RETROCOM
MID-MARKET REIT

RETROCOM MID-MARKET
REAL ESTATE INVESTMENT TRUST

ANNUAL INFORMATION FORM
For the Year Ended December 31, 2006

March 30, 2007

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The information in this annual information form ("AIF") is current to December 31, 2006, unless otherwise noted. All amounts in this AIF are in Canadian dollars.

GLOSSARY

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

"***501 Lakeshore Road***" means the multi-tenant light industrial building located in Mississauga, Ontario;

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

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

"***Benco***" means 1090992 Alberta Inc., a corporation incorporated under the laws of Alberta;

"***Board***" or "***Board of Trustees***" means the board of Trustees of the REIT;

"***Closing***" means the closing of the Initial Offering, the acquisition by the REIT of the Initial Properties and the other transactions relating thereto, all of which occurred on March 22, 2004;

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

"***Declaration of Trust***" means the declaration of trust dated as of December 15, 2003, as amended from time to time, which is governed by the laws of the Province of Ontario and pursuant to which the REIT was created;

"***Distributable Income***" has the meaning attributable thereto under "Distribution Policy – Computation of Distributable Income";

"***Distribution Date***" means, in respect of a month, on or about the 15th day of the following month;

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

"***Eastern Initial Properties***" means, collectively, Les Promenades St-Francois in Laval, Quebec, Lansdowne Place in Saint John, New Brunswick, and Staples Plaza in Dartmouth, Nova Scotia;

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

"***GLA***" means gross leasable area;

"***Golden Mile***" means the Golden Mile Shopping Centre, located in Regina, Saskatchewan;

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

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

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

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

"***Initial Properties***" means the portfolio of 29 mid-market commercial properties in which the REIT indirectly acquired an interest on Closing, such portfolio comprised of the Western Initial Properties, Eastern Initial Properties, Golden Mile, Lincoln Mall, Millwoods Mall, Woodbine Place, 501 Lakeshore Road and Pickering Industrial Plaza;

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

"***lease-up***" means, in respect of a commercial property, that at least 85% of the GLA of that property has been leased;

"***Lincoln Mall***" means the Lincoln Value Centre, located in St. Catharines, Ontario;

"***Millwoods Mall***" means the Millwoods Mainstreet Mall, located in Edmonton, Alberta;

"***O&Y Enterprise***" means O&Y Enterprise Limited Partnership;

"***Pickering Industrial Plaza***" means the multi-tenant light industrial building located in Pickering, Ontario;

"***Plans***" means trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans;

"***Plaza Property Management Agreement***" has the meaning attributable thereto under "Property Management";

"***Properties***" means the 37 mid-market commercial properties referred to herein which are owned by the REIT as at December 31, 2006;

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

"***Retrocom LP***" means Retrocom Limited Partnership;

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

"***RGFI***" means Retrocom Growth Fund Inc.;

"***RIMI***" means Retrocom Investment Management Inc. and, as the context requires, its subsidiaries including First Commercial Management Inc.;

"***Riocan Debenture***" has the meaning attributable thereto under "Description of Other Securities";

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

“***Riocan Property Management Agreement***” has the meaning attributable thereto under “General Development of the Business - Internal Growth Through Active Asset Management”;

“***RPST***” means RioCan Property Services Trust;

“***Series 1 Trust Notes***” means the interest-bearing Series 1 unsecured subordinated promissory notes of Subsidiary Trust issued to the REIT at Closing pursuant to the Subsidiary Trust Note Indenture;

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

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

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

“***Subsidiary Trust***” means Retrocom Mid-Market Subsidiary Trust, the commercial trust created under the laws of Ontario pursuant to a declaration of trust dated February 11, 2004, the sole beneficiary of which is the REIT;

“***Subsidiary Trust Notes***” means, collectively, the Series 1 Trust Notes, the Series 2 Trust Notes, the Series 3 Trust Notes and any other notes issued under the Subsidiary Trust Note Indenture;

“***Subsidiary Trust Note Indenture***” means the trust indenture dated March 22, 2004 providing for the issuance of the Series 1 Trust Notes, Series 2 Trust Notes and Series 3 Trust Notes;

