



**ANNUAL INFORMATION FORM**

**For the Year Ended December 31, 2008**

**Dated March 10, 2009**

# PRIMARIS RETAIL REAL ESTATE INVESTMENT TRUST

## ANNUAL INFORMATION FORM

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The information in this Annual Information Form is current to December 31, 2008, unless otherwise noted. All dollar amounts are in Canadian dollars.

## **FORWARD-LOOKING STATEMENTS**

Public communications of Primaris Retail REIT (the "REIT") often include written or oral forward-looking statements. Statements of this type are included in this annual information form, and may be included in filings with Canadian securities regulators or in other communications. Forward-looking statements are related to, but not limited to, the REIT's operations, anticipated financial performance, business prospects and strategies. Forward-looking information typically contains statements with words such as "anticipate," "believe," "expect," "plan," or similar words suggesting future outcomes. Such forward-looking statements are subject to risks, uncertainties and other factors that could cause actual results to differ materially from future results expressed, projected or implied by such forward-looking statements.

Examples of such information include, but are not limited to, factors relating to the business, financial position of the REIT, operations and redevelopments including volatility of capital markets, consumer spending, retail leasing demand, strength of the retail sector, price volatility of construction costs, availability of construction labour and timing of regulatory and contractual approvals for developments.

Although the forward-looking statements contained in this document are based on what management of the REIT believes are reasonable assumptions, forward-looking statements involve significant risks and uncertainties. They should not be read as guarantees of future performance or results and will not necessarily be an accurate indicator of whether or not such results will be achieved. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause actual future results to differ from targets, expectations or estimates expressed in the forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to, economic, competitive and commercial real estate conditions, unplanned compliance-related expenses, uninsured property losses and tenant-related risks. Forward looking statements are made as at the date of this annual information form and, except as required by applicable securities legislation, the REIT assumes no obligation to update or revise them to reflect new events or circumstances.

## **CORPORATE STRUCTURE**

The REIT is an unincorporated, open-ended real estate investment trust established on March 28, 2003 by a Declaration of Trust under, and governed by, the laws of the Province of Ontario as amended and restated on June 13, 2007. The REIT was formed to directly or indirectly own, manage, lease and develop (where appropriate) retail properties, primarily in Canada. The head office of the REIT is located at Suite 1100, 130 Adelaide Street West, Toronto, ON, M5H 3P5.

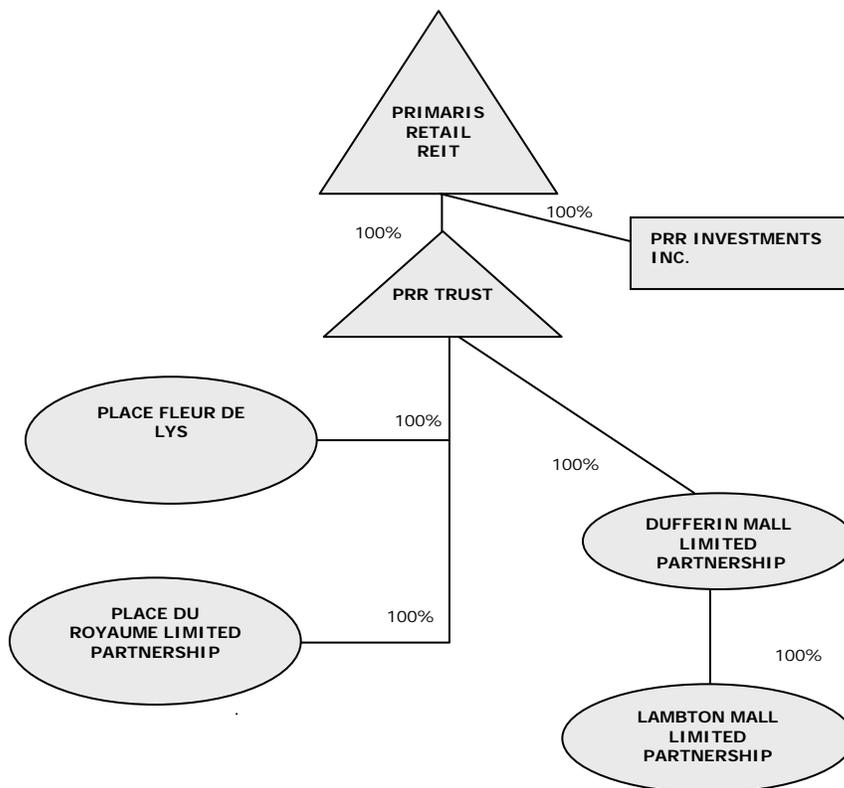
The REIT's Units and convertible debentures trade under the symbols PMZ.UN and PMZ.DB and PMZ.DB.A respectively.

The Board of Trustees of the REIT is responsible for the general control and direction of the REIT, including decisions regarding the acquisition and disposition of the REIT's assets. Up to this point, management of the REIT has largely been carried out by employees of the Asset Manager. On January 1, 2009, Louis Forbes, the Chief Financial Officer of the REIT became employed by a wholly-owned subsidiary of the REIT and has ceased to be employed by the Asset Manager.

Property management services are provided to the REIT by OPGI Management Limited Partnership ("OPGI Management"), the general partner of which is OPGI Management GP Inc. As property manager for the REIT, OPGI Management has responsibility for day-to-day management of the REIT's properties, including leasing. An affiliate of OPGI Management provides advisory, asset management and administration services to the REIT and implements the REIT's strategies. The Asset Management and Property Management Agreements expire on December 31, 2009. See "Management of the REIT" and "Management Contracts".

## INTERCORPORATE RELATIONSHIPS

The following diagram illustrates the organizational structure of the REIT and its principal subsidiaries as at December 31, 2008.



The REIT and PRR Trust are trusts governed by Ontario law. All properties are held in PRR Trust or in subsidiaries of PRR Trust.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

### **Three Year History**

In the past three years, the REIT has added to its portfolio of properties, acquiring ten more principal properties and several smaller properties. The portfolio now consists of twenty-six principal properties and several smaller properties in twenty markets spanning seven Canadian provinces. The portfolio's approximately 9.3 million square feet ("SF") of retail space is 98.2% occupied as of December 31, 2008.

The REIT continuously reviews its business operations, seeks to expand its asset base and reinvests in existing assets in order to position itself for sustainable future growth. The REIT has primarily invested and will continue to invest in retail properties, predominantly in Canada. These properties will, for the most part, be either mid-market retail centres in major cities, such as Vancouver, Calgary, Edmonton, Winnipeg, Hamilton, Toronto, Montreal, Ottawa-Hull and Quebec City, or will be major retail centres in secondary cities (collectively "the Target Market"). The REIT estimates that there are currently in excess of 250 such centres in Canada. Over time some of these centres may become available for purchase, providing growth opportunities for the REIT. Other retail properties that complement the financial performance of the REIT will also be considered for acquisition. Since its initial public offering in 2003, the REIT has completed twenty acquisitions.

Retail centres that are well located in their respective markets present an attractive long-term investment opportunity given their characteristics, which include multi-year tenant relationships defined by leases, and the stable cash flow provided by such arrangements. Such retail centres typically provide growth opportunities through the lease-up of vacant space and the upward trend in rental rates through contractual escalations which can be achieved through active asset and property management. The REIT believes it can implement an investment strategy of acquiring properties with these characteristics to provide additional cash flow and further enhance long-term portfolio value. The REIT will attempt to enhance the yield on the Units by making accretive real estate investments. The investment program of the REIT should also enable the REIT to enhance its presence in Canada and continue to diversify its portfolio.

The REIT intends to generate stable distributions, enhance Unit value and where possible, increase distributions through internal and external growth strategies, while minimizing Unitholder risk. Regular reviews of the REIT's property investments are undertaken and, based on experience and local market knowledge, the Asset Manager assesses the ongoing opportunities for the properties. Appropriate capital improvement projects, renovations and remarketing initiatives are implemented.

One of the most significant generators of internal growth is the REIT's development program. In the 2008 fiscal year, the REIT was involved in two development projects:

- (i) redevelopment of a former anchor premise at Place du Royaume; and
- (ii) relocation of an existing anchor to a former anchor premise at Lambton Mall.

The project at Place du Royaume was completed in 2008. The total actual investment in the two projects in the 2008 fiscal year was approximately \$9.4 million.

The REIT is committed to maximizing income from the existing properties and other properties it acquires through prudent financial management. The REIT seeks to optimize the leveraged returns from the REIT's portfolio of properties, while remaining within the overall debt limits set by the Declaration of Trust. Whenever possible, the REIT utilizes fixed rate debt financing with terms that are appropriate for the properties (and their underlying leases) being financed. The REIT's debt maturities will be staggered to the extent possible to manage refinancing risk. Additional capital for growth is expected to come from refinancing proceeds, new debt placed on acquired properties, operating and acquisition facilities and through the issuance of new securities.

The REIT's internal growth strategy focuses on increasing rental income from its properties. The REIT actively manages the merchandising mix of each property to keep each property effectively aligned with its consumer market. The REIT leases vacant space at competitive market rates at the lowest possible transaction cost, maintains good relations with retailers and works with tenants to increase their sales. The REIT uses leasing activity to periodically adjust the merchandising mix of the properties. Rental income can also be improved through judicious investments in renovations and expansions. The existing properties are well-located, resulting in high tenant retention and a steady demand for space from prospective tenants. Rental income from properties with currently vacant space can be increased through active strategies for the leasing of such space.

The REIT's external growth strategy is driven by acquisitions of mostly retail properties primarily in the Target Market. The REIT uses the expertise of the employees of the Asset Manager in identifying opportunities that arise when owners choose to divest properties for strategic or other reasons.

### **Sequence of property acquisitions**

<u>Date of Acquisition</u>	<u>Property</u>	<u>Location</u>
July 2003	Dufferin Mall	Toronto, ON
	Edinburgh Market Place	Guelph, ON
	Northland Village Mall	Calgary, AB
	Orchard Park Shopping Centre	Kelowna, BC
	Park Place Shopping Centre	Lethbridge, AB
	Stone Road Mall	Guelph, ON
December 2003	Aberdeen Mall	Kamloops, BC

<b><u>Date of Acquisition</u></b>	<b><u>Property</u></b>	<b><u>Location</u></b>
June 2004	Cornwall Centre Midtown Plaza Shopping Centre	Regina, SK Saskatoon, SK
June 2005	Tillsonburg Gateway Northland Professional Centre Place du Royaume Grant Park (50%)	Tillsonburg, ON Calgary, AB Saguenay, QC Winnipeg, MB
July 2005	Place Fleur de Lys	Quebec City, QC
October 2005	Eglinton Square Shopping Centre	Toronto, ON
December 2005	Lambton Mall	Sarnia, ON
June 2006	Alliston Mills Shopping Centre Forest Glen Shopping Centre South Cambridge Centre Sugarloaf Mall	New Tecumseh, ON Kitchener, ON Cambridge, ON Atholville, NB
November/December 2006	Grant Park (the remaining 50%)	Winnipeg, MB
March 2007	Toronto Property	Toronto, ON
June 2007	Northland Village Shoppes Garden City Square	Calgary, AB Winnipeg, MB
July 2007	Place d'Orleans	Ottawa, ON
August 2007	Westbank Shopping Centre Heritage Place Shopping Centre	Westbank, BC Owen Sound, ON
November 2007	Heritage Place additional lands	Owen Sound, ON
February 2008	Toronto Property	Toronto, ON
October 2008	Kelowna Property	Kelowna, BC
November 2008	Toronto Property	Toronto, ON

These acquisitions represent a total purchase price of \$1,545 million before transaction costs.

The REIT has successfully raised over \$900.8 million in public and private offerings over the past five years. Proceeds have been used to acquire new properties, reduce debt and to fund redevelopment projects for existing properties.

Capital raised	# of Units (million)	Gross Proceeds (\$million)
July 2003 (IPO)	24.9	\$248.9
June 2004	9.7	<sup>(1)</sup> 110.2
December 2004	3.0	40.6
July 2005 <sup>(2)</sup>	2.8	40.0
August 2005	5.8	85.4
December 2005	5.5	90.1
November/December 2006 <sup>(3)</sup>	0.8	15.1
December 2006	5.9	110.5
August 2007	3.1	<sup>(4)</sup> 160.0
		\$900.80

(1) Includes \$50 million from the sale of convertible debentures.

(2) Units issued in connection with Place Fleur de Lys acquisition.

(3) Units issued in connection with Grant Park acquisition.

(4) Includes \$100 million from the sale of convertible debentures.

## DESCRIPTION OF THE BUSINESS

The REIT currently owns a portfolio of twenty-six (26) principal properties and several smaller properties that contain approximately 9.3 million SF of gross leaseable area ("GLA"). The properties are located in twenty (20) markets in seven provinces: British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, and New Brunswick.

As at December 31, 2008, the portfolio had a weighted average occupancy rate of 98.2% and was leased to more than 850 distinct tenants. In addition, no single tenant represented more than 5.8% of the aggregate annualized minimum rent of the portfolio and only 16 tenants individually represented more than 1% of such annualized minimum rent.

The specific objectives of the REIT are:

- (i) to generate stable and growing cash distributions;
- (ii) to enhance the value of the REIT's assets and maximize long-term Unit value; and
- (iii) to expand the asset base of the REIT and increase its Funds From Operations through an accretive acquisition program.

## DESCRIPTION OF THE EXISTING PROPERTIES

The following table highlights information regarding the properties as at December 31, 2008:

Property	Tenant / Retailer (>50,000 SF)	Date Completed/ Last Renovation	Approximate GLA	Occupancy % Dec. 31, 2008 <sup>(1)</sup>	CRU Sales psf <sup>(2)</sup>
<b>Enclosed Centres</b>					
Aberdeen Mall Kamloops, British Columbia	Sears, the Bay	Completed 1981, Renovated 1998	461,000	100.0%	\$424
Cornwall Centre Regina, Saskatchewan	Sears, the Bay, Startek <sup>(3)</sup>	Completed 1981	569,000	97.4%	\$513
Dufferin Mall Toronto, Ontario	Wal-Mart, No Frills	Completed over several phases 1956- 1976 Renovated 1986, 1999, 2006-2007	567,000	99.3%	\$521
Eglinton Square Toronto, Ontario	the Bay, Metro*	Completed over several phases 1953- 1983	279,000	98.3%	\$363
Grant Park Winnipeg, Manitoba	Zellers, Safeway	Completed 1962, Expanded 1968, 1989, 1996	391,000	98.5%	\$404
Heritage Place Shopping Centre Owen Sound, Ontario	Sears, Zellers	Completed 1987, Expanded 1989, 2000	315,000	92.3%	\$334
Lambton Mall Sarnia, Ontario	Sears, Canadian Tire	Completed 1970, Renovated 2001	629,000	99.5%	\$355
Midtown Plaza Shopping Centre Saskatoon, Saskatchewan	Sears, the Bay	Completed 1970, Renovated 1990, 2007	734,000	97.6%	\$572
Northland Village Mall <sup>(4)</sup> Calgary, Alberta	Wal-Mart	Completed 1971, Renovated 1988, 1999, 2001, Expanded 2005	503,000	100.0%	\$434

<b>Property</b>	<b>Tenant / Retailer (&gt;50,000 SF)</b>	<b>Date Completed/ Last Renovation</b>	<b>Approximate GLA</b>	<b>Occupancy % Dec. 31, 2008 <sup>(1)</sup></b>	<b>CRU Sales psf <sup>(2)</sup></b>
Orchard Park Shopping Centre Kelowna, British Columbia	the Bay, Sears	Completed 1971, Renovated 2000, Reconfigured 2006-2007	675,000	99.2%	\$510
Park Place Shopping Centre Lethbridge, Alberta	Sears	Completed 1988, Expanded 1996 Renovated 2001	471,000	99.7%	\$499
Place d'Orleans Orleans, Ontario	Zellers, the Bay, Sport Chek, Federal Government	Completed 1979, Expanded 1983, 1990, 1999 Renovated 1990	743,000	97.4%	\$443
Place du Royaume Saguenay, Québec	Wal-Mart, Canadian Tire*	Completed 1973, Renovated 2000, 2001, Reconfigured 2007-2008	582,000	98.5%	\$385
Place Fleur de Lys Québec City, Québec	Zellers, the Bay, Maxi, Sears*	Completed over several phases 1963 - 1993	674,000	96.5%	\$311
Stone Road Mall Guelph, Ontario	Sears	Completed 1975, Expanded 2005, Renovated 1989, 2006- 2007	513,000	98.6%	\$505
<b>Other Properties</b>					
Alliston Mills New Tecumseth, Ontario	Zellers, Canadian Tire*, Zehrs*	Completed 1992	191,000	95.5%	
Edinburgh Market Place Guelph, Ontario	Metro	Completed 1996 Expanded 2006, 2008	113,000	100.0%	
Forest Glen Kitchener, Ontario	n/a	Completed 1979	127,000	95.8%	

<b>Property</b>	<b>Tenant / Retailer (&gt;50,000 SF)</b>	<b>Date Completed/ Last Renovation</b>	<b>Approximate GLA</b>	<b>Occupancy % Dec. 31, 2008 <sup>(1)</sup></b>	<b>CRU Sales psf <sup>(2)</sup></b>
Garden City Winnipeg, Manitoba	Home Depot*	Completed over several phases 1976- 2004	160,000	92.2%	
Northland Professional Centre Calgary, Alberta	n/a	Completed 1978	50,000	100.0%	
Northland Village Shoppes <sup>(4)</sup> Calgary, Alberta	n/a	Completed 1974, 1999	7,000	100.0%	
South Cambridge Centre Cambridge, Ontario	Zehrs	Completed 1989	190,000	97.8%	
Sugarloaf Mall Atholville, New Brunswick	Zellers, Canadian Tire*	Completed 1970	195,000	99.0%	
Tillsonburg Gateway Centre Tillsonburg, Ontario	n/a	Completed 2003	47,000	100.0%	
Toronto properties, Ontario	n/a	Completed 1930s, renovated several phases	65,000	100.0%	
Westbank Shopping Centre Westbank, British Columbia	Great Canadian Superstore*, Zellers*	Completed over several phases 1995- 2004	74,000	100.0%	
<b>TOTAL</b>			<b>9,325,000</b>	<b>98.2% <sup>(5)</sup></b>	<b>\$448 <sup>(6)</sup></b>

## Notes:

\* Shadow Anchor

(1) Occupied and committed space as of December 31, 2008

(2) CRU All store sales per square foot ("psf")

For all reporting CRU tenants in enclosed centres for the year ended December 31, 2008.

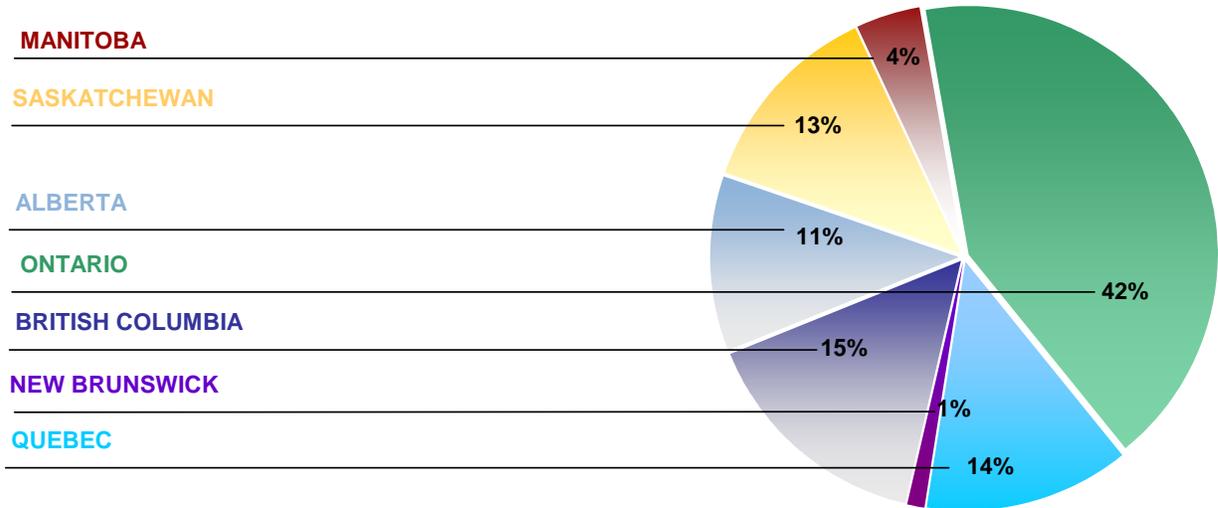
(3) Startek – Vacant but paying rent

(4) Northland Village Mall and Northland Village Shoppes have been combined in the property description section. Total GLA is 510,000 SF.

