	Vice-Chairman	September 29, 2006	Vice-Chairman, Realex Properties Corp. Chairman and prior to February 28, 2006, Chief Executive Officer of Parkbridge Lifestyle Communities Inc.
TOM HESLIP Alberta, Canada	President	April 6, 2009	President and Chief Executive Officer of Realex since April 6, 2009. Prior thereto, President of Hexagon Capital Partners (a private real estate consulting company). Prior to October 2007, President of Fortress Investment (a public investment management firm).
MARK A. SUCHAN Alberta, Canada	Senior Vice President, Chief Financial Officer and Corporate Secretary	September 29, 2006	Chief Financial Officer, Senior Vice President and Secretary, Realex since September 29, 2006. Prior thereto, Chief Financial Officer of Calloway Real Estate Investment Trust (a public real estate investment trust).
MITCHELL J. BRODY Alberta, Canada	Senior Vice President, Western Canada	September 29, 2006	Senior Vice President Operation, Realex since September 29, 2006. Prior thereto, Vice President, Realex Property Management Inc.
ADRIAN CONRAD Ontario, Canada	Senior Vice President, Eastern Canada	September 30, 2008	Senior Vice President, South Western Ontario Realex since September 30, 2008. Prior thereto, President of Cora Management Inc.

As of November 30, 2010, the directors and executive officers of the Corporation, as a group, own, directly or indirectly, or exercise control or direction over 9,264,1853 Common Shares (49.5% of class) and 35,381 Preferred Shares Series A (71.5% of class).

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the best of the knowledge of management of the Corporation, no person who is a director or executive officer of the Corporation, or a person or company that is the direct or indirect owner of, or who exercises control or direction over, a sufficient number of voting shares of the Corporation so as to materially affect the control of the Corporation:

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

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

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

  (iii) while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

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

Conflicts of Interest

Directors and officers of the Corporation may, from time to time, be involved with the business operations of other entities in which case a conflict may arise. Such conflicts must be disclosed in accordance with, and are subject to such other procedures and remedies, as applicable, under provincial corporate legislation. Any conflicts of interest which arise among Realex and its directors and officers in respect of an investment are and will be governed by the procedures and remedies set forth in the ABCA and in accordance with current recommended corporate governance practices.

Other than as set forth below, management of the Corporation is not aware of any existing or potential material conflicts of interest between the Corporation and its directors and officers:

(a) Joseph F. Killi, Gregory Milavsky, Marc D. Sardachuk and Antonie Vanden Brink, directors and/or officers of Realex, are directors and/or officers of corporations that own certain interests in the Nexen Tower and the development site adjacent to the Nexen Tower for which the Corporation has rights of first refusal and offer.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Realex is party to various legal claims and litigation which have arisen in the normal course of business. These claims do not exceed and are considerably less than 10% of the current value of the Corporation. While there can be no assurance that any particular claim will be resolved in the Corporation's favour, Realex does not believe that the outcome of any claims or potential claims of which it is aware will have a material adverse effect on its financial position, results of operations or liquidity.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

As of September 30, 2010, no director, senior officer or associate of a director or senior officer nor, to the knowledge of the directors or senior officers of Realex after having made reasonable inquiry, any person or company who beneficially owns, directly or indirectly, voting securities of Realex carrying more than 10% of the voting rights attached to any class of voting securities of Realex outstanding at the date hereof, or any associate or affiliate thereof, had any material interest, direct or indirect, in any material transaction of Realex or its affiliates nor do any such persons have a material interest, direct or indirect, in any proposed transaction of Realex or its affiliates other than as set forth below:

(a) Certain entities controlled by, or associates of, Gregory Milavsky and Marc D. Sardachuk, directors and/or officers of the Corporation, lease an aggregate of 2,743 square feet of commercial real estate space from the Corporation at blended lease rates of approximately $31 per square foot. The lease rates were based on an assessment of market lease rates for equivalent properties at the time the leases were entered into by the Corporation. The Corporation has received rent including recoveries and parking rent of approximately $133,541 pursuant to these leases during the year ended September 30, 2010;