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

“***Trustee Corp***” means 1606906 Ontario Inc., a corporation incorporated under the laws of Ontario;

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

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

“***Unit***” means a trust unit of the REIT, such unit representing an equal undivided beneficial interest therein;

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

“***Western Initial Properties***” means, collectively, Chilliwack Mall in Chilliwack, British Columbia, Terrace Shopping Centre in Terrace, British Columbia, Driftwood Mall in Courtenay, British Columbia, Maple Park Shopping Centre in Quesnel, British Columbia, Smithers Shopping Centre in Smithers, British Columbia, Cariboo Mall in 100 Mile House, British Columbia, Evergreen Centre in Sooke, British Columbia, Glenmore Commerce Court in Calgary, Alberta, Carry Plaza in Medicine Hat, Alberta, Wetaskiwin Mall in Wetaskiwin, Alberta, Cassils Centre Mall in Brooks, Alberta, Grand Central Plaza in Saskatoon, Saskatchewan, Wheatland Mall in Swift Current, Saskatchewan, Kindersley Mall in Kindersley, Saskatchewan, Island Lakes Village in Winnipeg, Manitoba, First Victoria Mall in Brandon, Manitoba, City Centre Mall in Thompson, Manitoba, Kenora Shoppers Mall in Kenora, Ontario and Qwanlin Mall in Whitehorse, Yukon in which the REIT acquired a 100% interest on Closing, along with Northgate Shopping Centre in Winnipeg, Manitoba in which the REIT acquired a 50% interest on Closing; and

“***Woodbine Place***” means the office building located in Toronto, Ontario.