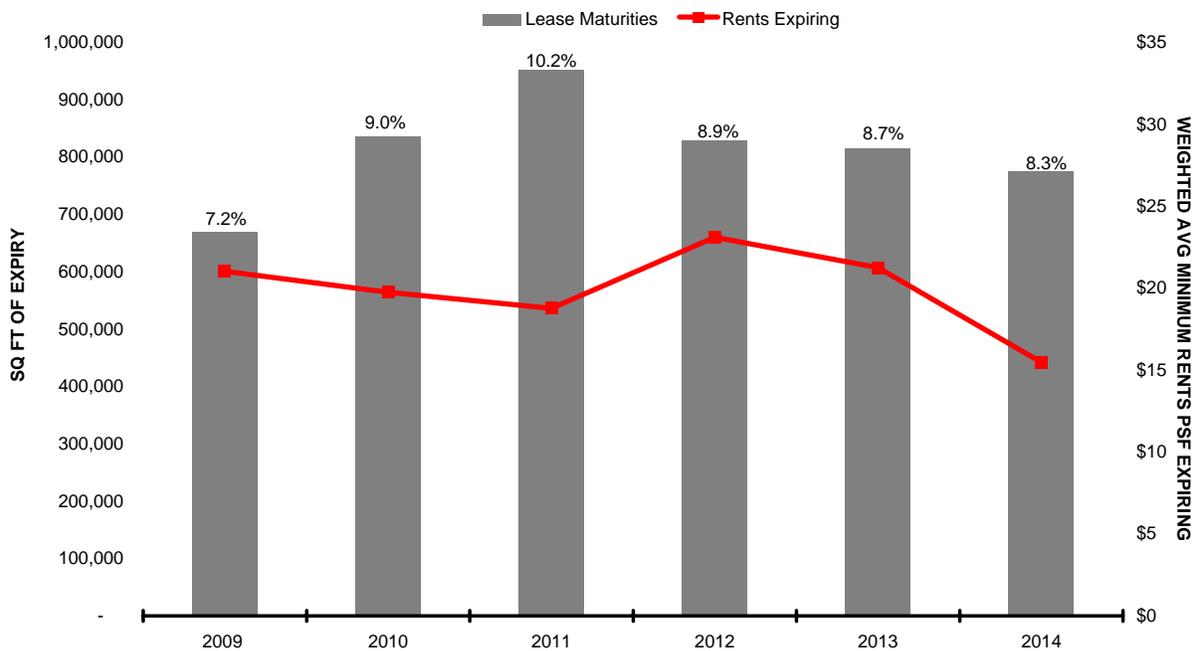
(5) Occupancy Total reflects a weighted average for all properties.

(6) CRU Sales Total reflects a weighted average for enclosed centres only.

**Geographic Diversification  
(Based on Annualized Minimum Rent As Of December 31, 2008)**



**Lease Expiries  
Total Portfolio Lease Maturities and Weighted Average Minimum Rents PSF Expiring (For the Year Ending December 31)**



Lease maturities represent no greater than 10.2% of the portfolio GLA in any one year between 2009 and 2014.

### **Largest Tenants**

The following table illustrates the 10 largest tenant groups in the REIT's portfolio of income-producing properties as measured by their percentage contribution to total annual minimum rent, as at December 31, 2008.

<b>Tenant Group</b>	<b>Percentage of Total Annual Minimum Rent</b>	<b>Area (SF )</b>	<b>Weighted Average Lease Term to Maturity (years)</b>
HBC	5.8%	1,671,521	8.8
YM	3.2%	188,250	5.5
Sears	2.8%	979,436	8.6
Forzani	2.2%	303,611	5.7
Shoppers Drug Mart	2.1%	116,597	6.6
Reitmans	2.1%	115,249	3.1
Loblaws	1.8%	245,632	5.1
Best Buy	1.5%	144,407	4.5
Dynamite	1.4%	62,166	3.3
Comark	1.3%	70,132	4.0
<b>Total</b>	<b>24.2%</b>		

## **The Properties**

### **Enclosed Centres**

#### **Aberdeen Mall**

##### ***The Centre***

Aberdeen Mall is located at the intersection of the Trans Canada Highway and Hillside Way in southwest Kamloops, British Columbia. Kamloops has a primary trade area population of approximately 84,000 people and when combined with the large secondary trade area, the population exceeds 220,000.

Aberdeen Mall is a 461,000 SF two-level enclosed regional shopping centre and is the largest mall in the area. The centre is both highly visible and easily accessed by its consumers. It offers the only full line Sears and the Bay stores in Kamloops. Additionally, there are three major tenants leasing more than 15,000 SF: Future Shop, Sport Chek/Coast Mountain, and Cineplex Odeon. The 2008 average CRU sales performance was \$424 psf for the year ended December 31, 2008.

The mall is situated on a 31.5 acre site and was developed in 1981, with the common areas refurbished in 1998.

Aberdeen Mall had 100% occupancy at December 31, 2008. The expiry of CRU space does not represent more than 5.8% of total GLA in any one of the next five years.

***Profile of Tenant / Retailer with Area Greater than 15,000 SF***

<b>Anchors &amp; Majors: Tenant / Retailer Names</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
the Bay	123,289	26.7%	August 2011
Sears	118,680	25.7%	September 2021
Sport Chek/Coast Mountain	28,213	6.1%	April 2011
Cineplex Odeon	26,959	5.8%	May 2019
Future Shop	25,836	5.6%	January 2012
<b>Sub-total</b>	<b>322,977</b>	<b>69.9%</b>	
<b>Non-Anchor Tenants</b>	<b>138,023</b>	<b>30.1%</b>	
<b>Total</b>	<b>461,000</b>	<b>100.0%</b>	

***Competitive Retail Environment***

A summary table of primary retail competitors for Aberdeen Mall follows:

<b><u>Centre</u></b>	<b><u>GLA</u></b>	<b><u>Anchors/Majors</u></b>	<b><u>Year Built</u></b>	<b><u>Ownership</u></b>
The Summit, Kamloops	128,000	Jysk, Sportmart, Winners / HomeSense	2006	Anthem Properties
North Hills Shopping Centre, Kamloops	203,000	Extra Foods, Shoppers Drug Mart, Mark's Work Warehouse	1959	Prospero International Realty
Kamloops SmartCentre, Kamloops	217,000	Wal-Mart, Michaels, Pier 1 Imports	2000	Calloway REIT
Columbia Place/ Columbia Square, Kamloops	238,000	Office Depot, Save-on-Foods, Toys 'R' Us, Shoppers Drug Mart	1986/1995	CREIT/ Northwest Realty Inc.
Orchard Park Shopping Centre, Kelowna	675,000	the Bay, Chapters, Sears, Sears Whole Home, Sport Chek, Urban Planet	1971	Primaris Retail REIT

Aberdeen Mall is the dominant enclosed shopping centre in the primary trade area. There has been increased competition from the newly developed large format / power centres in the last two years. In terms of enclosed shopping centre competition, the competition exists outside the trade area in Calgary, Vancouver and Kelowna. Aberdeen Mall continues to be the everyday fashion destination of Kamloops and the surrounding trade area.

**Cornwall Centre**

***The Centre***

Cornwall Centre is located on 11<sup>th</sup> Avenue in downtown Regina, Saskatchewan which has a population of approximately 199,000 people and a primary trade area of approximately 250,000 people.

Cornwall Centre is the largest enclosed shopping centre in Regina with a diversified mix of national and regional tenants. This two storey regional centre is comprised of approximately 569,000 SF. It is anchored by the Bay and Sears. The Sears store is the only Sears location in Regina. The site is approximately 8.1 acres and was developed in 1981. CRU sales performance was \$513 psf for the year ended December 31, 2008.

Cornwall Centre had 97.4% occupancy at December 31, 2008. The expiry of CRU space does not represent more than 5.0% of total GLA in any one of the next five years.

***Profile of Tenant / Retailer with Area Greater than 15,000 SF***

<b>Anchors &amp; Majors: Tenant / Retailer Names</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
the Bay	182,355	32.0%	May 2020
Sears	123,026	21.6%	August 2018
StarTek (vacant but paying rent)	62,903	11.1%	July 2013
Dollarama	<u>20,393</u>	<u>3.6%</u>	October 2022
<b>Sub-total</b>	<b>388,677</b>	<b>68.3%</b>	
<b>Non-Anchor Tenants</b>	<b><u>180,323</u></b>	<b><u>31.7%</u></b>	
<b>Total</b>	<b>569,000</b>	<b>100.0%</b>	

***Competitive Retail Environment***

A summary table of primary retail competitors for Cornwall Centre follows:

<b>Centre</b>	<b>GLA</b>	<b>Anchors/Majors</b>	<b>Year Built</b>	<b>Ownership</b>
Regina North SmartCentre, Regina	222,000	Sobeys, Wal-Mart	2002	Calloway REIT
Northgate Mall, Regina	331,000	Safeway, Zellers, Shoppers Drug Mart	1965	1532652 Ontario Limited
Regina East SmartCentre, Regina	594,000	Best Buy, Real Canadian Superstore, Rona, Home Outfitters, London Drugs, Michaels, Wal-Mart, Winners / Home Sense	2000	Calloway REIT
Southland Mall, Regina	439,000	Wal-Mart, Safeway, Cineplex Odeon, Chapters, Sport Chek	1975	Retrocom REIT

Cornwall Centre's competition in the trade area stems from large format / power centres. The Grasslands at Harbour Landing project by Harvard Developments is a new large format retail and lifestyle centre currently under development, to be open in 2009-2010. The project is planned for 800,000 SF in total, consisting of 565,000 SF large format and 235,000 SF of urban retail village space. In terms of enclosed shopping centres, Southland Mall is the largest competitor in the immediate area. Much of the other competition exists outside the trade area in Calgary, Edmonton, and Saskatoon. In 2008, Saskatchewan's economy posted unprecedented growth rates due to the high commodity prices and its abundance of natural resources. Cornwall Centre remains the dominant enclosed shopping centre for the primary trade area.

## **Dufferin Mall**

### ***The Centre***

Dufferin Mall is located on Dufferin Street just south of Bloor Street West in a high-density urban neighbourhood in central Toronto, Ontario. The City of Toronto has a population of approximately 2.5 million people and is the provincial capital. Dufferin Mall has a primary trade area of approximately 257,000 people. Dufferin Mall is a 567,000 SF enclosed shopping centre with two anchors: Wal-Mart and No Frills. Additionally, there are four major tenants over 15,000 SF: H&M, Winners, Toys 'R' Us, and Catholic Children's Aid Society.

Dufferin Mall sits on a 21.3 acre parcel of land and was originally developed over several phases between 1956 and 1976, with further renovations and expansion in 1976, 1986 and 1999. In early 2006, the REIT commenced an \$11 million interior and exterior renovation project. The overall scope of the work included landscaping, refurbished entrances, interior flooring, ceilings, lighting, and improved communications and electrical distribution. The first phase of the renovation, which was comprised of interior upgrades, was completed in November 2006. The second phase of the renovation, which concentrated on the exterior, was substantially complete in 2008. CRU sales performance was \$521 psf for the year ended December 31, 2008.

Dufferin Mall had 99.3% occupancy at December 31, 2008. The expiry of CRU space does not represent more than 10.7% of total GLA in any one of the next five years.

### ***Profile of Tenant / Retailer with Area Greater than 15,000 SF***

<b>Anchors &amp; Majors: Tenant / Retailer Name</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
Wal-Mart	143,211	25.3%	January 2014
No Frills	58,806	10.4%	June 2011
Catholic Children's Aid Society	27,521	4.9%	October 2016
Toys 'R' Us	25,439	4.5%	October 2016
Winners	21,552	3.8%	confidential
H&M	16,304	2.9%	October 2016
<b>Sub-total</b>	<b>292,833</b>	<b>51.8%</b>	
<b>Non-Anchor Tenants</b>	<b><u>274,167</u></b>	<b><u>48.2%</u></b>	
<b>Total</b>	<b>567,000</b>	<b>100.0%</b>	

### ***Competitive Retail Environment***

A summary table of primary retail competitors for Dufferin Mall follows:

<b>Shopping Centre</b>	<b>GLA</b>	<b>Anchors/Majors</b>	<b>Year Built</b>	<b>Owners</b>
Galleria Shopping Centre, Toronto	215,000	Price Choppers, Zellers, LCBO	1972	Harzuz Holdings
Toronto (Stockyards) Power Centre, Toronto	413,000	Wal-Mart, Home Depot, Canadian Tire, Metro, Rona, Future Shop, Business Depot	1997/2003	Calloway REIT/ Various
Yorkdale Shopping Centre, Toronto	1,600,000	the Bay, Famous Players, Indigo, Harry Rosen, Holt Renfrew, Home Outfitters, Pottery Barn, Sport Chek, Sears	1964	OMERS Realty Corporation & 1331430 Ontario Inc.
Toronto Eaton Centre, Toronto	1,722,000	Sears, H&M, Indigo, Old Navy	1977	Cadillac Fairview

Dufferin Mall has limited concentrated competition within its primary trade area as the majority of the competition is derived from urban retail. Galleria Shopping Centre is a small enclosed community centre located at the corner of Dupont and Dufferin Street, approximately two kilometres to the north of Dufferin Mall. This 215,000 SF facility is anchored by Zellers and Price Chopper and contains 40 tenants. Overall, this centre represents limited competition to Dufferin Mall. Stronger competition is found with the regional and super-regional centres in the secondary trade area. Dufferin Mall does not have the size or retailer mix to compete directly with these properties but relies on generating traffic from its primary trade area.

### **Eglinton Square Shopping Centre**

#### ***The Centre***

Eglinton Square Shopping Centre is located at the intersection of Eglinton Avenue and Victoria Park Avenue in the suburb of East York in Toronto, Ontario. Toronto's population is approximately 2.5 million people. Eglinton Square Shopping Centre is a single-level, enclosed community shopping centre of approximately 279,000 SF and has a primary trade area population of approximately 121,000 people. The centre also includes two stand-alone buildings that contain a mix of retail and office uses. Eglinton Square Shopping Centre has a two storey anchor, the Bay. Metro supermarket (not owned) is located adjacent to the centre and acts as a Shadow Anchor. Additionally, there is one major tenant over 15,000 SF: Shoppers Drug Mart. The shopping centre is situated on a 19.8 acre site. CRU sales performance was \$363 psf for the year ended December 31, 2008.

Eglinton Square Shopping Centre had 98.3% occupancy at December 31, 2008. The expiry of CRU space does not represent more than 9.9% of total GLA in any one of the next five years.

**Profile of Tenant / Retailer with Area Greater than 15,000 SF**

<b>Anchors &amp; Majors: Tenant / Retailer Name</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
the Bay	115,205	41.3%	October 2018
Shoppers Drug Mart	16,181	5.8%	August 2018
Metro (Shadow Anchor)	<u>N/A</u>	<u>N/A</u>	
<b>Total</b>	<b>131,386</b>	<b>47.1%</b>	
<b>Non-Anchor Tenants</b>	<b><u>147,614</u></b>	<b><u>52.9%</u></b>	
<b>Total</b>	<b>279,000</b>	<b>100.0%</b>	

**Competitive Retail Environment**

A summary table of primary retail competitors for Eglinton Square Shopping Centre follows:

<b>Shopping Centre</b>	<b>GLA</b>	<b>Anchors/Majors</b>	<b>Year Built</b>	<b>Owners</b>
Golden Mile Plaza, Toronto	190,000	No Frills, Zellers (soon to be vacating)	N/A	Loblaws Properties Ltd.
Parkway Mall, Toronto	281,662	Metro, Staples	1958	Credit Suisse
Scarborough SmartCentre, Toronto	268,000	Wal-Mart Supercentre	2007	Calloway REIT
Scarborough Town Centre, Toronto	1,300,000	the Bay, Wal-Mart, Sears, Gap, Famous Players, Old Navy, Sport Chek, Best Buy, Dollarama, H&M	1973	OMERS Realty Corporation & 1564497 Ontario Inc.
Eglinton Town Centre I, II & III	1,000,000	Rona, Zellers, Canadian Tire, Old Navy, Cineplex Odeon, Home Outfitters, Future Shop, Winners, Lowe's (under construction)	1998 & 2001	RioCan REIT
Eglinton Corners	225,000	The Brick, Sport Check, Best Buy, Home Sense, Designer Depot	2005	Madison Properties

The intersection of Eglinton Avenue East and Warden Avenue (directly to the east of Eglinton Square) has become a major power centre node, with over 1 million SF of retail space built in the last ten years. The inventory includes one of the first Wal-Mart Supercentres in Canada. Additional parcels of land in this area are currently owned by developers including SmartCentres and RioCan.

**Grant Park Shopping Centre*****The Centre***

Grant Park Shopping Centre is located on the south side of Grant Avenue in an area known as River Heights in Winnipeg, Manitoba. Winnipeg has a population of 639,000 people and is the capital of Manitoba. Grant Park has a primary trade area of approximately 88,000 people. Grant Park is a 391,000 SF community shopping centre with a second floor office component. The centre is anchored by Zellers and Safeway, and is complemented by four free standing buildings that are currently occupied by Petro-Canada, McDonald's, Applebee's and Pony Corral restaurant. CRU sales productivity was \$404 psf for the year ended December 31, 2008.

The 32 acre property was initially developed in 1962 and then expanded in 1968, 1989 and 1996.

Grant Park Shopping Centre had 98.5% occupancy at December 31, 2008. The expiry of CRU space does not represent more than 11.5% of total GLA in any one of the next five years.

***Profile of Tenant / Retailer with Area Greater than 15,000 SF***

<b>Anchors &amp; Majors: Tenant / Retailer Name</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
Zellers	116,573	29.8%	August 2016
Safeway	57,312	14.7%	May 2014
Cineplex	32,083	8.2%	August 2010
McNally Robinson	<u>21,685</u>	<u>5.5%</u>	September 2016
<b>Sub-total</b>	<b>227,653</b>	<b>58.2%</b>	
<b>Non-Anchor Tenants</b>	<b><u>163,347</u></b>	<b><u>41.8%</u></b>	
<b>Total</b>	<b>391,000</b>	<b>100.0%</b>	

***Competitive Retail Environment***

A summary table of the primary retail competitors for Grant Park follows:

<b>Shopping Centre</b>	<b>GLA</b>	<b>Anchors/Majors</b>	<b>Year Built</b>	<b>Owners</b>
Kenaston Village Mall, Winnipeg	52,000	Rogers Video	1978	Lanesborough REIT
Tuxedo Park Shopping Centre, Winnipeg	133,000	Safeway, Shoppers Drug Mart	1964	Investors Real Property Fund
Grant Park Festival, Winnipeg	170,000	Sobeys, Dollarama	2003	Shindico Realty Inc.
Kildonan Place, Winnipeg	460,000	Famous Players, Sears, Shoppers Drug Mart, Zellers	1980	Ivanhoe Cambridge
Winnipeg Southwest SmartCentre, Winnipeg	586,000	Safeway, Home Outfitters, Home Depot, Wal-Mart	1999	Calloway REIT
St. Vital Centre, Winnipeg	927,000	the Bay, Safeway, Chapters, Famous Players, London Drugs, Sears, Sport Chek, Wal-Mart	1979	Ontario Pension Board
Polo Park Shopping Centre, Winnipeg	1,202,000	the Bay, Safeway, Sears, Famous Players, Sport Chek, Zellers	1959	Cadillac Fairview

There is limited competition within the primary trade area of Grant Park. In the secondary trade area, the competition consists of both large format and regional enclosed shopping centres. Grant Park is the dominant neighbourhood destination in the primary trade area. The competing neighbourhood centres consist of Kenaston Village Mall to the west, Tuxedo Park Shopping Centre to the northwest, and Grant Park Festival south of Grant Park.