(b) Joseph F. Killi, Gregory Milavsky, Marc D. Sardachuk and Mitchell J. Brody, directors and/or officers of the Corporation, either alone or with members of their respective families, indirectly wholly-own and control the Manager. The Manager provided management services in respect of the Initial Portfolio and was entitled to fees from the Corporation in consideration for the provision of such services. Effective September 30, 2009, the Corporation acquired the Manager's interests in the management services agreements along with related assets (see "Material Contracts"). Joseph F. Killi, Marc D. Sardachuk and Mitchell J. Brody are directors and/or officers of the Manager are entitled to receive compensation from such entities in consideration for services rendered to such entity as directors and/or officers;

(c) Joseph F. Killi, Gregory Milavsky and Mark D. Sardachuk, directors and officers of the Corporation, either alone or with members of their respective families, formerly indirectly owned and controlled Realex Asset Management Inc. ("**Asset Manager**"). The Asset Manager provided property management services in respect of all commercial real estate properties acquired by the Corporation other than the Initial Portfolio and certain asset management services in respect of all real estate properties of the Corporation and was entitled to fees from the Corporation in consideration for the provision of such services. Effective November 1, 2007, the Corporation acquired all the shares of the Asset Manager;

(d) A co-ownership interest of 33⅓% in the East Village property was held by Realex. Realex and the two other co-owners, sold the property in July 2009. Gary Perron, a director of one of the co-owners, is also a director of Realex;

(e) In connection with the assumption of $49,454,000 of indebtedness by the Corporation, certain associates of Joseph F. Killi, Gregory Milavsky, Gary E. Perron, Marc D. Sardachuk, Antonie Vanden Brink and Bahaa Faltous issued promissory notes to the Corporation in an aggregate principal of $49,454,000 bearing interest at the rate of 6.1% per annum on October 3, 2006;

(f) On February 1, 2007, certain entities controlled by Joseph F. Killi, Gregory Milavsky, Marc D. Sardachuk and Antonie Vanden Brink granted the Corporation rights of first refusal and offer in respect of their respective interests in the Nexen Tower located in Calgary, Alberta and in a site adjoining the Nexen Tower, subject in the former case to a prior right of first refusal held by a co-owner of the Nexen Tower; and

(g) Manfred Conrad and Adrian Conrad, directors and/or officers of the Corporation either alone or with members of their respective families, wholly-own and control certain vendors which sold properties and a management company to the Corporation on September 30, 2008. Such vendors received the consideration (consisting in the aggregate of approximately $45.3 million in cash, 7,444,071 Common Shares and 8,014,575 Non-Voting Shares of Realex) paid by Realex in connection with the acquisition of the properties and management company.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Valiant Trust Company, at its principal offices in Calgary, Alberta, and Toronto, Ontario.

MATERIAL CONTRACTS

The Corporation entered into the following material contracts outside the ordinary course of business during its most recently completed financial year or in previous years and such material contracts remained outstanding at September 30, 2010:

Management Agreements with the Manager

On September 30, 2009, the Corporation acquired the Manager's interest in the management services agreements and related assets for total consideration of $2,000,000, payable in equal annual instalments of $500,000 commencing October 1, 2009. The agreement was negotiated and reviewed on behalf of the Corporation by a special committee of the board of directors of the Corporation, comprised of certain independent directors of the board, and the agreement was subsequently approved by all of the independent directors of the board.

Other Material Contracts

Agreements dated February 1, 2007 providing the Corporation with rights of first offer and rights of first refusal relating to the Nexen building and adjacent development site are disclosed under the heading "Interests of Management And Others in Material Transactions", item (f).

INTEREST OF EXPERTS

Deloitte & Touche LLP is the auditor of the Corporation and is independent of the Corporation in accordance with the Rules of Professional Conduct of the Institute of Chartered Accounts of Alberta. Macleod Dixon LLP, corporate legal counsel, and the associates and partners thereof, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding securities of the Corporation.

AUDIT COMMITTEE INFORMATION

Audit Committee Mandate

The complete text of the Audit Committee Mandate is attached as Appendix A to this AIF.