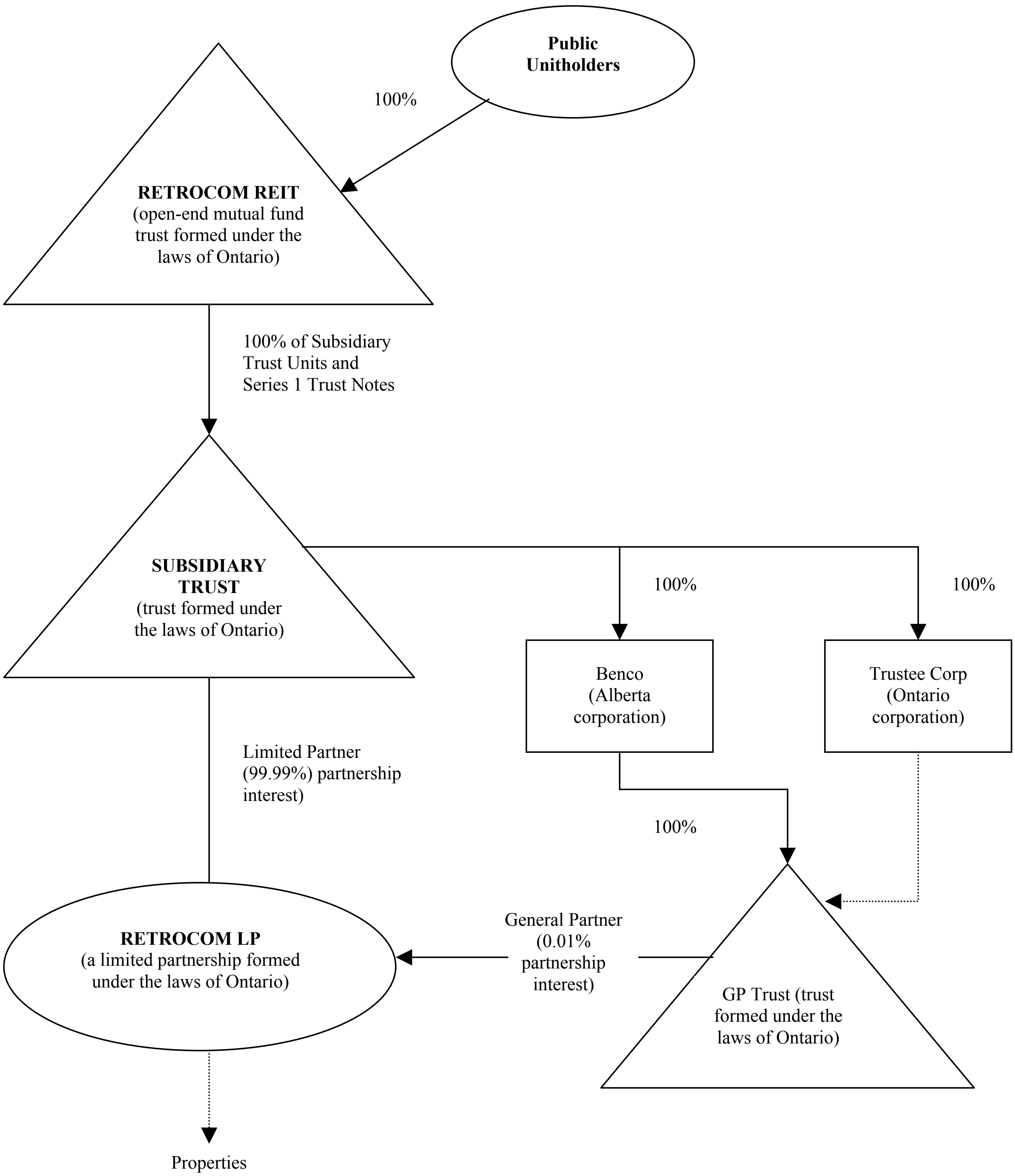
FORWARD-LOOKING STATEMENTS

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

STRUCTURE OF THE REIT

The REIT is an unincorporated, open-ended real estate investment trust established by the Declaration of Trust, existing under, and governed by, the laws of the Province of Ontario. The principal and head office of the REIT is located at 135 Queens Plate Drive, Suite 420, Toronto, Ontario M9W 6V1.

The following diagram illustrates the organizational structure of the REIT:


Public
Unitholders
100%
RETROCOM REIT
(open-end mutual fund
trust formed under the
laws of Ontario)
100% of Subsidiary
Trust Units and
Series 1 Trust Notes
SUBSIDIARY
TRUST
(trust formed under
the laws of Ontario)
100%
100%
Benco
(Alberta
corporation)
Trustee Corp
(Ontario
corporation)
Limited Partner
(99.99%) partnership
interest)
100%
General Partner
(0.01%
partnership
interest)
RETROCOM LP
(a limited partnership formed
under the laws of Ontario)
GP Trust (trust
formed under the
laws of Ontario)
Properties

For additional information, see "Subsidiary Trust" and "Retrocom Limited Partnership" in the Prospectus, which sections of the Prospectus are incorporated herein by reference.

GENERAL DEVELOPMENT OF THE BUSINESS

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

Since the Initial Offering, the REIT has continuously reviewed its business operations and property portfolio, expanded its asset base and reinvested in and selectively repositioned and disposed existing assets in order to position itself for sustainable future growth:

- on October 27, 2004, the REIT acquired six properties and on December 16, 2004 it acquired a seventh property, all located in Kingston, Ontario, and more fully described under "Description of Properties". The portfolio, acquired by the REIT for an aggregate purchase price of approximately $16.25 million, consists of class B office and retail properties totalling 171,200 square feet of gross leasable area (''GLA''). The acquisition was financed with funds raised from the REIT's initial public offering, the assumption of debt and a draw on the REIT's operating line;

- on July 26, 2005, the REIT completed the acquisition of the Riocan Portfolio, consisting of seven shopping malls located in Saskatchewan (3), Ontario (3) and Quebec (1), and more fully described under "Description of Properties". The Riocan Portfolio was acquired by the REIT from RioCan Real Estate Investment Trust for a purchase price of approximately $182 million, satisfied in cash, the assumption by the REIT of existing mortgages and the issuance to RioCan REIT of a $30 million principal amount 4.5% convertible non-callable debenture. The cash consideration for the acquisition was funded by the REIT from the proceeds of a public offering that consisted of 6,245,000 Units at a price of $8.25 per Unit for total gross proceeds of approximately $51.5 million and $20 million of 7.5% convertible unsecured subordinated debentures. CIBC World Markets was engaged by the REIT to provide financial advice in connection with this acquisition, including assisting the REIT's management in developing related financial models and accretion analyses;