## **Heritage Place Shopping Centre**

### ***The Centre***

Heritage Place Shopping Centre is located at 1350 16<sup>th</sup> Street East in Owen Sound, Ontario which has a population of 22,000 people. The primary trade area covers a large geographic area and contains a population of 53,000 people. The centre is the largest and only enclosed shopping centre in the Grey-Bruce region. This area of Ontario is one of the premier summer destinations for tourists and cottagers. The city's population is estimated to double during peak summer season.

This enclosed community centre consists of 315,000 SF. This asset was acquired by the REIT in August 2007. In November 2007 the REIT purchased an adjacent 2.1 acres of land. The centre's Anchor and Major retailers include Sears, Zellers, Food Basic, and Sport Chek. CRU sales productivity was \$334 psf for the year ended December 31, 2008.

The centre, which was built in 1987, is situated on a combined 33.6 acres of land.

Heritage Place Shopping Centre had 92.3% occupancy at December 31, 2008. The expiry of CRU space does not represent more than 6.3% of total GLA in any one of the next five years.

### ***Profile of Tenant / Retailer with Area Greater than 15,000 SF***

<b>Anchors &amp; Majors: Tenant / Retailer Name</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
Sears	69,975	22.2%	October 2012
Zellers	67,138	21.3%	October 2012
Food Basics	32,721	10.4%	March 2013
Sport Chek	17,457	5.5%	confidential
<b>Sub-total</b>	<b>187,291</b>	<b>59.4%</b>	
<b>Non-Anchor Tenants</b>	<b>127,709</b>	<b>40.6%</b>	
<b>Total</b>	<b>315,000</b>	<b>100.0%</b>	

### ***Competitive Retail Environment***

A summary table of primary retail competitors for Heritage Place Shopping Centre follows:

<b>Shopping Centre</b>	<b>GLA</b>	<b>Anchors/Majors</b>	<b>Year Built</b>	<b>Owners</b>
Owen Sound SmartCentre, Owen Sound	289,000	Wal-Mart, Home Depot	2000	Calloway REIT
Georgian Mall, Barrie	615,000	the Bay, HomeSense, Sears, Sport Chek	1973	Cadillac Fairview

Heritage Place Shopping Centre is the only enclosed shopping centre in the primary market. Its competition is derived from large format centres and grocery anchored strip centres. The closest enclosed regional shopping centre is over 100 kilometres

away. The Owen Sound retail node, in which Heritage Place Shopping Centre is located, fulfils the trade area's shopping requirements on a day-to-day basis.

## **Lambton Mall**

### ***The Centre***

Lambton Mall is located at the intersection of Exmouth Street and Lambton Mall Road, directly south of Highway 402 in Sarnia, Ontario which has a population and primary trade area of approximately 76,000 people.

As the largest enclosed mall in Sarnia, Lambton Mall is a 629,000 SF, single level, regional shopping centre with two anchors: Sears and Canadian Tire. Additionally, there are two major tenants over 15,000 SF: Tepperman's and Toys 'R' Us. CRU sales performance was \$355 psf for the year ended December 31, 2008.

The 48 acre site was developed over several phases between 1970 and 2001. In 2008, the REIT commenced a redevelopment of the premises formerly occupied by Wal-mart. Phase 1 includes the relocation and expansion of Canadian Tire and the construction of a common area corridor to connect the new Canadian Tire to the mall. The REIT's budget for this first phase of the project is approximately \$3.5 million, and Canadian Tire will spend additional amounts in completing their store and executing their move. The second phase of redevelopment contemplates the releasing and modifying of the former Canadian Tire space. Plans for this second phase are not yet finalized; however discussions are underway with a number of prominent retailers to participate in this second phase.

Lambton Mall had occupancy of 99.5% at December 31, 2008. The expiry of CRU space does not represent more than 5.6% of total GLA in any one of the next five years.

### ***Profile of Tenant / Retailer with Area Greater than 15,000 SF***

<b>Anchors &amp; Majors: Tenant / Retailer Name</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
Sears	135,258	21.5%	July 2022
Canadian Tire <sup>(1)</sup>	137,670	21.9%	March 2024
Tepperman's	31,759	5.0%	April 2013
Toys 'R' Us	21,958	3.5%	confidential
<b>Sub-total</b>	<b>326,645</b>	<b>51.9%</b>	
<b>Non-Anchor Tenants</b>	<b>302,355</b>	<b>48.1%</b>	
<b>Total</b>	<b>629,000</b>	<b>100.0%</b>	
<sup>(1)</sup> New Canadian Tire store			

### ***Competitive Retail Environment***

A summary table of primary retail competitors for Lambton Mall follows:

<b>Shopping Centre</b>	<b>GLA</b>	<b>Anchors/Majors</b>	<b>Year Built</b>	<b>Owners</b>
SmartCentres Sarnia, Sarnia	376,000	Wal-Mart Supercentre	2007	SmartCentres/ Various
Bayside Centre, Sarnia	411,000	Liquidation World	1982	Private Investors
White Oaks Mall, London	674,000	the Bay, Wal-Mart, Sport Chek	1973	CPP Investment Board & Osmington Inc.
Masonville Place, London	686,000	the Bay, Famous Players, Sears, Zellers	1985	Cadillac Fairview
Birchwood Mall, Port Huron, USA	790,000	JC Penney, Macy's, Sears, Target, Younkers	1990	General Growth Properties

Lambton Mall is the dominant enclosed shopping centre in the primary trade area. The addition of the Wal-Mart Supercentre has strengthened concentration of shopping in and around Lambton Mall. This retail node is home to complementary freestanding retail premises. Tenants include Home Depot, Leon's Furniture, Future Shop, Price Chopper and the LCBO.

### **Midtown Plaza Shopping Centre**

#### ***The Centre***

Midtown Plaza Shopping Centre is the dominant shopping centre in Saskatoon, Saskatchewan which has a population and a primary trade area of approximately 209,000 people.

Midtown Plaza Shopping Centre is a 734,000 SF two-level, regional shopping centre. The property is anchored by the Bay and Sears. Toys 'R' Us, occupying 31,000 SF, is a separate retail building located adjacent to the mall. In addition, the property includes a twelve-storey, 95,000 SF office building, commonly known as the Tower at Midtown, which rises from the centre of the shopping mall. CRU sales performance was \$572 psf for the year ended December 31, 2008.

The 26,000 SF office building located adjacent to the mall was demolished in spring 2007 and replaced with at-grade parking. This \$4.8 million development also included the expansion/redevelopment of the food court and washrooms and additional CRU premises. Midtown Plaza offers 1900 fee parking stalls, 800 of which are heated, single-level underground parking.

The site consists of multiple parcels of land totalling 22.3 acres. Midtown Plaza Shopping Centre was developed in 1970 and renovated in 1990 and 2007. Midtown Plaza Shopping Centre had 97.6% occupancy at December 31, 2008. The expiry of CRU space does not represent more than 8.1% of total GLA in any one of the next five years.

**Profile of Tenant / Retailer with Area Greater than 15,000 SF**

<b>Anchor &amp; Majors: Tenant / Retailer Name</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
the Bay	174,306	23.7%	May 2020
Sears	166,572	22.7%	April 2019
Toys 'R' Us	31,033	4.2%	October 2022
Sport Chek	19,432	2.6%	November 2012
<b>Sub-total</b>	<b>391,343</b>	<b>53.2%</b>	
<b>Non-Anchor Tenants</b>	<b>342,657</b>	<b>46.8%</b>	
<b>Total</b>	<b>734,000</b>	<b>100%</b>	

**Competitive Retail Environment**

A summary table of primary retail competitors for Midtown Plaza follows:

<b>Shopping Centre</b>	<b>GLA</b>	<b>Anchors/Majors</b>	<b>Year Built</b>	<b>Owners</b>
The Mall at Lawson Heights, Saskatoon	318,000	Safeway, London Drugs, Zellers	1980	3934390 Canada Inc.
Preston Crossing, Saskatoon	432,000	Wal-Mart, Canadian Tire, Sobeys	2003	Harvard Developments Inc.
Saskatoon South SmartCentre, Saskatoon	375,000	Home Depot, Wal-Mart, The Brick, Golf Town	2007	Calloway REIT
The Centre at Circle and Eighth, Saskatoon	518,000	Safeway, Cineplex Odeon, Rainbow Cinemas, Shoppers Drug Mart, Sport Chek, Zellers, Indigo (pad)	1978/83	Morguard REIT

Midtown Plaza Shopping Centre is the premier fashion centre for the province. Its competition within the market stems from the newly developed large format centres and the discount department stores. Midtown continues to diversify its merchandise mix in order to reinforce its dominant position in the marketplace. Saskatoon is one of the main beneficiaries of the private sector resource growth and investment that has occurred in 2008 in Saskatchewan.

**Northland Village Mall and Northland Village Shoppes*****The Centres***

Northland Village Mall is located in northwest Calgary, Alberta at the major intersection of Shaganappi and Crowchild Trails. Calgary has a population of approximately 1,038,000 people and Northland Village has a primary trade of approximately 203,000 people. Northland Village is a 503,000 SF, enclosed shopping centre that is anchored by Wal-Mart. Additionally, there are seven major tenants leasing over 15,000 SF: Home Outfitters, Best Buy, Future Shop, Winners, Designer Depot, La-Z-Boy and Gold's Gym. CRU sales productivity was \$434 psf for the year ended December 31, 2008. In June 2007, the REIT purchased Northland Village Shoppes, a 7,000 SF pad adjacent to Northland Village Mall on 1.6 acres and occupied by food service operators.

The complete site sits on a 32.6 acre parcel of land. It was built in 1971 and expanded, renovated and re-merchandised in 1988, with further remerchandising and renovations in 1999, and 2001. Construction of a new \$8.1 million 22,000 SF expansion and multi-storey car park was completed in December 2005.

Northland Village retail complex had 100% occupancy at December 31, 2008. The expiry of CRU space does not represent more than 5.3% of total GLA in any one of the next five years.

### ***Profile of Tenant / Retailer with Area Greater than 15,000 SF***

<b>Anchors &amp; Majors: Tenant / Retailer Name</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
Wal-Mart	147,461	28.9%	January 2015
Home Outfitters	40,731	8.0%	November 2016
Best Buy	37,471	7.3%	confidential
Future Shop	34,588	6.8%	confidential
Winners	32,507	6.4%	September 2013
Designer Depot	30,889	6.1%	November 2020
La-Z-Boy	22,538	4.4%	August 2012
Gold's Gym	22,356	4.4%	December 2017
<b>Sub-total</b>	<b>368,541</b>	<b>72.3%</b>	
<b>Non-Anchor Tenants</b>	<b>141,459</b>	<b>27.7%</b>	
<b>Total<sup>(1)</sup></b>	<b>510,000</b>	<b>100%</b>	

(1) Total GLA is the combined total of Northland Village Mall and Northland Village Shoppes

### ***Competitive Retail Environment***

A summary table of primary retail competitors for Northland Village Mall follows:

<b>Shopping Centre</b>	<b>GLA</b>	<b>Anchors/Majors</b>	<b>Year Built</b>	<b>Owners</b>
Brentwood Village, Calgary	312,000	Safeway, London Drugs, Sears Home, Pier 1	1962	RioCan REIT
Royal Oak Shopping Centre, Calgary	336,000	Home Outfitters, London Drugs, Sobeys, Wal-Mart	2005	First Capital Realty Inc.
North Hill Shopping Centre, Calgary	306,000	Safeway, Sears, World Health Club	1958	BIM and WPL North Hill Centre Inc.
Beacon Hill, Calgary	725,000	Canadian Tire, Golf Town, Michaels, Future shop Winners/HomeSense, Costco, Home Depot, The Brick	2006	RioCan REIT
Market Mall, Calgary	914,000	the Bay, Safeway, Old Navy, Shoppers Drug Mart, Sport Chek, Toys 'R' Us, Zellers	1970	Cadillac Fairview & Ivanhoe Cambridge
Crowfoot Town Centre (includes Crowfoot Crossing, Crowfoot Village, and Crowfoot Corner), Calgary	934,000	Calgary Coop, Safeway, Chapters, Cineplex, Mark's Work Warehouse, Petland, Rona Home & Garden, Schanks Athletic Club	1997/ 1984/ 1986/ 1991	3934381 Canada Inc./ Calgary Co-op/ /Grosvenor Canada Ltd.

The primary competition for Northland Village Mall is Market Mall and the concentration of power centres in northwest Calgary. Market Mall is an 914,000 SF regional fashion centre located at the intersection of Shaganappi Trail and 32<sup>nd</sup> Avenue, approximately two kilometres from Northland Village. This centre is the dominant retail mall in northwest Calgary.

The collection of power centres in the Northwest Calgary is significant. There is a retail cluster located at the corner of Crowchild Trail and Nosehill Drive in northwest Calgary, about four kilometres north-west of Northland Village. Properties in this retail node are owned by various parties. This retail node, which was built in different phases during the 1990's, has a diverse mix and includes many of the traditional large format stores and restaurants.

### **Orchard Park Shopping Centre**

#### ***The Centre***

Orchard Park Shopping Centre is a regional shopping centre, located in Kelowna, British Columbia, four kilometres east of the city's downtown core and ten kilometres south of the Kelowna Airport. Kelowna has a population of approximately 114,000 people and a primary trade area population of approximately 160,000 people. The centre anchors the Harvey Avenue (Highway 97) retail strip, which consists of a number of neighbourhood and community centres servicing the retail needs of the Kelowna market.

Orchard Park is a 675,000 SF single-level enclosed regional shopping centre. The centre is anchored by the Bay, Sears, and Sears Whole Home. Additionally, there are three major tenants over 15,000 SF: Chapters, Sport Chek and Urban Planet. A \$23 million re-development project for the centre commenced in 2006 and was completed in 2007. The project involved a 30,000 SF addition to the building and the reconfiguration of the 103,000 SF former Wal-Mart store into CRU and large format premises. CRU sales productivity was \$510 psf for the year ended December 31, 2008.

Orchard Park Shopping Centres is situated on 51 acres. This includes a five-acre portion located on land leased until May 31, 2031, with basic rent set every ten years based on the change in the appraised value of the land. The REIT has an option to purchase the land at the expiry of the lease at the appraised value. The REIT has an ongoing right of first refusal throughout the lease term should the landlord receive an offer to purchase the land.

Orchard Park had 99.2% occupancy at December 31, 2008. The expiry of CRU space does not represent more than 7.4% of total GLA in any one of the next five years.

**Profile of Tenant / Retailer with Area Greater than 15,000 SF**

<b>Anchors &amp; Majors Tenant / Retailer Names</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
the Bay	127,290	18.9%	July 2017
Sears	90,588	13.4%	August 2011
Sears Whole Home	49,826	7.4%	August 2011
Sport Chek	43,883	6.5%	February 2017
Chapters	23,277	3.4%	Confidential
Urban Planet	<u>15,349</u>	<u>2.3%</u>	November 2017
<b>Sub-total</b>	<b>350,213</b>	<b>51.9%</b>	
<b>Non-Anchor Tenants</b>	<b><u>324,787</u></b>	<b><u>48.1%</u></b>	
<b>Total</b>	<b>675,000</b>	<b>100.0%</b>	

**Competitive Retail Environment**

A summary table of primary retail competitors for Orchard Park Shopping Centre follows:

<b>Shopping Centre</b>	<b>GLA</b>	<b>Anchors/Majors</b>	<b>Year Built</b>	<b>Owners</b>
Dilworth Shopping Centre, Kelowna	197,000	Staples, Safeway, JYSK Linen 'n Furniture, World Gym	1988	RioCan REIT
Central Park Power Centre, Kelowna	430,000	Wal-Mart, Home Depot,	2001	Great West Life
Vernon SmartCentre, Vernon	251,000	Future Shop, Rona, Wal-Mart	2001	Calloway REIT
Cherry Lane Shopping Centre, Penticton	270,000	the Bay, London Drugs, Save-on Foods	1975	Cherry Lane S.C. Ltd.
Village Green Mall, Vernon	364,000	the Bay, Save-On Foods, Winners, Zellers	1975	OPTRUST Retail Inc.
Aberdeen Mall, Kamloops	461,000	the Bay, Cineplex Odeon, Future Shop, Sears, Sport Chek/Coast Mountain	1981	Primaris REIT
Spall Plaza, Kelowna	148,000	London Drugs, PetCetera, Toys 'R' Us	1979	4231 Investments Ltd.
Orchard Plaza, Kelowna	353,000	Future Shop, Save on Foods, Zellers, Famous Players	1992	McIntosh Properties

Orchard Park Shopping Centre is the dominant fashion centre for interior British Columbia. Five other shopping centres, totalling roughly 1,300,000 SF along Harvey Avenue complement Orchard Park and form the dominant Kelowna retail node. The other Harvey Avenue stores are Zellers, Costco, Home Depot, London Drugs, Future Shop and Staples.

**Park Place Shopping Centre*****The Centre***

Park Place Shopping Centre is located at the intersection of 1<sup>st</sup> Avenue South and Scenic Drive in Lethbridge, Alberta which has a population of approximately 84,000 people within a primary trade area population of approximately 92,000 people. Park Place Shopping Centre is a 471,000 SF regional shopping centre anchored by

Sears. Additionally, there are six tenants with space greater than 15,000 SF: Cineplex/Galaxy, Winners, Michaels, Staples, Sport Chek and Jysk. Toys 'R' Us is located adjacent to the centre and acts as a Shadow Anchor. Park Place Shopping Centre is situated on a 38.7 acre site. The centre was built in 1988, expanded in 1996 and renovated in 2001. CRU sales productivity was \$499 psf for the year ended December 31, 2008.

Park Place Shopping Centre is located on land leased from the City of Lethbridge and the Province of Alberta for a term ending August 2, 2018, with four ten-year options to extend and one further five-year option thereafter. Park Place Shopping Centre, as tenant under the ground lease, has an ongoing right of first refusal and a right of first offer to purchase the lands throughout the lease term.

Park Place Shopping Centre had 99.7% occupancy at December 31, 2008. The expiry of CRU space does not represent more than 7.9% of total GLA in any one of the next five years.

#### ***Profile of Tenant / Retailer with Area Greater than 15,000 SF***

<b>Anchors &amp; Majors: Tenant / Retailer Names</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
Sears	103,193	21.9%	August 2018
Cineplex/Galaxy	41,520	8.8%	October 2014
Winners	28,244	6.0%	November 2011
Michaels	25,750	5.5%	Confidential
Staples	25,125	5.3%	Confidential
Sport Chek	21,545	4.6%	November 2011
Jysk	15,249	3.2%	August 2011
Toys 'R' Us (Shadow Anchor)	N/A	N/A	
<b>Sub-total</b>	<b>260,626</b>	<b>55.3%</b>	
<b>Non-Anchor Tenants</b>	<b>210,374</b>	<b>44.7%</b>	
<b>Total</b>	<b>471,000</b>	<b>100%</b>	

#### ***Competitive Retail Environment***

A summary table of primary retail competitors for Park Place follows:

<b>Shopping Centre</b>	<b>GLA</b>	<b>Anchors</b>	<b>Year Built</b>	<b>Owners</b>
Lethbridge Centre, Lethbridge	328,000	the Bay	1975	Melcor Properties
Centre Village Mall, Lethbridge	373,000	Canadian Tire, Save-On Foods, Zellers	1970	Anthem Properties Group Ltd.
SmartCentres Lethbridge North, Lethbridge	400,000	Wal-Mart Supercentre, Rona, Dollarama	2007	SmartCentres
Lethbridge SmartCentre, Lethbridge	427,000	Wal-Mart Supercentre, Home Depot	2004	Calloway REIT

Park Place Shopping Centre is the dominant fashion destination in the trade area. Its primary competition is large format centres within Lethbridge. The SmartCentres

are anchored by Wal-Mart and include specialty retail. Centre Village Mall is located at 2<sup>nd</sup> Avenue and 13<sup>th</sup> Street about two kilometres from Park Place Shopping Centre. It is anchored by Zellers, Canadian Tire and Save-On-Foods and has a GLA of approximately 373,000 SF. Park Place's competition at Centre Village Mall is derived from their anchor stores. In terms of enclosed competitive influences, the Bay at Lethbridge Centre represents the only competition.