Composition of the Audit Committee

The Audit Committee consists of Les Johannesen, CA (Chair), Ken Davidson, and Gregory Milavsky. Each of the members of the Audit Committee is independent within the policies described in National Instrument 52-110 and each of the members is financially literate.

Relevant Education and Experience of Audit Committee Members

Les Johannesen (Chair)

Mr. Johannesen has over 25 years of experience with chartered accounting firms until his retirement as a partner with a major public accounting and audit firm. Mr. Johannesen has extensive experience auditing public companies and in the review, analysis and disclosure of financial information. Mr. Johannesen is a member of the Institute of Chartered Accountants of Alberta and is a member of the Institute of Corporate Directors.

Ken Davidson

Mr. Davidson spent 5 years as Co-Chief Executive Officer of Gordon Capital Corp. and 20 years with the Canadian Imperial Bank of Commerce. Over his career he has been involved in corporate, investment and merchant banking, as well as project financing and credit/market risk management. Mr. Davidson also served as Executive Vice-President, Risk Management in his final five years with the bank. For more than 9 years Mr. Davidson was a Director of Pacific Century Group, Hong Kong, and has been directly involved in Asian/North American investment opportunities in the real estate, services, technology and retail sectors. Mr. Davidson is currently director of Millar Western Forest Products Ltd. and Vermilion Energy. Mr. Davidson holds a Bachelor of Science (Mathematics) degree and a Bachelor of Science (Business) degree from Concordia University and a Masters in Business Administration from McMaster University.

Gregory Milavsky

Mr. Milavsky is Senior Advisor to Canterbury Park Capital and Founder of The Black Box Institute in Toronto. Mr. Milavsky has worked in the finance and investment field for over 25 years in Toronto, New York, London and Tokyo at CIBC, Wolfensohn, Rothschild Canada Ltd. and Scotiabank Private Equity. Mr Milavsky has sat on or presently sits on the board of several public and private corporations and non-profit organizations, and is currently a director of Diversinet Corp., Ontario College of Art and Design Foundation, The Writers' Trust of Canada and Sunnybrook Health Sciences Foundation Governing Council. Mr. Milavsky is an adjunct professor at The Schulich School of Business, York University (Policy and Organizational Studies). Mr. Milavsky has a Bachelor of Applied Science degree (Civil Engineering) from the University of Toronto and a Master in Business Administration (Distinction) from Harvard Business School.

Pre-Approval Policies and Procedures

The Audit Committee or Audit Committee Chair must pre-approve all non-audit services to be provided to Realex or its subsidiary entities by its external auditors or the external auditors of the Corporation’s subsidiary entities.

External Auditor Service Fees

The aggregate amounts paid or accrued by Realex with respect to fees payable to Deloitte & Touche LLP, the current external auditors for Realex, for audit (including separate audits of subsidiary entities, financings and regulatory reporting requirements), audit-related, tax and other services in the fiscal years ended September 30, 2010 and 2009 were as follows:

	2010	2009
Audit fees (1)	$185,114	$169,297
Audit-related fees (2)	$60,202	$100,373
Tax fees (3)	$11,096	$14,495
All other fees (4)	$21,730	$14,310
TOTAL	$278,142	$298,475

Notes:

(1) “Audit fees” include the aggregate professional fees paid to the external auditors for the audit of the annual consolidated financial statements and other regulatory audits and filings.

(2) “Audit-related fees” include the aggregate fees paid to the external auditors for services related to the audit services, including namely review of quarterly financial statements and management’s discussion and analysis thereon, French translations, review and testing of internal controls over financial reporting and audit of property common area costs.

(3) “Tax fees” include the aggregate fees paid to the external auditors for tax compliance, tax advice, tax planning and advisory services.

(4) “All other fees” include the aggregate fees paid to the external auditors for all other services other than those presented in the categories of audit fees, audit-related fees and tax fees, including assistance with prospectus offering and information circulars.