- on November 14, 2005, the REIT announced that its Board of Trustees had approved the adoption of a unitholder rights plan (the "Rights Plan") in order to ensure, to the extent possible, that all Unitholders of the REIT are treated fairly in connection with any take-over bid of the REIT. The Rights Plan is not intended to prevent take-over bids. Those bids that meet certain requirements intended to protect the interests of Unitholders are considered under the Rights Plan to be "Permitted Bids". A Permitted Bid is a take-over bid made by way of a circular for all outstanding Units, which remains open for at least 60 days and satisfies certain other conditions. Unitholders confirmed the Rights Plan at the REIT's annual meeting held on June 27, 2006. Unitholders will be asked to reconfirm the Rights Plan at every third annual meeting of the REIT thereafter;

- on November 30, 2005, the REIT announced that its Board of Trustees had established a special committee comprised entirely of independent Trustees to review and make recommendations in respect of strategies available to the REIT in its efforts to enhance the value of the REIT's Units. The special committee retained TD Securities Inc., as its financial advisor, to assist it in its review of potential strategies. On February 27, 2006, the REIT announced that the special committee and the Board of Trustees of the REIT would commence a process to solicit proposals leading to a sale of, or merger with, the REIT, or to a strategic partnership with a party interested in contributing assets or otherwise making an equity investment in the REIT. The soliciting of proposals would be in addition to, and in conjunction with, the assessment of other alternatives, including the disposition of "non-core" assets in order to provide funding to renovate or redevelop existing "core" properties;

- on February 27, 2006, the REIT also announced that it had terminated, effective February 28, 2006, its asset management and property management agreements with RIMI, in exchange for a one-time cash payment to RIMI in the amount of $750,000 and other limited considerations. The REIT had previously announced on February 7, 2006 its intention to internalize its asset management functions. In respect of property management and related functions, the REIT entered into revised property management agreements directly with the property management firms that had until that time been providing such services to the REIT on a subcontract basis. See "Property Management";

- on November 14, 2006, the REIT announced that, with the assistance of its financial advisor, it had concluded its strategic review process and, as a result, would not be pursuing any sale, merger or other third-party transaction. It was determined by the Special Committee and the Board that the proposals received from interested parties were not on terms acceptable to the REIT or failed to set out a strategy that would ensure the enhancement of unitholder value;

- through 2006, as part of the strategic review process, the REIT completed a reconstitution of its Board of Trustees and management team, which included the appointment of Mr. Stephen Bellringer as a Trustee and Chairman of the Board, the promotion of Mr. David Fiume to the position of Chief Executive Officer and the appointment of Ms. Avis Maher as the REIT's new Chief Financial Officer;

- as a result of the conclusion in November 2006 of its strategic review process and the Board's commitment to improving the REIT's performance and enhancing the long-term value of its units, the REIT has been aggressively moving forward with implementing various strategies, including: (i) repositioning its property portfolio through the disposition of "non-core" assets; (ii) renovating, reformatting and otherwise improving the structure and appearance of targeted properties in its portfolio; (iii) further enhancing leasing and releasing efforts to increase rental rates, improve occupancy rates, lengthen lease maturities and otherwise strengthen the overall tenant base; (iv) developing additional rentable space where opportunities permit; and (v) acquiring over the longer term additional retail assets as part of the external growth strategy;

- on March 2, 2007, the REIT announced the closing of the sale of three of six properties (Cariboo Mall, Terrace Mall, Maple Park Mall, Smithers Mall, Evergreen Mall and Millwoods Mainstreet Mall, as more fully described under "Description of Properties") it has agreed to sell to Sunstone Realty Group. The sale of the three remaining properties is expected to close on or about May 30, 2007. The REIT also announced on March 2, 2007 that it had entered into a separate conditional agreement with a different purchaser to sell Driftwood Mall, located in Courtenay B.C. This agreement is conditional on financing and final due diligence and is expected to close in early April, 2007. The combined gross proceeds from the sale of these seven properties amount to approximately $67.7 million and will be used by the REIT to discharge or have assumed by the purchaser, mortgages in the amount of approximately $39.7 million, while the remainder of the net proceeds, estimated to be approximately $28.0 million (less costs) are intended to be used by the REIT to continue to invest in the balance of the portfolio, to reduce short term debt and to buyback its units, as discussed below;