## **Place d'Orleans**

### ***The Centre***

Place d'Orleans is located in the eastern quadrant of Ottawa, Ontario, the capital city of Canada. The greater Ottawa area is Canada's fourth largest city with a population of 864,000 people. The shopping centre is located adjacent to Highway 417 (the Queensway) at the southern intersection of Place d'Orleans Drive. The population of the primary trade area is approximately 107,000 people. Place d'Orleans is a 743,000 SF enclosed regional shopping centre. Place d'Orleans was acquired by the REIT in June 2007. It is the dominant regional shopping centre within its primary trade area. The centre is anchored by Zellers, the Bay, Sport Chek and a government tenant.

The shopping centre is situated on 43 acres and was developed in several phases between 1979 and 1999. CRU sales performance was \$443 psf for the year ended December 31, 2008.

Place d'Orleans had 97.4% occupancy at December 31, 2008. The expiry of CRU space does not represent more than 5.8% of total GLA in any one of the next five years.

### ***Profile of Tenant / Retailer with Area Greater than 15,000 SF***

<b>Anchors &amp; Majors: Tenant / Retailer Name</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
Zellers	116,598	15.7%	May 2021
the Bay	115,501	15.5%	October 2020
Sport Chek	68,499	9.2%	December 2014
Federal Government	53,919	7.3%	July 2010
the Bay Home Store	44,601	6.0%	August 2010
Goodlife Fitness	<u>21,565</u>	<u>2.9%</u>	November 2017
<b>Sub-total</b>	<b>420,683</b>	<b>56.6%</b>	
<b>Non-Anchor Tenants</b>	<b><u>322,317</u></b>	<b><u>43.4%</u></b>	
<b>Total</b>	<b>743,000</b>	<b>100.0%</b>	

### ***Competitive Retail Environment***

A summary table of primary retail competitors for Place d'Orleans follows:

<b>Shopping Centre</b>	<b>GLA</b>	<b>Anchors</b>	<b>Year Built</b>	<b>Owners</b>
RioCan Orleans, Orleans	297,000	Home Depot, Jysk, Loeb, Staples	2000	RioCan REIT
Trinity Crossing, Orleans	370,000	Real Canadian Superstore, LCBO, Winners /HomeSense, Michaels	2006	RioCan REIT
Orleans SmartCentre, Orleans	488,000	Canadian Tire, Wal-Mart Supercentre, Home Outfitters	2006	Calloway REIT
Rideau Centre, Ottawa	734,000	Sears	1983	Viking Rideau Corporation
St. Laurent Shopping Centre, Ottawa	870,000	the Bay, Sears, Sport Chek, Toys 'R' Us, Sport Chek, Rainbow Cinemas	1967	Morguard REIT

The overall Ottawa market can be divided into four quadrants with each having an enclosed regional shopping centre. Place d'Orleans is the dominant enclosed centre in the eastern Ottawa (Orleans) region. Its main competition within the trade area is large format centres.

### **Place du Royaume**

#### ***The Centre***

Place du Royaume is located on Talbot Boulevard in the Chicoutimi borough of Saguenay, Quebec. Talbot Boulevard is directly linked to Highway 175 leading to Quebec City. The greater Saguenay area, with a population of approximately 150,000 people, is 250 kilometres north of Québec City. The population of the primary trade area is approximately 106,000 people. Place du Royaume is an enclosed regional mall of 582,000 SF, anchored by Wal-Mart. The Canadian Tire (not owned) is located adjacent to the centre and acts as a Shadow Anchor. There are five major tenants with over 15,000 SF of leased space: Cinémas Odyssee, Future Shop, Sports Experts, Winners and Urban Planet. CRU sales performance was \$385 psf for the year ended December 31, 2008.

The shopping centre was originally constructed in 1973 and has had several additions and renovations since then. The site is approximately 53.5 acres and includes 7.5 acres of undeveloped land for future expansion.

In June 2007, the REIT commenced a two year, approximate \$14 million redevelopment of the premises formerly occupied by the Bay, and was completed in 2008. The project involved the reconfiguration of the former Bay space into CRU, large format premises and new common area. This plan does not incorporate the use of the excess density on the site.

Place du Royaume had 98.5% occupancy at December 31, 2008. The expiry of CRU space does not represent more than 9.1% of total GLA in any one of the next five years.

**Profile of Tenant / Retailer with Area Greater than 15,000 SF**

<b>Anchors &amp; Majors: Tenant / Retailer Name</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
Wal-Mart	144,998	24.9%	January 2014
Cinémas Odyssée	30,742	5.3%	October 2013
Future Shop Limited	27,407	4.7%	April 2014
Sports Experts	37,403	4.7%	April 2018
Winners	28,195	4.8%	March 2018
Urban Planet	17,211	3.0%	April 2018
Canadian Tire (Shadow Anchor)	N/A	N/A	
<b>Sub-total</b>	<b>285,956</b>	<b>47.4%</b>	
<b>Non-Anchor Tenants</b>	<b>296,044</b>	<b>52.6%</b>	
<b>Total</b>	<b>582,000</b>	<b>100.0%</b>	

**Competitive Retail Environment**

A summary table of primary retail competitors for Place du Royaume follows:

<b>Shopping Centre</b>	<b>GLA</b>	<b>Anchors</b>	<b>Year Built</b>	<b>Owners</b>
Big Box Development on Talbot Boulevard, Chicoutimi	175,000	Bureau en Gros, Costco, Rona	Various	Various
Les Galeries Jonquière, Jonquière	228,000	Zellers, Super C	1976	Gestion Sandalwood
SmartCentres Jonquière, Jonquière	330,000	Canadian Tire, Bureau en Gros	2001	SmartCentres
Place du Saguenay, Chicoutimi	307,000	Zellers, Sears, Clément Mady Mad Max	1968	Gestion Sandalwood

The primary competition for Place du Royaume is Place du Saguenay, located directly across the street. Place du Saguenay's 307,000 SF is anchored by Sears and Zellers. This site has a limited CRU tenant offering. Place du Royaume is the dominant fashion destination for the trade area. Retail tenants have concentrated themselves along Talbot Boulevard in and around the shopping centre. There are retail sites featuring Rona, Costco, and Bureau en Gros. Place du Royaume remains the market dominant enclosed centre in the Saguenay region.

**Place Fleur de Lys*****The Centre***

Place Fleur de Lys is located directly south of the intersection of Highway 40 (the Trans Canada Highway) and Highway 175 (Laurentienne) in Québec City, the capital of the Province of Québec.

Québec City has a population of approximately 532,000 people and the centre is supported by a primary trade area population of approximately 96,000 people. An easily accessible centre, Place Fleur de Lys is a 674,000 SF, single level, enclosed regional shopping centre with three anchors: Zellers, the Bay, and Maxi. Sears (not owned) is located adjacent to the centre and acts as a Shadow Anchor. In addition, there are four major tenants over 15,000 SF: Croteau, Sports Experts, Les Ailes de

la Mode, and Urban Planet. Place Fleur de Lys sits on a 53 acre parcel of land and was developed over several phases between 1963 and 1993. CRU sales productivity was \$311 psf for the year ended December 31, 2008.

Place Fleur de Lys had 96.5% occupancy at December 31, 2008. The expiry of CRU space does not represent more than 6.7% of total GLA in any one of the next five years.

***Profile of Tenant / Retailer with Area Greater than 15,000 SF***

<b>Anchors &amp; Majors: Tenant / Retailer Name</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
Zellers	115,000	17.1%	October 2020
La Baie (the Bay)	106,576	15.8%	October 2017
Maxi (Loblaws)	54,445	8.1%	May 2017
Les Ailes de la Mode	38,140	5.7%	January 2010
Croteau	29,919	4.4%	January 2019
Sports Experts	22,321	3.3%	April 2012
Urban Planet	16,740	2.5%	July 2014
Sears (Shadow Anchor)	N/A	N/A	N/A
<b>Sub-total</b>	<b>383,141</b>	<b>56.9%</b>	
<b>Non-Anchor Tenants</b>	<b><u>290,859</u></b>	<b><u>43.1%</u></b>	
<b>Total</b>	<b>674,000</b>	<b>100.0%</b>	

***Competitive Retail Environment***

A summary table of primary retail competitors for Place Fleur de Lys follows:

<b>Shopping Centre</b>	<b>GLA</b>	<b>Anchors/Majors</b>	<b>Year Built</b>	<b>Owners</b>
Mega Centre Beauport, Beauport	662,000	Wal-Mart, Canadian Tire, Reno Depot, Maxi, Tanguay, Cineplex Odeon, Future Shop, Staples	2000	RioCan REIT/Private Partner/ H&R REIT
Place de la Cite, Ste. Foy	388,000	Reve de Cendrillon	1988	Cominar REIT
Place Ste. Foy, Ste. Foy	588,000	Les Ailes de la Mode, Archambault, Atmosphere, Holt Renfrew, Metro, Simons, Signature Maurice Tanguay	1958	Ivanhoe Cambridge/CGI
Les Promenades Beauport, Beauport	840,000	Hart, Leon's, Ureka, Winners	1983	Cominar REIT
Mega Centre Lebourgneuf, Quebec City	863,000	L'Aubainerie, Costco, Home Depot, Canadian Tire, Sports Experts, Staples, Winners/Home Sense, The Brick	1995	RioCan REIT/Private Partner
Place Laurier Quebec, Ste. Foy	1,168,000	Aliments de Sante Laurier, the Bay, Future Shop, Linen Chest, Renaud-Bay, Sears, Sports Experts, Toys 'R' Us, Zellers	1961	OMERS Realty Corporation/ Ivanhoe Cambridge
Les Galeries de la Capitale, Quebec City	1,400,000	the Bay, Dollarama, Famous Players, Hart, IMAX, Sears, Simons, Zellers	1981	CPP Investment Board

The primary competition for Place Fleur de Lys is Les Galeries de la Capitale, a 1,400,000 SF enclosed super-regional mall which is anchored by the Bay, Sears, Simons, Zellers, and IMAX and the Ste. Foy shopping centre node.

There has been an increase in power centre developments in both the primary and secondary trade area. This is illustrated by Mega Centre Lebourgneuf and Mega Centre Beauport, which have a combined GLA of approximately 1,400,000 SF, and major tenants that include Wal-Mart, Costco, Home Depot, Canadian Tire, Loblaws, Sports Experts, Staples and Winners.

## **Stone Road Mall**

### ***The Centre***

Stone Road Mall is located in Guelph, Ontario which has a population and a primary trade area population of approximately 119,000 people. Stone Road Mall is a 513,000 SF single level enclosed regional shopping centre with one area expanded to three levels. The Centre is anchored by Sears. In addition there are four major tenants over 15,000 SF: Home Outfitters, Sport Chek, Chapters and Old Navy.

In 2006 the REIT commenced an approximately \$33 million re-development project at Stone Road Mall. The project included two phases. The first phase which was completed in 2006, involved the re-demise of the former Zellers store into a 34,000 SF Home Outfitters and approximately fifteen CRU units, as well as the relocation of the food court and the conversion of the cinema into Sport Chek. The second phase consisted of an interior renovation throughout the balance of the centre. This second phase was completed in spring 2008.

Stone Road Mall, situated on a 34.7 acre site in Guelph, was built in 1975, and has been both expanded and renovated since then. CRU sales productivity was \$505 psf for the year ended December 31, 2008.

Stone Road Mall had 98.6% occupancy at December 31, 2008. The expiry of CRU space does not represent more than 5.2% of total GLA in any one of the next five years.

### ***Profile of Tenant / Retailer with Area Greater than 15,000 SF***

<b>Anchors &amp; Majors Tenant / Retailer Names</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
Sears	116,694	22.7%	February 2013
Home Outfitters	34,003	6.6%	October 2021
Chapters	20,442	4.0%	July 2012
Sport Chek	20,300	4.0%	January 2017
Old Navy	<u>15,197</u>	<u>3.0%</u>	November 2009
<b>Sub-total</b>	<b>206,636</b>	<b>40.3%</b>	
<b>Non Anchor Tenants</b>	<b><u>306,364</u></b>	<b><u>59.7%</u></b>	
<b>Total</b>	<b>513,000</b>	<b>100.0%</b>	

### ***Competitive Retail Environment***

A summary table of retail competitors for Stone Road Mall follows:

<b>Shopping Centre</b>	<b>GLA</b>	<b>Anchors/Majors</b>	<b>Year Built</b>	<b>Owners</b>
SmartCentres Guelph, Guelph	284,000	Wal-Mart	2006	SmartCentres
Conestoga Mall, Waterloo	533,000	the Bay, Galaxy Cinema, Sport Chek, Winners, Zehrs, Zellers, Old Navy	1978	Ivanhoe Cambridge
Cambridge SmartCentre (I & II), Cambridge	872,000	Wal-Mart, Rona, Canadian Tire, Linen 'n Things, Sam's Club, Home Depot	1998	Calloway REIT
Cambridge Centre, Cambridge	700,000	the Bay, Galaxy Cinema, Sears, Sport Chek, Zellers	1996	Morguard REIT
Fairview Park Mall, Kitchener	730,000	the Bay, Sears, Wal-Mart	1966	Cadillac Fairview

Stone Road Mall is the only enclosed regional centre within Guelph and it is the dominant fashion destination in the marketplace. Stone Road Mall's competition exists outside of the trade area in neighbouring communities.

### **Other Properties**

#### **Alliston Mills**

##### ***The Centre***

Alliston Mills is located in the town of New Tecumseth, Ontario. The town of New Tecumseth, has a population of approximately 28,000 people and is roughly 95 kilometres north of Toronto, just south of Barrie.

Alliston Mills is a single storey, open neighbourhood shopping centre of 191,000 SF, anchored by Zellers. Zehrs and Canadian Tire (not owned) are located adjacent to the centre and act as Shadow Anchors. The site has frontage onto Young Street (Highway #89) and occupies a significant portion of the main commercial node. The 21 acre property was originally developed in 1992/1993.

The adjacent Zehrs store (not owned) is approximately 72,000 SF. There is a lease with Zehrs for a portion of the parking lot at Alliston Mills which expires in November 2014, at which time Zehrs has the option to purchase this portion of the parking lot.

Alliston Mills is leased to predominantly national and regional tenants including Zellers, Staples, LCBO, Swiss Chalet, and Mark's Work Warehouse.

Alliston had 95.5% occupancy at December 31, 2008. The expiry of CRU space does not represent more than 10.2% of total GLA in any one of the next five years.

***Profile of Tenant / Retailer with Area Greater than 15,000 SF***

<b>Anchors &amp; Majors: Tenant / Retailer Names</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
Zellers	93,024	48.7%	September 2017
Zehrs (Shadow Anchor)	N/A	N/A	N/A
Canadian Tire (Shadow Anchor)	N/A	N/A	N/A
<b>Sub-total</b>	<b>93,024</b>	<b>48.7%</b>	
<b>Non-Anchor Tenants</b>	<b>97,976</b>	<b>51.3%</b>	
<b>Total</b>	<b>191,000</b>	<b>100.0%</b>	

**Edinburgh Market Place*****The Centre***

Edinburgh Market Place is situated on the northeast corner of Edinburgh Road and Stone Road, directly across from Stone Road Mall. The centre is a well-located, high-profile 113,000 SF food-anchored, unenclosed centre. The centre is anchored by Metro.

Edinburgh Market Place sits on a 9.8 acre parcel of land which is leased from the University of Guelph. The centre was built in 1996 and was expanded in 2006 and 2008.

Edinburgh Market Place had 100% occupancy at December 31, 2008. The expiry of CRU space does not represent more than 16.7% of total GLA in any one of the next five years.

***Profile of Tenant / Retailer with Area Greater than 15,000 SF***

<b>Anchors &amp; Majors: Tenant / Retailer Name</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
Metro	50,719	44.9%	February 2017
<b>Sub-total</b>	<b>50,719</b>	<b>44.9%</b>	
<b>Non-Anchor Tenants</b>	<b>62,281</b>	<b>55.1%</b>	
<b>Total</b>	<b>113,000</b>	<b>100.0%</b>	

**Forest Glen Shopping Centre*****The Centre***

Forest Glen Shopping Centre is located in Kitchener, Ontario. Kitchener has a population of approximately 211,000 people and is approximately 100 kilometres west of Toronto.

Forest Glen is a 127,000 SF single level food-anchored neighbourhood shopping centre. The site fronts onto Strasburg Road, one of the community's main thoroughfares.

The property comprises 17.5 acres. The buildings were originally constructed in 1979. Between 2003 and 2004 a former Zellers premises was demolished to accommodate a new format freestanding Shoppers Drug Mart and new CRU units.

Forest Glen has been leased to a mixture of national and local retailers including Rogers Video, Valu-Mart, and Shoppers Drug Mart.

Forest Glen had occupancy of approximately 95.8% at December 31, 2008. The expiry of CRU space does not represent more than 16.0% of total GLA in any one of the next five years.

***Profile of Tenant / Retailer with Area Greater than 15,000 SF***

<b>Anchors &amp; Majors: Tenant / Retailer Name</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
Valu-Mart	23,966	18.9%	May 2014
Walia	17,382	13.7%	May 2009
<b>Sub-Total</b>	<b>41,348</b>	<b>32.6%</b>	
<b>Non Anchor Tenants</b>	<b>85,652</b>	<b>67.4%</b>	
<b>Total</b>	<b>127,000</b>	<b>100.0%</b>	

**Garden City Square**

***The Centre***

Garden City Square is a 160,000 SF single level open air grocery-anchored retail project comprised of six separate buildings on an approximately 22 acre site. The project is located at the northeast corner of Leila Avenue and McPhillips Street in the northwestern portion of Winnipeg, Manitoba.

This centre was acquired by the REIT in June 2007. Home Depot (not owned) is located adjacent to the centre and acts as a Shadow Anchor. The primary tenants include Safeway, Staples, Jysk, Future Shop, Mark's Work Wearhouse and Manitoba Liquor Commission.

Garden City Square had occupancy of approximately 92.2% at December 31, 2008. The expiry of CRU space does not represent more than 9.6% of total GLA in any one of the next five years.

***Profile of Tenant / Retailer with Area Greater than 15,000 SF***

<b>Anchors &amp; Majors: Tenant / Retailer Name</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
Safeway	40,371	25.2%	September 2011
Staples	23,679	14.8%	October 2013
Jysk	19,461	12.2%	January 2010
Future Shop	19,105	11.9%	January 2012
Home Depot (Shadow Anchor)	N/A	N/A	
<b>Sub-Total</b>	<b>102,616</b>	<b>64.1%</b>	
<b>Non Anchor Tenants</b>	<b>57,384</b>	<b>35.9%</b>	
<b>Total</b>	<b>160,000</b>	<b>100.0%</b>	

**Northland Professional Centre*****The Centre***

Northland Professional Centre is a five storey office building in northeast Calgary, Alberta, a city with a population of approximately 1,038,000 people. The property is located immediately south of Northland Village Shopping Centre and has prominent exposure on the north side of Crowchild Trail NW. Northland Professional Centre has a rentable area of 50,000 SF.

Northland Professional Centre had 100% occupancy at December 31, 2008. The property has 28 tenants which are predominantly medical and professional users. The ground floor retail space is occupied by a restaurant and a real estate brokerage. The expiry of leaseable space does not represent more than 30.4% of total GLA in any one of the next five years.

**Northland Village Shoppes**

Refer to "Northland Village Mall" for details on this property.

**South Cambridge*****The Centre***

South Cambridge Shopping Centre is located in Cambridge, Ontario. Cambridge, located approximately 95 kilometres south west of Toronto and just south of Kitchener, has a population of approximately 125,000 people.

South Cambridge is a 190,000 SF, single storey, open neighbourhood shopping centre. The site is bounded by two major road-ways: Dundas Street (Highway #8) and Main Street (Highway #97). Highway #8 is a connection route to Kitchener to the north.

The property is approximately 17.5 acres in size and was originally constructed in 1989/1990. It is anchored by a 115,000 SF Zehrs store.