The Audit Committee of Realex considered and agreed that the above fees are compatible with maintaining the independence of Realex’s auditors. Further, the Audit Committee determined that, in order to ensure the continued independence of the auditors, only limited non-audit related services will be provided to Realex by Realex’s external auditors and in such case, only with the prior approval of the Audit Committee.

ADDITIONAL INFORMATION

Additional information relating to the Corporation, including our disclosure documents, reports, statements or other information that it files with the Canadian securities regulatory authorities, may be found on SEDAR at www.sedar.com and on the Corporation's website at www.realexproperties.ca. Additional information including information relating to directors' and officers' remuneration and indebtedness, principal holders of our securities and securities authorized for issuance under equity compensation plans is contained in our information circular for our most recent annual meeting of shareholders that involved the election of directors. Additional financial information is provided in the Corporation's Consolidated Financial Statements and management's discussion and analysis for its most recently completed financial year.

APPENDIX A

REALEX PROPERTIES CORP.

AUDIT COMMITTEE MANDATE

1.0 Constitution

A standing committee of the Board of Directors (the "**Board**", with each member of the Board hereinafter referred to as a "**Director**") of Realex Properties Corp**.** (the "**Corporation**") is hereby established by the Board from among the Directors that are independent (determined in accordance with the provisions of National Instrument 52-110 and to the extent mandated by such provisions in the circumstances), such standing committee to be designated as the Audit Committee (hereinafter referred to as the **"Audit Committee"**). The Audit Committee shall comply with all securities laws, rules, regulations, policies and instruments applicable to audit committees including, without limitation, the rules, regulations, policies and instruments of any applicable stock exchanges and of any applicable securities commissions (including, without limitation, the provisions of National Instrument 52-110 (Audit Committees) and National Policy 58-201 (Corporate Governance Guidelines) (collectively, "**Canadian Corporate Governance Guidelines**").

2.0 Overall Purpose and Objectives

The Audit Committee will assist the Board in fulfilling its oversight responsibilities as set out herein by reviewing and (if the Audit Committee considers it appropriate) recommending to the Board the approval of:

2.1 the Corporation's financial statements, management's discussion and analysis, annual information forms and management information circulars;

2.2 the Corporation's financial reporting process;

2.3 the Corporation's system of internal control and management of financial risks;

2.4 the Corporation's external auditors' qualifications and independence;

2.5 the external audit process;

2.6 the Corporation's process for monitoring compliance with laws and regulations;

2.7 internal audits and reviews, as required or scheduled;

2.8 procedures governing the disclosure of material information;

2.9 management information systems and the Corporation's disaster recovery program; and

2.10 the financial statements contained in any securities offering prospectus or private placement memorandum.

In performing its duties, the Audit Committee shall endeavour to maintain effective working relationships with the remainder of the Board, with the management of the Corporation ("**Management**") and with the external auditors. To perform his or her role effectively, each Audit Committee member will obtain an understanding of the Corporation's business, operations and risks and the related legislation, regulations and industry standards.

3.0 Authority

The Board authorizes the Audit Committee, within its scope of duties and responsibilities, to:

3.1 seek any information it requires from employees of the Corporation or of contractors to the Corporation (which employees are directed to co-operate with any request made by the Audit Committee or any member thereof);

3.2 seek any information it requires directly from, and communicate with, external parties, including the external auditors, and, other than in respect of the auditor's engagement, which is subject to Board approval in accordance with Section 5.2.2, approve the terms of retainer and the fees payable to such parties without seeking approval of the Board;

3.3 engage independent counsel and other advisors as it determines necessary to carry out its duties and determine the fees payable for such advice without seeking Board approval; and

3.4 determine the level of administrative expenses necessary for the Audit Committee to carry out its duties.