South Cambridge is leased to predominantly national and regional tenants including Zehrs, The Great Home Store, TD Canada Trust, The Beer Store, LCBO, and Roger's Video. Zehrs has an option to purchase either a portion of the site, including its store, or the entire site in 2018.

South Cambridge had 97.8% occupancy at December 31, 2008. The expiry of CRU space does not represent more than 3.1% of total GLA in any one of the next five years.

***Profile of Tenant / Retailer with Area Greater than 15,000 SF***

<b>Anchors &amp; Majors: Tenant / Retailer Name</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
Zehrs	114,579	60.3%	February 2018
Great Home Store	22,000	11.6%	April 2009
<b>Sub-total</b>	<b>136,579</b>	<b>71.9%</b>	
<b>Non-Anchor Tenants</b>	<b>53,421</b>	<b>28.1%</b>	
<b>Total</b>	<b>190,000</b>	<b>100.0%</b>	

**Sugarloaf Mall**

***The Centre***

Sugarloaf Mall is a single storey, enclosed community shopping centre located in Atholville, New Brunswick, approximately 325 kilometres north of Moncton. Just south of the Québec border, Atholville and its sister city Campbellton are in the northernmost point of New Brunswick. Sugarloaf services a population of approximately 33,000 people.

The centre comprises 195,000 SF and is located in the west end of the city in the main retail node. Neighbouring retailers include: Wal-Mart, Kent Home Improvement, and Atlantic Superstore. Canadian Tire (not owned) is located adjacent to the centre and acts as a Shadow Anchor

The centre was built in the early 1970s on a 14.4 acre site. It is located just north of provincial Highway 11. The centre is leased to predominantly national tenants including Zellers, Shoppers Drug Mart, Mark's Work Wearhouse, Suzy Shier, Sears, Dollarama, and Reitmans.

Sugarloaf had 99.0% occupancy at December 31, 2008. The expiry of CRU space does not represent more than 10.7% of total GLA in any one of the next five years.

**Profile of Tenant / Retailer with Area Greater than 15,000 SF**

<b>Anchors &amp; Majors Tenant / Retailer Names</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
Zellers	94,481	48.5%	November 2009
Shoppers Drug Mart	16,135	8.3%	November 2019
Canadian Tire (Shadow Anchor)	<u>N/A</u>	<u>N/A</u>	
<b>Sub-Total</b>	<b>110,616</b>	<b>56.8%</b>	
<b>Non Anchor Tenants</b>	<b>84,384</b>	<b>43.2%</b>	
<b>Total</b>	<b>195,000</b>	<b>100.0%</b>	

**Tillsonburg Gateway Centre*****The Centre***

Tillsonburg Gateway Centre is located on Highway 19 (Broadway Street) approximately three kilometres north of the centre of Tillsonburg, Ontario which has a population of approximately 15,000 people.

The 47,000 SF retail property is anchored by a 40,556 SF Sobeys grocery store. Additionally, there are three other small tenants.

Tillsonburg Gateway Centre had 100.0% occupancy at December 31, 2008. The expiry of CRU space does not represent more than 13.7% of total GLA in any one of the next five years. Sobeys' lease is in place until 2023.

**Profile of Tenant / Retailer with Area Greater than 15,000 SF**

<b>Anchors &amp; Majors Tenant / Retailer Names</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
Sobeys	<u>40,556</u>	<u>86.3%</u>	June 2023
<b>Sub-total</b>	<b>40,556</b>	<b>86.3%</b>	
<b>Non-Anchor Tenants</b>	<b>6,444</b>	<b>13.7%</b>	
<b>Total</b>	<b>47,000</b>	<b>100.0%</b>	

**Toronto Properties**

These properties are located on Yonge Street in downtown Toronto. They comprise 65,000 SF and have 100.0% occupancy at December 31, 2008. They predominately contain at grade retail premises.

**Profile of Tenant / Retailer with Area Greater than 15,000 SF**

<b>Anchors &amp; Majors Tenant / Retailer Names</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
Provincial government tenant	<u>Confidential</u>	<u>Confidential</u>	Confidential
<b>Non-Anchor Tenants</b>	<b>Confidential</b>	<b>Confidential</b>	
<b>Total</b>	<b>65,000</b>	<b>100.0%</b>	

## **Westbank Shopping Centre**

### ***The Centre***

Westbank Shopping Centre, a 74,000 SF single level open air retail project, is comprised of seven separate buildings. The project is located on Highway #97 in the retail hub of Westbank, British Columbia. Westbank is a suburb of Kelowna, British Columbia, and is approximately 12 kilometres west of downtown Kelowna.

The retail offering of the tenants are categorized by entertainment, food, and service. The list of tenants include strong regional and national brands including Capitol Theatre, TD Bank, Starbucks, several restaurants, a liquor store, and medical and dental services. Zellers and Extra Foods (both not owned) are located adjacent to the centre and act as Shadow Anchors. Westbank Shopping Centre was a new acquisition for the REIT in August 2007. The centre is located on a 99-year pre-paid ground lease expiring May 2091.

Westbank Shopping Centre had 100.0% occupancy at December 31, 2008. The expiry of CRU space does not represent more than 31.7% of total GLA in any one of the next five years.

### ***Profile of Tenant / Retailer with Area Greater than 15,000 SF***

<b>Anchors &amp; Majors Tenant / Retailer Names</b>	<b>Area (SF)</b>	<b>% of GLA</b>	<b>Lease Expiry</b>
Capitol Theatre	15,227	20.6%	April 2010
Extra Foods (Shadow Anchor)	N/A	N/A	
Zellers (Shadow Anchor)	N/A	N/A	
<b>Sub-Total</b>	<b>15,227</b>	<b>20.6%</b>	
<b>Non Anchor Tenants</b>	<b>58,773</b>	<b>79.4%</b>	
<b>Total</b>	<b>74,000</b>	<b>100.0%</b>	

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

### **General**

The REIT is an unincorporated open-ended trust created pursuant to the Declaration of Trust under, and governed by, the laws of the Province of Ontario. Although the REIT qualifies as a "mutual fund trust" as defined in the Tax Act, the REIT is not a "mutual fund" as defined by applicable securities legislation. The REIT has been established for an indefinite term. The following and the description of the Board under "Management of the REIT" are summaries which do not purport to be complete with respect to the material attributes of the Units and certain provisions of the Declaration of Trust. Reference should be made to the Declaration of Trust for the full text of its provisions and a complete description of the Units.

**Units and Special Voting Units**

The REIT is authorized to issue an unlimited number of Units and an unlimited number of Special Voting Units.

Each Unit represents a Unitholder's proportionate undivided beneficial interest in the REIT. No Unit has any preference or priority over another. No Unitholder has or is deemed to have any right of ownership in any of the assets of the REIT.

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

Special Voting Units may be issued in series and shall only be issued in connection with or in relation to a unit, share or other security convertible into or exchangeable for Unit(s) ("Exchangeable Units") without the payment of additional consideration therefore, whether or not issued by the REIT. Each Special Voting Unit confers only the right to a number of votes at any meeting of Unitholders equal to the number of Units into which the Exchangeable Units to which such Special Voting Unit relates are exchangeable, exercisable or convertible. No holder of Special Voting Units has or is deemed to have any right of ownership of any asset of the REIT.

Neither the Units nor the Special Voting Units are shares in the REIT. As holders of Units or Special Voting Units in the REIT (together, the "Voting Unitholders"), the Voting Unitholders do not have statutory rights like a shareholder in a Business Corporations Act (Ontario) corporation or Canada Business Corporations Act corporation which are normally associated with the ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions.

As of December 31, 2008, 62,269,712 Units were outstanding. This number includes 2,420,261 Units which are held by a subsidiary of the REIT to be transferred upon conversion of the Exchangeable Units; these Units are not eligible to vote until exchanged. There are no Special Voting Units outstanding.

**Meetings of Voting Unitholders**

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

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

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

**Purchases of Units**

The REIT may from time to time purchase Units in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies. Any such purchase will constitute an "issuer bid" under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof. Refer to "Normal Course Issuer Bid" for details on the purchases by the REIT.

**Redemption Right**

Units are redeemable at any time on demand by the holders thereof upon delivery to the REIT of a duly completed and properly executed notice requesting

redemption in a form reasonably acceptable to the Trustees, together with written instructions as to the number of Units to be redeemed. A Unitholder not otherwise holding a fully registered Unit certificate who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer who will be required to deliver the completed redemption notice form to the REIT and to CDS. Upon receipt of the redemption notice by the REIT, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit ("Redemption Price") equal to the lesser of: (i) 90% of the "market price" of the Units on the principal market on which the Units are quoted for trading during the 10 trading day period commencing immediately following the date on which the Units were surrendered for redemption (the "Redemption Date"); and (ii) 100% of the "closing market price" on the principal market on which the Units are listed for trading on the Redemption Date.

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

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

The aggregate Redemption Price payable by the REIT in respect of any Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment in Canadian dollars within 30 days after the end of the calendar month in which the Units were tendered for redemption, provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by the REIT in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed \$50,000 (provided that such limitation may be waived at the discretion of the Trustees); (ii) at the time such Units are tendered for redemption, the outstanding Units shall be listed for trading on the TSX or traded or quoted on any other stock exchange or market which the Trustees consider, in their

sole discretion, provides representative fair market value prices for the Units; (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10-day trading period commencing immediately after the Redemption Date.

Cash payable on redemptions will be paid *pro rata* to all Unitholders tendering Units for redemption in any month. To the extent a Unitholder is not entitled to receive cash upon the redemption of Units as a result of any of the foregoing limitations, then the balance of the Redemption Price for such Units shall, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution in specie of assets held by the REIT. In such circumstances, Series 1 Trust Notes and PRR Trust Units of a value equal to the balance of the Redemption Price will be redeemed by PRR Trust in consideration of the issuance to the REIT of Series 2 Trust Notes and Series 3 Trust Notes, respectively, with an aggregate principal amount equal to the balance of the Redemption Price. The Series 2 Trust Notes and Series 3 Trust Notes will then be distributed in satisfaction of the balance of the Redemption Price. No Series 2 Trust Notes or Series 3 Trust Notes in integral multiples of less than \$100 will be distributed and, where notes to be received by a Unitholder includes a multiple less than \$100, that number shall be rounded to the next lowest integral multiple of \$100. The REIT shall be entitled to all interest paid on the PRR Trust Notes, if any, and distributions paid on the PRR Trust Units on or before the date of the distribution in specie. Where the REIT makes a distribution in specie on the redemption of Units of a Unitholder, the REIT currently intends to allocate to that Unitholder any capital gain or income realized by the REIT on or in connection with such distribution.

It is anticipated that the redemption right described above will not be the primary mechanism for Unitholders to dispose of their Units. Series 2 Trust Notes and Series 3 Trust Notes which may be distributed to Unitholders in connection with a redemption will not be listed on any exchange, no market is expected to develop in securities of PRR Trust and such securities may be subject to an indefinite "hold period" or other resale restrictions under applicable securities laws. Series 2 Trust Notes and Series 3 Trust Notes so distributed may not be qualified investments for Plans, depending upon the circumstances at the time.

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

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

### **Issuance of Units and Exchangeable Units**

The REIT may issue new Units from time to time. Unitholders do not have any preemptive rights whereby additional Voting Units proposed to be issued are first offered to existing Voting Unitholders. If the Trustees determine that the REIT does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional Units having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trustees to be available for the payment of such distribution. In addition, Units may be issued pursuant to the Asset Management Agreement and the Distribution Reinvestment Plan, and any option plan or long-term incentive plan established by the REIT from time to time. New Units may be issued for cash through public offerings, through rights offerings to existing Unitholders (*i.e.*, in which Unitholders receive rights to subscribe for new Units in proportion to their existing holdings of the Units, which rights may be exercised or sold to other investors), through private placements (*i.e.*, offerings to specific investors which are not made generally available to the public or existing Unitholders) or as a result of conversion rights exercised under convertible securities, including warrants and subscription receipts.

In August 2007, the REIT issued 3,134,000 Units at \$19.15 per Unit and \$100 million principal amount of convertible unsecured subordinated debentures for total net proceeds of approximately \$160 million.

In December 2006, the REIT issued 5,940,000 Units at \$18.60 per Unit. In conjunction with the acquisition of the remaining 50% of the Grant Park asset, one of the vendors received 440,791 Units while the other vendor received 371,505 partnership units exchangeable for Units. The Units and exchangeable limited partnership units were priced at \$18.59 per limited partnership unit being the weighted average closing price of Units on the TSX for the 20 trading days beginning October 6, 2006.

In July 2005 the REIT satisfied \$40 million of the \$85 million purchase price of Place Fleur de Lys through the issuance of 2,849,008 exchangeable limited partnership units to the vendors of the property. These exchangeable limited partnership units are exchangeable into Units on a one-for-one basis and, prior to exchange, are entitled to the same distributions as made on Units. There is a mandatory exchange provision that has a 20 year term. Consequently, these exchangeable limited partnership units are treated as equity on the consolidated financial statements of the REIT. In connection with the terms of those exchangeable securities, on July 20, 2005, 712,252 Special Voting Units were issued. In 2010, an additional 2,048,756 Special Voting Units will be issued. The exchangeable limited partnership units were priced at \$14.04 per limited partnership unit being the weighted average closing price of Units on the TSX for the 20 trading days beginning May 6, 2005 and ending June 3, 2005.

Prior to 2007, 712,252 Exchangeable Units were exchanged for Units and the 712,252 Special Voting Units were redeemed. In 2008, a further 88,000

Exchangeable Units were cancelled and 88,000 Special Voting Units were redeemed. Currently the outstanding balance of Exchangeable Units is 2,420,261.

Except for the exchange rights of Exchangeable Units and redemptions of Special Voting Units upon the exchange of Exchangeable Units, neither the Exchangeable Units nor the Special Voting Units have any conversion, retraction, redemption or pre-emptive rights.

The price or the value of the consideration for which Units may be issued will be determined by the Trustees, and, where the Trustees so determine, generally in consultation with investment dealers or brokers who may act as underwriters in connection with offerings of Units and subject to applicable regulatory approvals.

The Declaration of Trust also provides that immediately after any *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated so that each Unitholder will hold after the consolidation, the same number of Units as the Unitholder held before the non-cash distribution. In this case, each certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation.

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

In order for the REIT to maintain its status as a "mutual fund trust" under the Tax Act, the REIT must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, at no time may non-residents of Canada (within the meaning of the Tax Act) be the beneficial owners of more than 49% of the Units and the Trustees shall inform the transfer agent and registrar of this restriction. The Trustees or the Asset Manager may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Trustees or the Asset Manager becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 49% of the Units then outstanding are, or may be, non-residents or that such a situation is imminent, the Trustees or the Asset Manager may make a public announcement thereof and shall not accept a subscription for Units from or issue Units to a person unless the person provides a declaration that the person is not a non-resident. If, notwithstanding the foregoing, the Trustees or Asset Manager determines that more than 49% of the Units are held by non-residents, the Trustees or Asset Manager may send a notice to non-resident holders of Units, chosen in inverse order to the order of acquisition or registration or in such manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 60 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Trustees or Asset Manager with satisfactory evidence that they are not non-residents within such period, the Trustees or Asset Manager may, on behalf of such Unitholders sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale the affected holders shall cease to be holders of Units and their rights shall be limited to receiving the net proceeds of sale, subject to the right to receive payment of any

distribution declared by the Trustees which is unpaid and owing to such Unitholders. The Trustees shall have no liability for the amount received provided that they act in good faith.

### **Information and Reports**

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

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

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

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

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

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

- (a) aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over (i) the Trustees or the REIT, (ii) the status of the REIT as a "mutual fund trust" or "registered investment" under the Tax Act or (iii) the distribution of Units;
- (b) which, in the opinion of the Trustees, provide additional protection for the Unitholders;
- (c) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of Trustees,

- necessary or desirable and not prejudicial to the Unitholders;
- (d) which, in the opinion of the Trustees, are necessary or desirable to remove conflicts or inconsistencies in the Declaration of Trust;
  - (e) of a minor or clerical nature or to correct typographical mistakes, ambiguities or manifest omissions or errors, which amendments in the opinion of the Trustees are necessary or desirable and not prejudicial to the Unitholders;
  - (f) which, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation or other laws;
  - (g) necessary or desirable to enable the REIT to issue Units for which the purchase price is payable in instalments;
  - (h) to create one or more additional classes of units solely to provide voting rights to holders of shares, units or other securities that are exchangeable for Units entitling the holder thereof to a number of votes not exceeding the number of Units into which the exchangeable shares, units or other securities are exchangeable or convertible but that do not otherwise entitle the holder thereof to any rights with respect to the REIT's property or income other than a return of capital; and
  - (i) for any purpose (except one in respect of which a Unitholder vote is specifically otherwise required) which, in the opinion of the Trustees, is not prejudicial to Unitholders and is necessary or desirable.

## **CONVERTIBLE DEBENTURES**

### **Convertible Debentures – Series 1**

In June 2004, the REIT issued \$50 million principal amount of convertible unsecured subordinated debentures maturing on June 30, 2014 with a 6.75% per annum coupon, payable semi-annually on June 30 and December 31. The debentures are convertible, at the option of the holder, into Units at \$12.25 per Unit. These debentures are listed on the Toronto Stock Exchange under PMZ.DB

Prior to June 30, 2010 the debentures may be redeemed on not more than 60 days' and not less than 40 days' prior written notice at a price equal to the principal amount plus accrued and unpaid interest provided that the current market price preceding the date upon which the notice of redemption is given is at least 125% of the Conversion Price. On or after June 30, 2010 and prior to the Maturity Date, the debentures may be redeemed by the REIT at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 40 days' prior written notice.

### **Convertible Debentures – Series 2**

In August 2007, the REIT issued \$100 million principal amount of convertible unsecured subordinated debentures maturing on August 1, 2014 with a 5.85% coupon per annum, payable semi-annually on August 1 and February 1, commencing February 1, 2008. The debentures are convertible, at the option of the

holder, into Units at \$22.55 per Unit. These debentures are listed on the Toronto Stock Exchange under PMZ.DB.A.

The Debentures may not be redeemed by the REIT on or prior to August 1, 2010. Thereafter, but prior to August 1, 2012, the Debentures may be redeemed by the REIT, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice, provided that the volume weighted-average trading price of the Units on the Toronto Stock Exchange (the "TSX") for the 20 consecutive trading days ending five trading days preceding the date on which notice of redemption is given is not less than 125% of the conversion price. On or after August 1, 2012, and prior to the Maturity Date, the Debentures may be redeemed by the REIT, in whole at any time or in part from time to time, at a price equal to the principal amount thereof plus accrued and unpaid interest on not more than 60 days' and not less than 30 days' prior written notice.

<b>Convertible Debenture (\$millions)</b>	<b>Series 1 PMZ.DB</b>	<b>Series 2 PMZ.DB.A</b>
Issuance	\$50.00	\$100.00
2008 Conversions	(0.70)	(0.05)
2007 Conversions	(2.40)	0.00
2006 Conversions	(12.20)	n/a
2005 Conversions	(28.30)	n/a
2004 Conversions	(0.30)	n/a
<b>Balance Outstanding</b>	<b>\$6.10</b>	<b>\$99.95</b>

#### **NORMAL COURSE ISSUER BID**

On November 27, 2008, the REIT announced that the TSX had accepted its notice of intention to conduct a normal course issuer bid (NCIB) to enable it to purchase up to 3,000,000 Units, representing approximately 5.03% of Primaris' public float of 59,676,184 Units as of November 21, 2008, pursuant to TSX rules. Purchases may be made until the earlier of November 30, 2009, the date the REIT completes its purchases pursuant to the notice of intention to make a NCIB filed with the TSX or the date of notice by the REIT of termination of the bid. Units purchased under the bid will be cancelled.

The REIT had two prior NCIBs for one year duration each, ending November 29, 2008 and November 29, 2007 respectively.

The REIT purchased 15,000 units under its 2007/2008 NCIB at an average price of \$11.40 and purchased 15,000 units under its 2008/2009 NCIB at an average price of \$11.13. The REIT did not make any purchases under its 2006/2007 NCIB.

#### **STABILITY RATING OF THE UNITS**

On September 21, 2007, the Units received an unsolicited rating from DBRS of STA-3 (low) under its stability rating system. This is an upgrade from the STA-4 (high) rating by DBRS in October 2006. The stability rating is based on a rating

scale developed by DBRS that provides an indication of both the stability and sustainability of an income fund's distributions per unit. Ratings categories range from STA-1 to STA-7, with STA-1 being the highest. DBRS further separates the ratings into high, middle and low to indicate where within the ratings category the fund falls. Ratings take into consideration seven main factors: (1) operating and industry characteristics, (2) asset quality, (3) financial flexibility, (4) diversification, (5) size and market position, (6) sponsorship/governance, and (7) growth. In addition, consideration is given to specific structural or contractual elements that may eliminate or mitigate risks or other potentially negative factors. Specifically, income funds rated STA 3 are considered by DBRS to have good stability and sustainability of distributions per unit.

The stability rating accorded to the Units is not a recommendation to purchase, hold or sell the Units, inasmuch as the ratings do not comment as to market price or suitability for a particular investor. There is no assurance that the DBRS rating will remain in effect for any given period of time or that this rating will not be revised or withdrawn entirely by DBRS in the future if in its judgment circumstances so warrant. The stability rating of the Units may not reflect the potential impact of all risks related to structure and other factors on the value of the Units. In addition, a real or anticipated change in the stability rating assigned to the Units may affect the market value of the Units.

## INDEBTEDNESS AND OTHER OBLIGATIONS

At December 31, 2008, the REIT had \$889 million of mortgages payable, excluding a debt premium of \$6.6 million, bearing a weighted average interest rate of 5.7%. This rate reflects the marking-to-market of interest rates at the point of acquisition for all debts assumed in conjunction with property acquisitions. The mortgages payable have a weighted average term to maturity of 7.7 years.

<u>Year</u>	<u>Mortgages</u> (\$millions)	<u>Convertible Unsecured Debentures</u> (\$millions)	<u>Asset Management Fees<sup>(1)</sup></u> (\$millions)	<u>Ground Leases</u> (\$millions)	<u>Total</u> (\$millions)
2009	\$22.3	-	\$4.5	\$1.2	\$28.0
2010	19.6	-	-	1.2	20.8
2011	57.1	-	-	1.2	58.3
2012	42.8	-	-	1.4	44.2
2013	170.4	-	-	1.4	171.8
Thereafter	576.6	106.1	-	43.9	726.6
	<u>\$888.8</u>	<u>\$106.1</u>	<u>\$4.5</u>	<u>\$50.3</u>	<u>\$1,049.7</u>

Note: Mortgages represent the REIT's consolidated property level mortgages. Of the total mortgages balance, \$126,871 is recourse only to the underlying property.

(1) There is no incentive fee included in the table for the year 2009 since any incentive fee is contingent on future operating results. The Asset Management Agreement expires on December 31, 2009.

## UNITHOLDER RIGHTS PLAN

The REIT adopted a unitholder rights plan ("Rights Plan") on March 3, 2005. The adoption was affirmed by a resolution of the Unitholders at the Annual General and

Special Meeting on May 4, 2005 and again on June 18, 2008. The Rights Plan will expire on March 3, 2014, subject to confirmation every three years. A copy of the Rights Plan agreement is also available at [www.sedar.com](http://www.sedar.com).

## **RISK FACTORS**

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

### **Real Property Ownership**

The REIT owns 26 properties and is expected in the future to directly or indirectly acquire interests in other real property. All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, and competition from other available premises and various other factors.

### **Tenant Risks**

The value of real property and any improvements thereto depends on the credit and financial stability of the tenants. The REIT's Funds From Operations may be adversely affected if tenants become unable to meet their obligations under their leases or if a significant amount of available space in the properties in which the REIT has an interest becomes vacant and is not able to be leased on economically favourable lease terms. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the REIT than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the REIT's investment may be incurred. Furthermore, at any time, a tenant of any of the properties in which the REIT has an interest may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available to the REIT. The ability to rent unleased space in the properties in which the REIT has an interest will be affected by many factors. Costs may be incurred in making improvements or repairs to the property required by a new tenant.

Certain of the major tenants are permitted to cease operating from their leased premises at any time at their option. Other major tenants are permitted to cease operating from their leased premises or to terminate their leases if certain events occur. Some CRU tenants have a right to cease operating from their premises if certain major tenants cease operating from their premises. The exercise of such rights by a tenant may have a negative effect on a property. There can be no assurance that such rights will not be exercised in the future.

### **Fixed Costs**

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

result of the mortgagee's exercise of its rights of foreclosure or sale or the landlord's exercise of remedies.

### **Asset Liquidity**

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

### **Capital Expenditures and Distributions**

Leasing capital and maintenance capital are incurred in irregular amounts and may exceed actual cash available from operations during certain periods. The REIT may be required to use part of its debt capacity or reduce distributions in order to accommodate such items. Capital for deferred recoverable operating costs may exceed recovery of amounts from tenants. The REIT is subject to provisions in its Declaration of Trust as well as to debt agreements that may impact the quantum of distributions. The sale of income-producing properties with inherent taxable gains could materially change the REIT's level of distributions.

### **Retail Concentration**

The REIT's portfolio is primarily limited to Canadian retail properties. Consequently, the market value of the existing properties and the income generated from them could be negatively affected by changes in the retail environment.

### **Reliance on Anchor Tenants**

Retail shopping centres have traditionally relied on there being a number of anchor tenants (department stores, discount department stores and grocery stores) in the centre, and therefore they are subject to the risk of such anchor tenants either moving out of the property or going out of business. A property could be negatively affected by such a loss.

### **Land Leases**

To the extent that the properties in which the REIT has or will have an interest are located on leased land, the land leases may be subject to periodic rate resets that may fluctuate. This may result in significant rental rate adjustments and therefore have a potential negative effect on the cash flow of the REIT.

### **Environmental Matters**

As an owner of interests in real property in Canada, the REIT is subject to various Canadian federal, provincial and municipal laws relating to environmental matters. Such laws provide that the REIT could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect the REIT's ability to sell such real estate or to borrow using such real estate as

collateral and could potentially also result in claims against the owner by private plaintiffs.

The REIT is not aware of any material non-compliance with environmental laws at any of the properties and is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the properties. The REIT is also not aware of any pending or threatened claims relating to environmental conditions at the properties.

The REIT will make the necessary capital and operating expenditures to ensure compliance with environmental laws and regulations. Although there can be no assurances, the REIT does not believe that costs relating to environmental matters will have a material adverse effect on the REIT's business, financial condition or results of operation. However, environmental laws and regulations can change and the REIT or its subsidiaries may become subject to more stringent environmental laws and regulations in the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on the REIT's business, financial condition or results of operations and distributions.

### **Competition**

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

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

### **Financing Risks**

The REIT has indebtedness outstanding of approximately \$994 million as at December 31, 2008. A portion of the cash flow generated by the existing properties and any future acquired properties will be devoted to servicing such debt, and there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The REIT is subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by the REIT's properties will not

be able to be re-financed or that the terms of such re-financing will not be as favourable as the terms of existing indebtedness.

The REIT has stated that one of its objectives is to grow through acquisitions. While the REIT has financial resources on hand to complete some acquisitions, the longer term ability of the REIT to fund acquisitions is dependent on both equity and debt capital markets. There are risks that, from time to time, equity capital may not be available.

### **Interest Rate Fluctuations**

From time to time, the REIT's financing includes indebtedness with interest payments based on variable lending rates that will result in fluctuations in the REIT's cost of borrowing. Changes in interest rates may also affect the REIT in many other ways, due to factors including the impact on the economy, the value of real estate, the value of the REIT's units, the economics of acquisition activity and the availability of capital.

### **Reliance on the Asset Manager, Property Manager and Related Personnel**

The management of the REIT depends on the services of certain key personnel, including Chief Executive Officer, R. Michael Latimer, and Chief Financial Officer, Louis M. Forbes. The loss of the services of any key personnel could have an adverse effect on the REIT. The management of the REIT is also dependent upon the Asset Manager with respect to the administration of the REIT and the asset management of the properties of the REIT, as well as upon the Property Manager with respect to the property management of the properties of the REIT. If the Asset Manager or the Property Manager ceases to act in these capacities prior to the expiry of the Asset Management and Property Management Agreements in December 2009, the REIT could be negatively impacted.

### **Potential Conflicts of Interest**

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

Conflicts will exist due to the fact that certain Trustees and/or senior officers of the REIT are Unitholders, associates of Unitholders, directors and/or senior officers of the Asset and Property Managers. The interest of these persons could conflict with those of the REIT.

### **Tax-Related Risks**

Legislation relating to the federal income taxation of publicly listed or traded trusts (such as income trusts and real estate investment trusts) and partnerships (the "SIFT Rules") change the manner in which certain flow-through entities and the distributions from such entities are taxed. Under the SIFT Rules, certain publicly listed or traded flow-through trusts and partnerships referred to as "specified investment flow-through" or "SIFT" trusts and partnerships will be taxed in a

manner similar to the taxation of corporations, and investors in SIFTs will be taxed in a manner similar to shareholders of a corporation. Proposed Amendments to the SIFT Rules were tabled by the Minister of Finance (Canada) in a Notice of Ways and Means motion on February 2, 2009 (the "Proposed Amendments").

The new taxation regime introduced by the SIFT Rules is not applicable to funds that qualify for the exception under the SIFT Rules applicable to certain real estate investment trusts (the "REIT Exception"). The stated intention of the Minister of Finance (Canada) in introducing the REIT Exception is to exempt certain real estate investment trusts from taxation as SIFTs in recognition of "the unique history and role of collective real estate investment vehicles". If the REIT fails to qualify for the REIT Exception, the REIT will be subject to the tax consequences as set out in "Certain Canadian Federal Income Tax Considerations".

The SIFT Rules generally do not apply to a fund that was publicly listed before November 1, 2006 (an "Existing Fund") until the 2011 taxation year of the fund, subject to acceleration in certain circumstances where the "normal growth" of the fund exceeds certain permitted limits (the "Undue Expansion Rules"). There can be no assurance that any additions to the capital or assets of the REIT will not, alone or in combination with each other, constitute an "undue expansion" under the Undue Expansion Rules. The Undue Expansion Rules would only be relevant to the REIT if it has not at all times since October 31, 2006 qualified for the REIT Exception.

To qualify for the REIT Exception in a particular taxation year (i) the real estate investment trust must, at no time in the taxation year, hold "non-portfolio property" other than "qualified REIT properties", (ii) not less than 95% of the real estate investment trust's revenues for the taxation year must be derived from one or more of the following: (A) rent from "real or immovable properties"; (B) interest; (C) capital gains from dispositions of real or immovable properties; (D) dividends; and (E) royalties, (iii) not less than 75% of the real estate investment trust's revenues for the taxation year must be derived from one or more of the following: (A) rent from "real or immovable properties"; (B) interest from mortgages, or hypothecs, on real or immovable property situated in Canada; and (C) capital gains from dispositions of real or immovable properties, and (iv) at no time in the taxation year may the total fair market value of all properties held by the real estate investment trust, each of which is a real or immovable property, indebtedness of a Canadian corporation represented by bankers' acceptance, money, a deposit with a credit union, or, generally, a debt obligation of a government in Canada or certain other public bodies, be less than 75% of the equity value of the real estate investment trust at that time. The Proposed Amendments are intended to enact a number of amendments to the SIFT Rules to resolve certain technical issues.

As mentioned above, the SIFT Rules will apply to an Existing Fund (other than a real estate investment trust that qualifies for the REIT Exception) commencing with taxation years ending in or after 2011 or earlier if there is "undue expansion" under the Undue Expansion Rules. Accordingly, unless the REIT Exception is applicable to

the REIT, the SIFT Rules could, commencing in 2011 or earlier if there is "undue expansion" under the Undue Expansion Rules, impact the level of cash distributions which would otherwise be made by the REIT and the taxation of such distributions to Unitholders.

The REIT Exception is applied on an annual basis. Even with the Proposed Amendments, there remain certain issues with the REIT's ability to qualify for the REIT Exception. Management of the REIT intends to review alternative measures that may be available in order to qualify for the REIT Exception. These measures include certain internal restructuring of assets held by certain entities owned by the REIT and certain securities issued by such entities. Any such restructuring will be undertaken only if it is in the best interests of the REIT's Unitholders. Based on the REIT's interpretation of the REIT Exception, and assuming the Proposed Amendments are enacted in the form proposed, and although not without doubt, management expects to be able to undertake restructurings so that the REIT should qualify for the REIT Exception. No assurance can be given that the REIT will qualify for the REIT Exception.

## **INVESTMENT GUIDELINES AND OPERATING POLICIES**

### **Investment Guidelines**

The Declaration of Trust provides certain guidelines on investments that may be made by the REIT. The assets of the REIT may be invested only with the approval of the Trustees and only in accordance with the following guidelines:

- (a) the REIT may only invest, directly or indirectly, in:
  - (i) interests (including fee ownership and leasehold interest) in income-producing retail real property located primarily in Canada;
  - (ii) corporations, trusts, partnerships or other persons which solely have interests (including the ownership of leasehold interests) in income-producing retail property located primarily in Canada (or activities relating or ancillary thereto); and
  - (iii) such other activities as are consistent with the other investment guidelines of the REIT.
- (b) notwithstanding anything in paragraphs (a) to (k) hereof, and in the paragraphs under the heading "Investment Guidelines and Operating Policies — Operating Policies" the REIT shall not make any investment, take any action or omit to take any action that would result in Units not being units of a "mutual fund trust" within the meaning of the Tax Act, that would result in Units being disqualified for investment by Plans, that would result in the REIT being liable under the Tax Act to pay a tax as a result of holdings by the REIT of "foreign property"<sup>1</sup> as defined in the Tax Act, that would result in Units being foreign property for the purpose of the Tax Act for any such Plan (other than registered education savings plans) or other persons subject to tax under Part XI of the Tax Act or that would result in the REIT paying a tax under the registered investment provisions of the Tax Act for exceeding certain investment limits;

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<sup>1</sup> The federal government repealed the Foreign Property Limit in the 2005 budget.

- (c) the REIT will not invest in any interest in a single real property if, after giving effect to the proposed investment, the cost of investment to the REIT (net of the amount of debt incurred or assumed in connection with such investment) will exceed 20% of the Adjusted Unitholders' Equity at the time the investment is made;
- (d) the REIT may, directly or indirectly, invest in a joint venture arrangement for the purposes of owning interests or investments otherwise permitted to be held by the REIT; provided that such joint venture arrangement contains terms and conditions which, in the opinion of the Trustees, are commercially reasonable, including without limitation such terms and conditions relating to restrictions on transfer and the acquisition and sale of the REIT's and any joint venturer's interest in the joint venture arrangement, provisions to provide liquidity to the REIT, such as buy-sell mechanisms, limit the liability of the REIT to third parties, and provide for the participation of the REIT in the management of the joint venture arrangement. For purposes of this provision, a joint venture arrangement is an arrangement between the REIT and one or more other persons ("joint ventures") pursuant to which the REIT, directly or indirectly, conducts an undertaking for one or more of the purposes set out above and in respect of which the REIT may hold its interest jointly or in common or in another manner with others either directly or through the ownership of securities of a corporation or other entity (a "joint venture entity"), including without limitation a general partnership, limited partnership or limited liability company;
- (e) except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of Canada or of a province of Canada, short-term government debt securities, or receivables under instalment receipt agreements or money market instruments of, or guaranteed by, a Schedule 1 Canadian bank maturing prior to one year from the date of issue or except as permitted pursuant to paragraphs (a), (d), (g), (i) and (j) of these guidelines, and pursuant to subparagraph (a) under the heading "Investment Guidelines and Operating Policies — Operating Policies", the REIT may not hold securities other than securities of any issuer referred to in paragraph (a), (ii) securities of a joint venture entity or (iii) securities of an entity wholly-owned by the REIT formed and operated solely for the purpose of holding a particular real property or real properties and provided further that, notwithstanding anything contained in the Declaration of Trust to the contrary (except paragraph (b) of these guidelines), the REIT may acquire securities of other real estate investment trusts;
- (f) the REIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- (g) the REIT will not invest, directly or indirectly:
  - (i) in operating businesses unless such investment is an indirect investment and is incidental to a transaction:

- (A) where revenue will be derived, directly or indirectly, principally from retail real property; or
  - (B) which principally involves the ownership, maintenance, improvement, leasing or management, directly or indirectly, of retail real property (in each case as determined by the Trustees); or
- (ii) in predominantly special purpose properties, such as hotels, nursing homes, multi-unit residential properties or resort properties;
- (h) the REIT may invest in raw land for development and ownership or for other development projects for the purpose of (i) renovating or expanding existing properties or facilities on adjacent properties, or (ii) developing new properties which will, upon completion, be income producing provided that the aggregate value of the investments of the REIT in raw land, after giving effect to the proposed investment, will not exceed 5% of the Gross Book Value;
- (i) the REIT may invest in mortgages and mortgage bonds (including a participating or convertible mortgage) and similar instruments where:
  - (i) the mortgage or mortgage bond is issued by a Subsidiary; or
    - (A) the real property which is security therefore is income-producing real property which otherwise meets the other investment guidelines of the REIT;
    - (B) the amount of the mortgage loan is not in excess of 75% of the market value of the property securing the mortgage and the mortgage has at least 1.2X debt service coverage;
    - (C) the mortgage is a first ranking mortgage registered on title to the real property which is security therefore; and
    - (D) the aggregate book value of the investments of the REIT in mortgages, after giving effect to the proposed investment, will not exceed 20% of Adjusted Unitholders' Equity;
- (j) notwithstanding any of the provisions hereof (except paragraph (b) of these guidelines), the REIT may invest in any mortgage providing, directly or indirectly, financing in connection with a transaction in which the REIT is the vendor or with the intention of using such mortgage as part of a method for subsequently acquiring an interest in or control of a property or a portfolio of properties; provided that the aggregate value of the investments of the REIT in mortgages, after giving effect to the proposed investment, will not exceed 20% of the Adjusted Unitholders' Equity and that such property or portfolio of properties are properties which the REIT would otherwise be eligible to invest its assets under this Declaration of Trust; and
- (k) the REIT may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any indebtedness assumed or incurred by the REIT) up to 15% of the Adjusted Unitholders' Equity of the REIT in investments which do not comply with one or more of paragraphs (a), (d), (e), (i)

and (j) under the heading "Investment Guidelines and Operating Policies — Investment Guidelines" or paragraphs (c) and (e) under the heading "Investment Guidelines and Operating Policies — Operating Policies".