4.0 Organization and Operation

The following provisions and regulations shall apply to the organization and operation of the Audit Committee:

4.1 the Audit Committee shall consist of not less than three members of the Board;

4.2 the members of the Audit Committee shall be independent members of the Board (to the extent mandated by National Instrument 52-110 in the circumstances) and be financially literate as determined in accordance with National Instrument 52-110 and the other Canadian Corporate Governance Guidelines;

4.3 the Chair of the Audit Committee shall be appointed by the Board of the Corporation, or by the members of the Audit Committee if the Chair so appointed is absent from the relevant meeting;

4.4 two members of the Audit Committee shall constitute a quorum thereof;

4.5 no business shall be transacted by the Audit Committee except at a meeting of its members at which a quorum is present in person or by telephone, or by a resolution in writing signed by all members of the Audit Committee;

4.6 the meetings and proceedings of the Audit Committee shall be governed by the provisions of the by-laws of the Corporation which regulate meetings and proceedings of the Board;

4.7 the Audit Committee may invite such Directors, Officers and employees of the Corporation, the external auditors and any other person as it may see fit to attend its meetings and take part in the discussion and consideration of the affairs of the Audit Committee;

4.8 meetings of the Audit Committee shall be held not less than four times per year, generally preceding the approval of interim or year-end financial information by the Board. Special meetings of the Audit Committee may be convened as required upon the request of any member of the Audit Committee, or of the Chief Executive Officer or the Chief Financial Officer of the Corporation or of the external auditors;

4.9 the Audit Committee shall meet separately, at least quarterly, with Management and with the external auditors and such other independent members of the Board as may be invited to attend, and at the end of each meeting, members of the Audit Committee shall meet by themselves; and

4.10 an Agenda for each Audit Committee meeting shall be forwarded to each member of the Audit Committee and to each other Director a reasonable time prior to each meeting of the Audit Committee, and minutes of each meeting of the Audit Committee shall be provided to each member of the Audit Committee and to each other Director within a reasonable time after the conclusion of such meeting.

5.0 Duties and Responsibilities

The Board hereby delegates and authorizes the Audit Committee to carry out the following duties and responsibilities in respect of the Corporation, to the extent that these activities are not carried out by the Board as a whole:

5.1 Corporate Information and Internal Control

5.1.1 review and recommend for approval of the Board the Corporation's quarterly and annual financial statements, Management Discussion & Analyses, press releases containing information extracted or derived from the Financial Statements, Annual Reports, Annual Information Forms and Management Proxy Circulars;

5.1.2 ensure and be satisfied that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements (other than the public disclosure referred to in Section 5.1.1), and periodically assess the adequacy of those procedures;

5.1.3 review and ensure all appropriate processes are in place with respect to applicable certification requirements regarding the Corporation's annual and interim financial statements and other disclosures;

5.1.4 review and comment to the Board upon internal control systems;

5.1.5 review and comment to the Board upon major changes to management information systems;

5.1.6 review and comment to the Board upon spending authorities and approval of limits;

5.1.7 review and comment to the Board upon significant accounting and tax compliance issues where there is choice among various alternatives or where application of a policy has a material effect on the financial results; and

5.1.8 review and comment to the Board upon related party transactions.

5.2 External Auditors

5.2.1 recommend to the board the nomination, retention and termination of the external auditors (subject to any required shareholder approval). The external auditors shall report directly to the Audit Committee;

5.2.2 review and recommend to the Board the terms of the external auditors' engagement and the appropriateness and reasonableness of the proposed engagement fees;

5.2.3 if requested by the Board, obtain (if available) and review a report by the Corporation's external auditors describing the external auditor's internal quality control procedures, and any material issues raised by the most recent internal quality control review (or peer review) of the external auditors , or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the external auditors, and any steps taken to deal with such issues;

5.2.4 annually, obtain a certificate from the external auditors attesting to the external auditors' independence;

5.2.5 annually, evaluate the external auditors' qualifications, performance and independence, taking into account the opinions of Management, and present conclusions to the Board;

5.2.6 as often as the Audit Committee thinks necessary, to assure continuing auditor independence, consider the rotation of the lead audit partner or the external auditor itself;

5.2.7 where there is a change of external auditor, review all issues related to the change, including information to be included in the notice of change of auditors and the planned steps for an orderly transition;

5.2.8 review all reportable events, including disagreements, unresolved issues and consultations, as defined in National Instrument 51-102, on a routine basis, whether or not there is a change of auditors;

5.2.9 review and pre-approve any engagements for non-audit services to be provided by the external auditors or their affiliates, together with estimated fees and any potential issues of independence; and

5.2.10 develop and oversee a policy in respect of the Corporation's hiring policies for partners, employees or former partners or employees of the external auditors, which policy shall comply with all applicable Canadian Corporate Governance Guidelines.

5.3 Audit

5.3.1 review the audit plan, for the coming year, including in respect of quarterly reviews with the external auditors and with Management;

5.3.2 review the processes of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing an audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting;

5.3.3 review with Management and the external auditors major issues regarding accounting principles and financial statement presentation, including any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgements of Management that may be material to financial reporting;

5.3.4 review with Management and the external auditors significant financial reporting issues during the relevant fiscal period and the method of resolution of such issues;

5.3.5 review any problems experienced by the external auditors in performing the audit, as set out in an internal control letter issued by the auditor or otherwise, including any restrictions imposed by Management, and significant accounting issues with respect to which there was a disagreement with Management, whether or not resolved;

5.3.6 review audited annual financial statements and quarterly financial statements with Management and the external auditors (including disclosures under "Management Discussion and Analysis"), in conjunction with the report of the external auditors; and

5.3.7 review the auditors' report to Management, containing recommendations of the external auditors', and Management's response and subsequent action in respect of any identified weaknesses;

5.4 Risk Management and Controls

5.4.1 generally, review the Corporation's risk assessment and risk management policies, and present conclusions to the Board;

5.4.2 if requested by the Board, review all hedging strategies, policies, objectives and controls, and the results of such hedging strategies, policies, objectives and controls, and present conclusions to the Board;

5.4.3 if requested by the Board, review the Corporation's risk management philosophy and resulting exposure to the Corporation, and present conclusions to the Board;

5.4.4 if requested by the Board, review the adequacy of insurance coverage, outstanding or pending claims and premium costs, and present conclusions to the Board;

5.4.5 if requested by the Board, review loss prevention policies and risk management programs in the context of competitive and operational considerations, and present conclusions to the Board;

5.4.6 if requested by the Board, review authority limits for capital expenditures, acquisitions, dispositions, leasing transactions, banking and financial transactions and other business of the Corporation, and present conclusions to the Board;

5.4.7 if requested by the Board, review the Corporation's procedures for the control, identification and reporting of fraudulent acts, and present conclusions to the Board;

5.4.8 take the steps necessary to address and resolve all instances or allegations of fraud reported to any member of the Audit Committee;

5.4.9 review material litigation and its impact on financial reporting; and

5.4.10 periodically review the Corporation's Disclosure and Communications Policy and provide oversight of the disclosure Committee as deemed necessary by the Audit Committee or Board of Directors from time to time.

5.5 Audit Committee Evaluation and Complaints

5.5.1 annually assess Audit Committee Chair performance and evaluate the performance of the Audit Committee as a whole, including its processes and effectiveness;

5.5.2 annually make determinations as to whether any Audit Committee member's simultaneous service on audit committees of other boards impairs the member's ability to effectively serve on the Audit Committee;

5.5.3 develop and approve Audit Committee member eligibility criteria, identify Directors qualified to become Audit Committee members and recommend appointments to and removals from the Audit Committee;

5.5.4 establish procedures for the receipt, retention and treatment of external complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters; and

5.5.5 establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting, internal accounting controls or auditing matters.

5.6 Other Duties and Responsibilities

5.6.1 The responsibilities, practices and duties of the Audit Committee outlined herein are not intended to be comprehensive. The Board may, from time to time, charge the Audit Committee with the responsibility of reviewing additional items of a financial, control or a risk management nature; and

5.6.2 The Audit Committee shall periodically report to the Board the results of all reviews undertaken and any associated recommendations

6.0 Replaces Prior Audit Committee Mandate

6.1 This Audit Committee Mandate of the Corporation replaces in its entirety any prior or existing Audit Committee Mandate of the Corporation.