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

### **Operating Policies**

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

- (a) the REIT shall not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof, the term "hedging" shall have the meaning ascribed thereto by National Instrument 81-102 adopted by the Canadian Securities Administrators, as amended from time to time;
- (b) (i) any written instrument creating an obligation which is or includes the granting by the REIT of a mortgage, and (ii) to the extent management determines to be practicable, any written instrument which is, in the judgment of management, a material obligation shall contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any of the Trustees, Unitholders, annuitants under a plan of which a Unitholder acts as a trustee or carrier, or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof shall be bound; the REIT, however, is not required, but shall use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the REIT upon the acquisition of real property;
- (c) the REIT will not lease or sublease to any person any real property, premises or space where that person and its affiliates would, after the contemplated lease or sublease, be leasing or subleasing real property, premises or space having a fair market value net of encumbrances in excess of 20% of Adjusted Unitholders' Equity;
- (d) the limitation contained in paragraph (c) will not apply to the renewal of a lease or sublease and will not apply where the lessee or sublessee is, or where the lease or sublease is guaranteed by: (i) the Government of Canada, the Government of the United States, any province or territory of Canada, any state of the United States, any municipality or city in Canada or the United States, or any agency or crown corporation thereof; (ii) any corporation, of which any of the bonds, debentures or other evidences of indebtedness of, or guaranteed by an issuer, or any of the other securities of an issuer which have received and continue to

- hold, an investment grade rating from a recognized credit rating agency, in each case at the time the lease or sublease is entered into, or at the time other satisfactory leasing or pre-leasing arrangements (as determined by the Trustees in their discretion) were entered into; or (iii) a Canadian chartered bank or a trust company or insurance company registered or licensed federally or under the laws of a province of Canada;
- (e) in addition to the provisions of paragraph (h) under the heading "Investment Guidelines", the REIT may engage in construction or development of real property in order to maintain its real properties in good repair or to enhance the income-producing potential of properties in which the REIT has an interest;
  - (f) title to each real property shall be held by and registered in the name of the REIT, the Trustees or in the name of a corporation or other entity owned, directly or indirectly, by the REIT or jointly-owned, directly or indirectly, by the REIT, with joint venturers or a corporation which is a nominee of the REIT which holds registered title to such real property pursuant to a nominee agreement with the REIT;
  - (g) the REIT will not incur any new indebtedness (otherwise than by the assumption of existing indebtedness) or renew or refinance any indebtedness under a mortgage on any of the real property of the REIT where (i) in the case of an individual property, the amount borrowed exceeds 75% of the market value of such individual property or (ii) in the case of more than one property or a pool or portfolio of properties, the amount borrowed exceeds 75% of the market value of such properties on an aggregate basis;
  - (h) the REIT will not incur or assume any indebtedness if, after giving effect to the incurring of the indebtedness, the total indebtedness of the REIT would be more than 60% of the Gross Book Value. For the purposes of this paragraph, the term "indebtedness" means any obligation of the REIT for borrowed money (excluding any premium in respect of indebtedness assumed by the REIT for which the REIT has the benefit of an interest rate subsidy, but only to the extent an amount receivable has been excluded in the calculation of Gross Book Value with respect to such interest rate subsidy), provided that (A) an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the REIT in accordance with GAAP, (B) indebtedness excludes trade accounts payable, distributions payable to Unitholders and accrued liabilities arising in the ordinary course of business; and (C) convertible debentures will not constitute indebtedness provided the REIT has the option to satisfy principal through the issuance of Units;
  - (i) at no time will the REIT incur indebtedness aggregating more than 15% of its Gross Book Value (excluding trade account payables, accrued liabilities arising in the ordinary course of business, debt with an original maturity of one year or more falling due in the next 12 months or variable rate debt for which the REIT has entered into interest rate swap agreements to fix the interest rate for a one year period or more and

- distributions payable to Unitholders) at floating interest rates or having maturities of less than one year;
- (j) the REIT will not directly or indirectly guarantee any indebtedness or liabilities of any kind of a third party, except indebtedness or liabilities assumed or incurred by an entity in which the REIT holds an interest, directly or indirectly, or by an entity jointly-owned by the REIT with joint venturers and operated solely for the purpose of holding a particular property or properties where such indebtedness, if granted by the REIT directly, would not cause the REIT to otherwise contravene the guidelines set out under the heading "Investment Guidelines". The REIT is not required but shall use its reasonable best efforts to comply with this requirement (i) in respect of obligations assumed by the REIT pursuant to the acquisition of real property or (ii) if doing so is necessary or desirable in order to further the initiatives of the REIT permitted under the Declaration of Trust;
  - (k) no acquisition may be made nor any development undertaken unless and until the officers of the REIT have prepared and presented to the Investment Committee or the Trustees a written report containing their recommendation that the REIT make the investment together with a financial analysis of the estimated cost and projected return from the investment and such supplementary information and data (including, without limitation, underlying assumptions, proposed financial arrangements, leasing and economic and market data) as is reasonably necessary to the investment decision;
  - (l) the REIT shall obtain and maintain at all times insurance coverage in respect of potential liabilities of the REIT and the accidental loss of value of the assets of the REIT from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties; and
  - (m) the REIT shall obtain a building condition report and a Phase I environmental audit of each real property to be acquired by it and, if the Phase I environmental audit report recommends a Phase II environmental audit be obtained, the REIT shall obtain a Phase II environmental audit, in each case by an independent and experienced environmental consultant; as a condition to any acquisition, such audit must be satisfactory to the Trustees.

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

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

Pursuant to the Declaration of Trust, all of the investment guidelines set out under the heading "Investment Guidelines" and the operating policies contained in

paragraphs (b), (e), (g), (h), (i), (l) and (m) set out under the heading "Operating Policies" may be amended only with the approval of two-thirds of the votes cast by Unitholders of the REIT at a meeting of Unitholders called for such purpose. The remaining operating policies may be amended with the approval of a majority of the votes cast by Unitholders at a meeting called for such purpose.

## **DISTRIBUTION POLICY AND HISTORY**

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

### **General**

The REIT may distribute to Unitholders on each Distribution Date such percentage of the revenue of the Trust for the calendar month then ended as the Trustees determine in their discretion. Notwithstanding the foregoing, the REIT shall distribute in each year an amount of net income and net realized capital gains of the REIT for such year as is necessary to ensure that the REIT will not be subject to tax on its net income and net capital gains under Part I of the Tax Act.

Distributions are made to persons who are Unitholders on the last business day of the month (other than December, when the record date is December 31) and will be paid on or about the 15<sup>th</sup> day of the following month. In addition, the Declaration of Trust provides that, if necessary, on December 31 of each year, the REIT will declare payable a distribution of an additional amount to Unitholders such that the REIT will not be liable for tax for such year.

### **Tax Deferral on Distributions**

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

### **Distribution Reinvestment Plan**

The REIT has a Distribution Reinvestment Plan pursuant to which Unitholders may elect to have all cash distributions of the REIT automatically reinvested in additional Units at a price per Unit calculated by reference to the weighted average of the closing price of Units on the TSX for the 20 trading days immediately preceding the relevant Distribution Date. Unitholders who so elect will receive a further distribution of Units equal in value to 3% of each distribution that was reinvested by the Unitholder.

No brokerage commissions are payable in connection with the purchase of Units under the Distribution Reinvestment Plan and all administrative costs are borne by

the REIT. Cash undistributed by the REIT upon the issuance of additional Units under the Distribution Reinvestment Plan is invested in the REIT to be used for future property acquisitions, capital improvements and working capital.

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

### **Distribution History**

<b>Distributions paid</b>	<b>Monthly Distribution per Unit</b>	<b>Annualized Distribution per Unit</b>
August 2003 – July 2004	\$0.0854	\$1.02
August 2004 – July 2005	\$0.090	\$1.08
August 2005 – December 2006	\$0.095	\$1.14
January 2007 - December 2007	\$0.0983	\$1.18
January 2008 – current	\$0.1016	\$1.22

### **Equity Incentive Plans**

The Unitholders of the REIT approved an equity incentive plan at the June 18, 2008 Annual and Special Meeting. A copy of this plan may be obtained on SEDAR. No options or grants of restricted units (RUs) were granted to trustees or officers of the REIT in 2008.

On January 1, 2009, Mr. Forbes was granted 111,588 options at an exercise price of \$10.70 for a term of seven years. The options vest 25% at the end of each of the first four years of the term of the options. At the same time, Mr. Forbes was awarded 6,659 restricted units for a term of four years plus two weeks. The restricted units vest at the end of four years and are thereafter exchangeable for regular units of the trust. Once the restricted units vest Mr. Forbes will receive an amount equal to the distributions declared on a regular unit from the date of grant to the date of vesting, times 6,659.

### **MARKET FOR SECURITIES**

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

<b>2008</b>	<b>Unit High (\$)</b>	<b>Unit Low (\$)</b>	<b>Unit Volume</b>
January	18.25	14.98	2,831,828
February	16.67	15.20	2,200,976
March	17.00	15.03	2,847,120
April	17.86	16.19	2,259,046
May	18.20	16.94	1,863,529
June	18.65	17.27	2,183,473
July	18.80	16.20	2,268,049
August	17.87	16.50	1,207,708
September	17.79	15.64	2,115,952
October	16.35	10.00	3,217,262
November	13.46	9.53	2,399,528
December	12.09	8.46	3,455,982

The REIT's convertible unsecured subordinated debentures are listed and posted for trading on the TSX under the symbols PMZ.DB and PMZ.DB.A. The following tables set forth the high and low reported trading prices and the trading volume of the REIT convertible debentures on the TSX for the periods indicated:

<b>2008</b>	<b>PMZ.DB High (\$)</b>	<b>PMZ.DB Low (\$)</b>	<b>PMZ.DB Volume</b>
January	140.00	127.67	440
February	126.99	120.85	630
March	133.20	120.02	800
April	133.73	128.51	520
May	145.49	134.00	920
June	150.00	140.00	1,500
July	145.00	143.00	280
August	143.00	143.00	400
September	142.00	134.00	330
October	n/a	n/a	-
November	92.00	91.97	180
December	90.00	90.00	20

<b>2008</b>	<b>PMZ.DB.A High (\$)</b>	<b>PMZ.DB.A Low (\$)</b>	<b>PMZ.DB.A Volume</b>
January	97.25	89.00	19,130
February	95.50	92.25	13,320
March	95.50	90.00	13,220
April	95.50	89.75	10,060
May	95.65	89.75	22,290
June	97.00	92.25	11,990
July	97.00	93.00	7,520
August	97.00	93.00	8,830
September	97.00	92.00	7,700
October	92.00	73.00	6,370
November	85.00	60.00	7,810
December	75.00	56.05	11,270

## MANAGEMENT OF THE REIT

The investment policies and operations of the REIT are subject to the control and direction of the Trustees, a majority of whom must be resident Canadians and a majority of whom must be Independent Trustees except in certain limited circumstances. The role of the Trustees is similar to the role of directors of a

corporation. The day-to-day activities of the REIT are directed by its officers. The Asset Manager provides advisory, asset management, and administrative services to the REIT pursuant to the Asset Management Agreement and also provides the services of the Chief Executive Officer, Chief Financial Officer, Senior Vice-President and Secretary. The Property Manager administers the day-to-day operations of the portfolio of properties in which the REIT has or will have an interest. Mr. Forbes became an employee of a subsidiary of the REIT effective January 1, 2009. Upon expiry of the Asset Management and Property Management Agreements in December 2009, the REIT will complete the internalization of management. The REIT has successfully recruited nearly all of the Asset and Property Managers' employees who are dedicated to REIT business and, for the most part, will begin employment directly with the REIT on January 1, 2010. A search is currently underway for a CEO for the REIT for 2010.

## **BOARD OF TRUSTEES**

The Declaration of Trust provides that the investment policies and operations of the REIT are the responsibility of the Board. The Declaration of Trust provides for a Board of between three and twelve Trustees. The number of Trustees is currently set at seven. The number of Trustees may be changed by the Voting Unitholders or, by the Trustees, provided that the Trustees may not, between meetings of Voting Unitholders, appoint an additional Trustee if, after such appointment, the total number of Trustees would be greater than one and one-third times the number of Trustees in office immediately following the last annual meeting of Voting Unitholders. Subject to certain conditions, a vacancy occurring among the Trustees may be filled by resolution of the remaining Trustees so long as they constitute a quorum or by Voting Unitholders at a meeting of the Voting Unitholders.

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

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

The Board is an experienced group of individuals from the real estate and financial community. The Trustees have full access to legal and financial advisors as well as the Asset and Property Managers for advice on legal and financial matters.

For each Trustee, the following information includes the trustees' jurisdiction of residence; their age; all positions and offices held by them with the REIT; their principal occupations or employment during the past five years; their status as an independent trustee; and the number and value of Units owned by each of them. Currently, the trustees are as follows.

 <p><b>Roland Cardy</b> Age 57 Toronto, ON Canada Trustee since: 2003 Independent</p>	<p>Since March 2003, Mr. Cardy has served as Managing Partner and a director of Gorbay Company Limited, a Toronto-based private company that owns and operates multi-family properties. From 2000 to March 2003, Mr. Cardy was a Senior Managing Director at Raymond James Ltd. Prior to that, Mr. Cardy held a number of positions at The Toronto-Dominion Bank including Vice-Chair, Investment Banking from 1996 to 2000. Mr. Cardy also served on the Executive Committee and the Board of Directors of TD Securities Inc. from 1996 to 2000. Mr. Cardy has a Bachelor of Arts (Economics and History) and Master of Business Administration from York University.</p>				
	Board/Committee Membership:		2008 Attendance:		Public Board Membership During Last Five Years:
	Board of Trustees, Chair	16/16	100%	Public Storage Canadian Properties	2006 - present
	Governance and Nominating Committee	5/5	100%		
	Audit Committee	7/7	100%		
	Management Resources Committee	6/6	100%		
	Securities Held:				
Year	Units	Debentures	Total Market Value of Units & Debentures at December 31, 2008	Minimum Unit Ownership Requirement	
2008	14,500	0	\$155,150	3000	
 <p><b>Michael Latimer</b> Age 57 Toronto, ON Canada Trustee since: 2003 Non-independent</p>	<p>Mr. Latimer is President and CEO of the REIT and President and Chief Executive Officer of OPGI Management GP Inc., which is the general partner of OPGI Management LP, the Property Manager of the REIT. Mr. Latimer is director of and President and CEO of BREMI GP Inc., which is the general partner for BREMI Limited Partnership, the Asset Manager for the REIT. Between 2002 and February 2004, Mr. Latimer was Chief Operating Officer of Borealis Capital Corp. Prior to 2002, Mr. Latimer was the Managing Director of OMERS Realty Corporation. He holds a Bachelor of Business Administration from McMaster University.</p>				
	Board/Committee Membership:		2008 Attendance:		Public Board Membership During Last Five Years:
	Board of Trustees	16/16	100%	None	
	Distributions Committee	1/1	100%		
	Securities Held:				
	Year	Units	Debentures	Total Market Value of Units & Debentures at December 31, 2008	Minimum Unit Ownership Requirement
	2008	4,868	0	\$52,088	n/a



**Kerry D. Adams**  
Age: 56  
Aurora, ON Canada  
Trustee since: 2007  
Independent

Ms. Adams has been President of K. Adams & Associates Limited providing wealth management services for trusts and private corporations since 1991. Ms. Adams was a Commissioner and Director of the Ontario Securities Commission from 1996 through 2003. From 1988 to 1991 Ms. Adams was President of Widcor Limited and Widcor Financial. In 1987 to 1988, Ms. Adams was project leader on the Bank of Nova Scotia's acquisition of McLeod, Young, Weir and prior to that was Partner with KPMG Peat Marwick. Ms. Adams is a member of the Bank of Nova Scotia's Master Trust and Pension Investment and Administration Committees. A Fellow of the Institute of Chartered Accountants (Ontario), Ms. Adams also holds a Bachelor of Arts (Honours Economics) from Queens University.

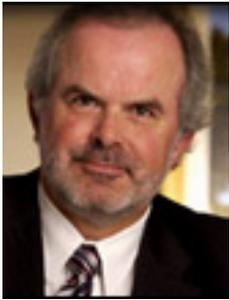
Board/Committee Membership:		2008 Attendance:		Public Board Membership During Last Five Years:	
Board of Trustees	16/16	100%	Indigo Books and Music Inc.	2006 - present	
Audit Committee	5/5	100%			
Governance & Nominating Committee	7/7	100%			
Distributions Committee, Chair	1/1	100%			
Securities Held:					
Year	Units	Debentures	Total Market Value of Units & Debentures at December 31, 2008	Minimum Unit Ownership Requirement	
2008	6,000	0	\$64,200	3,000	



**Bill Biggar**  
Age: 56  
Toronto, ON Canada  
Trustee since: 2003  
Independent

Mr. Biggar has been President and CEO of North American Palladium since 2008. Prior to that, Mr. Biggar was Managing Director of Richardson Capital Limited from 2004 to 2007, President and Chief Executive Officer of MI Developments Inc. from 2003 to 2004 and Executive Vice-President of Magna International Inc. from 2001 to 2003. From 1999 to 2001, Mr. Biggar was Executive Vice-President and Chief Financial Officer of Cambridge Shopping Centres Limited. Mr. Biggar has extensive experience in real estate acquisitions, development financing and management. Mr. Biggar became a Chartered Accountant while working at what is now PricewaterhouseCoopers and also holds Bachelor of Commerce and Master of Business Administration degrees from the University of Toronto.

Board/Committee Membership:		2008 Attendance:		Public Board Membership During Last Five Years:	
Board of Trustees	14/16	88%	North American Palladium Ltd.	2008 – present	
Audit Committee, Chair	5/5	100%	Silver Bear Resources Inc.	2007 – present	
Governance and Nominating Committee	4/7	57%	Manitou Capital Corporation	2003 – 2008	
Management Resources Committee	6/6	100%	ATS Automation Tooling Systems Inc.	2005 –2007	
Securities Held:					
Year	Units	Debentures	Total Market Value of Units & Debentures at December 31, 2008	Minimum Unit Ownership Requirement	
2008	5,000	0	\$53,500	3,000	



**Ian Collier**  
Age: 62  
Toronto, ON Canada  
Trustee since: 2003  
Independent

Mr. Collier is CEO and Partner of Perseis Partners Inc. Prior to that, in 2004 and 2005, Mr. Collier was President and CEO of Borealis Private Equity and President and CEO of OMERS Capital Partners. Between 2001 and 2004, Mr. Collier served as CEO of Borealis Capital Corporation. Mr. Collier was a Director of Borealis Real Estate Management Inc. between May 2002 and February 2004 and a director of Oxford Properties Group Inc. between 2001 and 2004. Mr. Collier holds a Bachelor of Arts (Economics) from Wilfrid Laurier University.

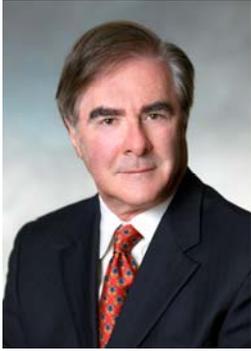
Board/Committee Membership:		2008 Attendance:		Public Board Membership During Last Five Years:	
Board of Trustees	16/16	100%	None		
Governance and Nominating Committee	2/2	100%			
Management Resources Committee	6/6	100%			
Distributions Committee	1/1	100%			
Securities Held:					
Year	Units	Debentures	Total Market Value of Units & Debentures at December 31, 2008		Minimum Unit Ownership Requirement
2008	6,093	0	\$65,195		3,000



**Kenneth Field**  
Age: 65  
Toronto, ON Canada  
Trustee since: 2005  
Independent

Mr. Field is a retired Investment Banker. Between 1996 and 2000, Mr. Field was Senior Vice President, Head of Real Estate Investment Banking with Midland Walwyn Inc./Merrill Lynch Canada Inc. Mr. Field has over 35 years of experience in major real estate sales and financings across Canada. He has been a member of the Canadian Institute of Chartered Accountants since 1968, is a former member of the Board of Governors of the Toronto Stock Exchange and a former Chair of the Board of Governors of the Toronto Futures Exchange.

Board/Committee Membership:		2008 Attendance:		Public Board Membership During Last Five Years:	
Board of Trustees	15/16	94%	None		
Audit Committee	5/5	100%			
Governance and Nominating Committee, Chair	7/7	100%			
Distributions Committee	1/1	100%			
Securities Held:					
Year	Units	Debentures	Total Market Value of Units & Debentures at December 31, 2008		Minimum Unit Ownership Requirement
2008	6,000	0	\$64,200		3,000

 <p><b>G.T. (Tom) Gunn</b></p> <p>Age: 66 Toronto, ON Canada Trustee since: 2008 Independent</p>	<p>Mr. Gunn is Chairman of the Advisory Board of Ridgewood Capital Asset Management and Chairman of the Independent Review Committee and Chairman of the Advisory Board of Tonbridge Capital Corporation. From 2004 to 2006 he was Founding President and Chief Executive Officer of UBC Investment Management Trust, established by the University of British Columbia. He was Chief Investment Officer of OMERS, the Ontario Municipal Employees Retirement System from 1996 to 2003 and Chief Investment Officer of TD Trust, a subsidiary of the Toronto Dominion Bank from 1995 to 1996. Previously he was Chief Financial Officer of Canada Trust. He holds a Bachelor of Arts degree from the University of Toronto. He is a Chartered Financial Analyst and holds the Institute Certified Director designation from the Institute of Corporate Directors (ICD.D). Mr. Gunn has been a Director of a number of public and private company boards.</p>				
	Board/Committee Membership:		2008 Attendance:		Public Board Membership During Last Five Years:
	Board of Trustees		12/12	100%	None
	Management Resources Committee, Chair		6/6	100%	
	Securities Held:				
Year	Units	Debentures	Total Market Value of Units & Debentures at December 31, 2008	Minimum Unit Ownership Requirement	
2008	5,500	0	\$58,850	3,000	

### CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS

Other than as set out below, to the best of the knowledge of management no person or company who is a proposed trustee of the REIT:

- (a) is, as at the date of this Management Information Circular or has been, within the 10 years before the date of this Management Information Circular, a director or chief executive officer or chief financial 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 (each, an "order", for a period of more than 30 consecutive days;
  - (ii) was subject to an order that was issued after that person ceased to act in that capacity and which resulted from an event that occurred while the person was acting in that capacity; or
  - (iii) while the person was acting in that capacity or in the capacity as another executive officer, within a year of that person ceasing to act in any such 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 Management Information Circular, 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 Unitholder.

Mr. Biggar was a director of Mosaic Group Limited from October 1995 to May 2002. Mosaic Group Limited filed for protection from its creditors under the Companies' Creditor Arrangement Act ("CCAA") on December 17, 2002. Mr. Biggar was also a director of Cabletel Ltd from June 2001 to November 24, 2003. Cabletel Ltd. filed a proposal under the Bankruptcy and Insolvency Act (Canada) on June 9, 2004.

### **CONFLICT OF INTEREST RESTRICTIONS AND PROVISIONS**

The Declaration of Trust contains "conflict of interest" provisions that serve to protect Unitholders without creating undue limitations on the REIT. As the Trustees are engaged in a wide range of real estate and other activities, the Declaration of Trust contains provisions, similar to those contained in the *Business Corporations Act* (Ontario), that require each Trustee to disclose to the REIT any interest in a material contract or transaction or proposed material contract or transaction with the REIT. A Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating to his remuneration or for indemnity under the provisions of the Declaration of Trust or liability insurance.

### **COMPENSATION OF MEMBERS OF THE BOARD OF TRUSTEES**

Compensation of the trustees is reviewed annually by the Governance and Nominating Committee. The Committee then makes a recommendation on changes to compensation, if any, to the Board. In reviewing compensation, the Committee considers fees paid to trustees at other Canadian REITs.

2008	
Annual Retainer	\$ 25,000
Board Chair Retainer	25,000
Audit Chair Retainer	10,000
Governance & Nominating Chair Retainer	8,500
Distributions Chair Retainer	7,500
Meeting Fee, in person	1,500
Meeting Fee, by telephone	750

Each independent Trustee is expected to own at least 3,000 Units within three years of appointment. Trustees are expected to use at least 50% of their retainer remuneration to purchase Units until such Trustee holds at least 3,000 Units. Currently all Trustees have met this requirement. Trustees are entitled to be reimbursed for reasonable travel and other expenses properly incurred by them in attending meetings of the trustees or any committee meeting.

### **INDEPENDENT TRUSTEE MATTERS**

The following matters require the approval of a majority of the Independent Trustees to become effective:

- (1) an acquisition of a property or an investment in a property, whether by co-investment or otherwise, in which the Asset Manager, the Property Manager or any of their respective related parties has any direct or indirect interest;
- (2) acquisition of a property from any person for which the Asset Manager provides services as asset manager;
- (3) a material change to the Non-Competition Agreements, Asset Management Agreement, the Property Management Agreement, any head lease or the interest rate subsidy agreement or any renewal, extension or termination thereof or any increase in the fees payable thereunder (including transaction fees, if any);
- (4) the entering into, waiver of or exercise of any rights or remedies under any agreement entered into by the REIT with any Trustee who is not an Independent Trustee, the Asset Manager, the Property Manager or any of their respective related parties;
- (5) the refinancing or renewal of any indebtedness owing to any Trustee who is not an Independent Trustee, the Asset Manager, the Property Manager or any of their respective related parties;
- (6) the making, directly or indirectly, of any co-investment with any Trustee who is not an Independent Trustee, the Asset Manager or the Property Manager or any of their respective related parties;
- (7) the grant of options or issuing of Units under any option or purchase plan provided to any Trustee, any officer and/or others;
- (8) any change in the number of Trustees of the REIT and the appointment of Trustees to fill any vacancies created by any increase in the number of Trustees;
- (9) decisions relating to compensation of Trustees; and
- (10) relating to any claim by or against any vendor, the Asset Manager or the Property Manager or any of their respective related parties.

#### **AUDIT COMMITTEE MANDATE**

The mandate for the Audit Committee is available on SEDAR and is incorporated in this document by reference.

#### **AUDIT FEES: AUDIT RELATED FEES, TAX FEES AND ALL OTHER FEES**

<b>Type of Work</b>	<b>2008</b>	<b>2007</b>
Audit Fees	\$827,470	\$1,021,608
Audit Related fees: Assurance and related services	53,209	159,258
Tax services	360,672	327,309
All other fees	18,655	79,300
<b>Aggregate fees</b>	<b>\$1,260,006</b>	<b>\$1,587,475</b>

## OFFICERS

The names and municipalities of residence of the REIT's executive officers and the principal occupations of each during the preceding five years are:

<b>Name &amp; position with the REIT</b>	<b>Location</b>	<b>Principal occupation for last five years</b>
R. Michael Latimer Chief Executive Officer	Toronto, Ontario, Canada	2004 - current, Chief Executive Officer of OPGI Management GP Inc. 2002 - 2004, Chief Operating Officer of Borealis Capital Corporation
Louis M. Forbes Chief Financial Officer, Senior Vice President	Toronto, Ontario, Canada	2004 - current, Senior Vice President, OPGI Management GP Inc. 2003 - 2004, Senior Vice President, Borealis Capital Corporation
John Morrison Senior Vice President	Mississauga, Ontario, Canada	2008 - current, President, Real Estate Management, OPGI Management GP Inc. 2004 – 2008, Senior Vice President, Real Estate Management, OPGI Management GP Inc. 2002 - 2004, Senior Vice President, OPGI Management GP Inc.
Devon Jones Secretary	Toronto, Ontario, Canada	2001 – current, Vice President Legal, OPGI Management GP Inc.
Lesley Gibson Vice President	Toronto, Ontario, Canada	2004 - current: Vice-President Corporate Reporting, OPGI Management GP Inc. 2003 - 2004: Director Client Reporting, Borealis Capital Corporation

The size of the REIT's business does not currently require the full-time services of the Chief Executive Officer, the Senior Vice President or the Secretary. Mr. Latimer, Mr. Morrison and Ms. Jones provide general management services to the REIT and will continue to provide such services through OPGI Management LP to the extent the REIT does not require their full-time services.

Mr. Forbes is Chief Financial Officer of the REIT and is dedicated to the REIT on a full-time basis. He is now an employee of the REIT and prior to 2009 was an employee of the Property Manager and Asset Manager. Ms. Gibson, also an employee of the Property Manager and Asset Manager, is dedicated to the REIT on a full time basis as well.

Officers of the REIT may be appointed and discharged, and their powers and responsibilities determined by the trustees.

The Trustees and Officers of the REIT collectively hold 84,226 Units which represents 0.14% of the issued and outstanding Units at December 31, 2008.

## MANAGEMENT CONTRACTS

The term of both of these contracts expire on December 31, 2009.

### **Asset Management Agreement**

The Asset Manager of the REIT is BREMI GP Inc. ("BREMI") as general partner for BREMI Limited Partnership the "Asset Manager". BREMI is an affiliate of the Property Manager. The asset management team has significant experience with all aspects of real property asset management, including leasing and tenant relations, property acquisitions and dispositions management, real estate and related corporate finance and redevelopment and construction. The asset management team manages and provides strategic direction to the REIT subject to the overriding supervision of the trustees. The asset management team brings to the REIT an extensive understanding of the commercial real estate industry in Canada, as well as in-depth knowledge of the assets owned by the REIT.

The fees paid to the Asset Manager comprise: (a) a base fee equal to 0.25% per annum of the Gross Book Value, calculated and payable quarterly; and (b) an incentive fee for each fiscal year equal to the sum of:

- (i) for the period to and including July 16, 2008, 15% of the REIT's fully diluted distributable income per unit in excess of \$0.653 per Unit; and
- (ii) for the period from July 17, 2008 to December 31, 2009, 15% of the REIT's Funds From Operations per Unit in excess of *pro rata* reported Funds From Operations per Unit for the twelve month period ending June 30, 2008.

The base fee set out above is payable in arrears in cash or, at the Asset Manager's election, in a combination of cash and Units based on the weighted average trading price on the TSX for the 20 trading days prior to the end of the period to which the fee relates. If an incentive fee is paid, it is payable in Units.

With respect to development projects, a development fee is payable to the Asset Manager equal to 4% of gross costs, or as otherwise agreed by the REIT and the Asset Manager.

During the period from July 17, 2008 to December 31, 2009, there is an acquisition fee applied to real property acquisitions contracts signed during such period, which fee is at the rate of 50 basis points of the purchase price. There is also a disposition fee applied to the sale price of real property dispositions equal to 50 basis points on sales completed during the period ending December 31, 2009. This fee is not levied against the first \$200,000,000 of dispositions made by the REIT.

The REIT has incurred \$4,577,000 of asset management fees and \$531,000 in development fees during the period from January 1, 2008 to December 31, 2008, of which \$1,370,000 was included in accounts payable and other liabilities at December 31, 2008. In addition to the asset management and development fees, the Manager was reimbursed by the REIT for \$350,000 of general and administrative costs.

The term of the Asset Management Agreement expires on December 31, 2009. The REIT may terminate the Asset Management Agreement for cause at any time and without cause at any time upon at least 90 days notice provided that payment is

made of the base fee and incentive fee equal to the lesser of 24 months and the number of months remaining in the term together with payment as pay in lieu of notice for the balance of the working notice provided to the asset management employees that results from the accelerated termination date.

### **Property Management Agreement**

The Property Manager of the REIT is OPGI Management LP (the "Property Manager"). The Property Manager has subcontracted its duties under the Property Management Agreement to OMERS Realty Management Corporation (a wholly-owned indirect subsidiary of OMERS Administration Corporation and an affiliate of OPGI). The Property Manager supervises the property and leasing operations of the properties. Where regulations require, the leasing operations have been subcontracted to a licensed entity.

The Property Management Agreement may be terminated by the Asset Manager, (as agent) upon the occurrence of certain events of default or at any time on 90 days prior notice or upon payment in lieu of notice. The current term of the Property Management Agreement expires on December 31, 2009. The Property Management Agreement currently provides for payment of annual property management fees to the Property Manager in an amount equal to:

- (i) for the period to and including July 16, 2008, 3% of the gross revenue of the properties under management (excluding the gross revenue of any tenant leasing over 20,000 SF of space in any property), and
- (ii) for the period from July 17, 2008 to December 31, 2008, 3.5% of the gross revenue of the properties under management without exclusion for any tenant.

The Property Management Agreement also provides for the recovery of certain costs, and payment of leasing fees. In addition, the Property Manager is entitled to charge a platform charge to cover the cost of off-site accounting and information technology costs, to the extent recoverable under their leases.

The REIT has incurred \$7,567,000 of property management fees and \$1,220,000 of leasing fees during the period from January 1, 2008 to December 31, 2008, of which \$331,000 was included in accounts payable and other liabilities at December 31, 2008. The REIT has also reimbursed the Property Manager for certain direct property operating costs.

All material determinations to be made with respect to the Property Management Agreement, including the decision to renew the Property Management Agreement, are made by the independent trustees of the REIT.

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

No Trustee, officer (or person acting in a similar capacity) or insider of the REIT, or any associate or affiliate of any of the foregoing persons has or had a material interest in any transaction within the three most recently completed financial years or during the current financial year or has any material interest in any proposed

transaction, in each case that has materially affected, or will materially affect, the REIT or any of its subsidiaries, except for:

- the Asset Manager and Property Manager have entered into the Asset Management Agreement and the Property Management Agreements including the Non-Competition Agreements, respectively. Details regarding each of these agreements, and the fees incurred under these agreements, are set out above. In addition, pursuant to the Asset Management Agreement, OMERS Administration Corporation acquired Units of the REIT in 2004, 2005, 2006, 2007 and 2008 under terms of the Asset Management Agreement.
- the REIT has rights of first opportunity to purchase certain properties owned by OMERS Administration Corporation in the event of a sale of such properties by OMERS Administration Corporation;
- OMERS Realty Corporation as the guarantor of an assumed mortgage and could become the holder of such mortgage if it is subrogated to the position of lender;
- at the time of the REIT's initial public offering, OMERS Realty Corporation and the REIT entered into a development indemnity agreement pursuant to which OMERS Realty Corporation indemnified the REIT with respect to the costs associated with the construction of certain roadworks adjacent to Northland Village
- in 2008, the REIT borrowed \$110,000 from OMERS Administration Corporation pursuant to the new mortgage on Stone Road Mall.

R. Michael Latimer, who is a Trustee and an officer of the REIT, is an officer and director of each of OPGI, the general partner of OPGI Management LP and the limited partner of OPGI Management LP. John Morrison, Devon Jones and Lesley Gibson who are officers of the REIT, are also officers of each of OPGI and the general partner of OPGI Management LP. Louis M. Forbes who was officer of the REIT, was also officers of each of OPGI and the general partner of OPGI Management LP prior to 2009.

### **INTERESTS OF EXPERTS**

KPMG LLP have prepared the audit report on the audited consolidated financial statements of the REIT as at December 31, 2008 and 2007 and for the years then ended. KPMG LLP does not beneficially own, directly or indirectly, any of the REIT's outstanding classes of securities.

### **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar of the REIT is CIBC Mellon Trust Company, Toronto, Ontario.

### **ADDITIONAL INFORMATION**

Additional information relating to the REIT may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information including trustees' and officers' remuneration and principal holders of securities is contained in the REIT's Management Information Circular for its most recent meeting of Voting Unitholders that involved the election of Trustees. Additional financial information is provided

in the REIT's financial statements and MD&A for its most recently completed financial year. The REIT will provide to any person or company, upon request to the Chief Financial Officer of the REIT:

- (i) one copy of this Annual Information Form;
- (ii) one copy of the comparative financial statements of the REIT for the years ended December 31, 2008 and 2007 together with the accompanying report of the auditors and one copy of any financial statements of the REIT subsequent to the financial statements for the year ended December 31, 2008; and
- (iii) the latest Management Information Circular of the REIT.

Primaris Retail Real Estate Investment Trust  
Office of the Chair  
Suite 1100  
130 Adelaide Street West  
Toronto, Ontario, M5H 3P5

## GLOSSARY

**"Affiliate"** has the meaning ascribed thereto in National Instrument 45-106 Prospectus and Registration Exemptions.

**"Anchor"** means a national department store with GLA > 50,000 SF.

**"Asset Management Agreement"** means the amended and restated agreement dated February 20, 2008 between the REIT and BREMI LP (as assigned by BREMI to BREMI LP) pursuant to which BREMI LP provides certain advisory, management and administrative services to the REIT.

**"Asset Manager"** means the Asset Manager pursuant to the Asset Management Agreement, as assigned.

**"BREMI"** means Borealis Real Estate Management Inc., the initial Asset Manager of the REIT.

**"BREMI LP"** means BREMI Limited Partnership, the current Asset Manager of the REIT.

**"CRA"** means the Canada Revenue Agency.

**"CDS"** means The Canadian Depository for Securities Limited and any successor corporation.

**"CRU"** means commercial retail units with a GLA of less than 15,000 SF.

**"Declaration of Trust"** means the declaration of Trust dated as of March 28, 2003, which is governed by the laws of the Province of Ontario, pursuant to which the REIT was created, as amended and restated on July 17, 2003, July 18, 2005, May 17, 2006 and June 13, 2007 as amended.

**"Distributions"** means, such percentage of the revenue of the Trust for the calendar month then ended as the Trustees determine in their discretion for payment to Unitholders.

**"Distribution Date"** means, in respect of a month, on or about the 15<sup>th</sup> day of the following month.

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

**"Existing properties"** means the twenty-six principal properties and several smaller properties referred to herein which are currently owned by the REIT.

**"Funds from Operations"** which is not a defined term within Canadian generally accepted accounting principles, has been calculated by REIT management, using Canadian generally accepted accounting principles, in accordance with REALPac's White Paper on Funds from Operations. The White Paper defines Funds from Operations as net income adjusted for depreciation and amortization of assets purchased, including the net impact of above and below market leases, amortization of leasing costs, accretion of convertible debentures and future income taxes. Funds from Operations may not be comparable to similar measures used by other entities.

**"GAAP"** means Canadian generally accepted accounting principles determined with reference to The Handbook of The Canadian Institute of Chartered Accountants, as

amended from time to time. Except as otherwise specified, all accounting terms used in this Annual Information Form shall be construed in accordance with GAAP.

**"GLA"** means gross leaseable area measured in SF. GLAs for Shopping Centres are expressed in approximations.

**"GPCO Trust"** means GPCO Trust, a Trust formed under the laws of Ontario.

**"Gross Book Value"** means, at any time, the book value of the assets of the REIT and its consolidated subsidiaries, as shown on its then most recent consolidated balance sheet, plus accumulated depreciation on buildings and excluding the amount of any receivable reflecting interest rate subsidies on any debt assumed by the REIT.

**"Independent Trustee"** means trustee as defined in National Instrument 58-101 *Disclosure of Corporate Governance Practices*.

**"Initial Properties"** means the six retail centres owned by the REIT following the closing of the Initial Public Offering.

**"Major"** means a chain store with GLA between 15,000 SF and 50,000 SF.

**"Note Indenture"** means the trust indenture providing for the issuance of the Series 1 Trust Notes, Series 2 Trust Notes and Series 3 Trust Notes made between PRR Trust and CIBC Mellon Trust Company or its successors as trustee under the Note Indenture.

**"OPGI"** means Oxford Properties Group Inc.

**"OPGI Management LP"** means OPGI Management Limited Partnership, an Ontario limited partnership the sole limited partner of which is 2006186 Ontario Inc. and the sole general partner of which is OPGI Management GP Inc. (which is wholly owned by 2006186 Ontario Inc.).

**"Person"** means and includes individuals, corporations, limited partnerships, general partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, pension funds, land trusts, business trusts or other organizations, whether or not legal entities and governments and agencies and political subdivisions thereof.

**"Plans"** means, collectively, trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans, each as defined in the Tax Act.

**"psf"** means, per square foot

**"Primaris Retail REIT"** or the **"REIT"** means Primaris Retail REIT" or the "REIT" means Primaris Retail Real Estate Investment Trust and, where the context requires, includes its Subsidiaries

**"Property Management Agreement"** means the amended and restated agreement dated as of February 20, 2008, entered into between PRR Trust, certain affiliates of PRR Trust, BREMI LP (as agent) and OPGI Management LP

**"Property Manager"** means OPGI Management LP and any successor.

**"PRR Trust"** means PRR Trust, a Trust established on January 2, 2002 under the laws of the Province of Ontario. PRR Trust was formerly known as BRR Trust prior to March 21, 2007

**"Series 1 Trust Notes"** means the interest-bearing Series 1 unsecured subordinated promissory notes of PRR Trust issued to the REIT pursuant to the Note Indenture.

**"Series 2 Trust Notes"** means the interest-bearing Series 2 unsecured subordinated promissory notes of PRR Trust to be issued to the REIT from time to time pursuant to the Note Indenture.

**"Series 3 Trust Notes"** means the interest-bearing Series 3 unsecured subordinated promissory notes of PRR Trust to be issued to the REIT from time to time pursuant to the Note Indenture.

**"Shadow Anchor"** means an Anchor or Major retailer who occupies premises that are not owned by the REIT but are adjacent to the REIT property.

**"SF"** means square feet.

**"Subsidiary"** has the meaning ascribed thereto in National Instrument 45-106 Prospectus and Registration Exemptions.

**"Tax Act"** means the *Income Tax Act* (Canada), as amended.

**"Trustees"** means the Trustees of the REIT.

**"TSX"** means The Toronto Stock Exchange.

**"Unitholder"** means a holder of Units or a holder of Special Voting Units.

**"Units"** means units of the REIT.

**"Voting Unitholder"** means a Unitholder or a holder of Special Voting Units.

**"Voting Units"** means Units and Special Voting Units.