- on March 2, 2007, the REIT also announced the closing of its purchase of the remaining 50% interests in Lansdowne Plaza, Saint John, NB and Staples Woodlawn Plaza, Dartmouth, Nova Scotia from the co-owner of these properties. The REIT now owns a 100% interest in these properties. The REIT also sold its remaining 50% interest in Les Promenades St-Francois, Laval, QC to the same co-owner, and no longer holds any interest in that property. The REIT paid net consideration of $10,918,000 ($4,269,000 in cash and $6,649,000 through the assumption of debt) for these transactions. The two acquisitions were immediately accretive to the REIT;

- on March 21, 2007, the REIT announced that the Toronto Stock Exchange (TSX) had approved the REIT's application to make a Normal Course Issuer Bid for the repurchase of its Units. Pursuant to the bid, the

REIT will be entitled to repurchase up to 1,797,914 of its Units (representing approximately 10% of the REIT's public float of outstanding Units as at March 20, 2007) over the twelve-month period commencing on March 23, 2007. The Trustees of the REIT have concluded that the ongoing purchase by the REIT of certain of its Units, in accordance with the bid, is a sound investment opportunity for the REIT based on the current market price for its Units and would be in the best interests of the REIT and its Unitholders. All purchases will be made through the facilities of the TSX, and the Units purchased under the bid will be cancelled. The REIT also announced that in conjunction with its repurchase of Units, the REIT is suspending until further notice its Unitholder Distribution Reinvestment Plan ("DRIP") effective immediately. For Unitholders that have been participating in the DRIP, all future distributions made by the REIT will now automatically be paid in cash and will no longer be used to purchase additional Units of the REIT; and

- on March 23, 2007, the REIT announced it has entered into a conditional agreement with a purchaser to sell Woodbine Place (see "Description of Properties") . The agreement is conditional on financing and final due diligence and is expected to close in late May, 2007. The gross proceeds from this transaction amount to approximately $12.5 million, which will be used to discharge the mortgage in the amount of approximately $2.5 million, and the remainder of the net proceeds, estimated to be approximately $10.0 million (less costs), will be used to reduce short term debt, to invest in the balance of the portfolio, and potentially to buy back units through the normal course issuer bid noted above.

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

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

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

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

Internal Growth Through Active Asset Management

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

On December 14, 2004, O&Y Enterprise Limited Partnership (now Arcturus Limited Partnership) was subcontracted to provide property management and leasing services to the REIT in respect of the REIT's properties located in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, other than the properties comprising the Riocan Portfolio. As a leading third party real estate services provider, specializing in property management and leasing services, the REIT expects that Arcturus will continue to contribute significantly to the REIT's growth strategy. See "Property Management".

On July 26, 2005, the REIT and RPST, a wholly-owned subsidiary of Riocan REIT, entered into a property management agreement (the "Riocan Property Management Agreement") pursuant to which RPST will continue to provide property management services with respect to the Riocan Portfolio for a three-year term on customary market terms and conditions. See “Property Management”. The REIT expects to benefit from the continuity of management that is afforded by this arrangement.

A leasing strategy for each property has been developed that reflects the nature of the property and its position within the marketplace, as well as prevailing and forecast economic conditions. The REIT has pursued a strategy of renewing existing tenant leases since tenant renewals, as contrasted with tenant replacements, often minimize transaction costs associated with marketing, leasing and tenant improvements, and avoid costs of renovations and interruptions in the generation of rental income that result from periods of vacancy. Where an existing tenant chooses not to renew its lease, the REIT attempts to identify as early as possible a replacement tenant at the best available market terms and lowest possible transaction costs.

To assist in implementing this strategy, the property managers will use in-house leasing experts as well as utilize and co-ordinate with the brokerage leasing community and retain appropriate agents on a best-in-class basis for each of the assets. The goal of this strategy is to maximize expansion and renewal opportunities and the strategy will involve aggressive, proactive leasing programs. Where appropriate, capital improvement projects, renovations and remarketing initiatives have and will continue to be implemented.

External Growth Through Acquisitions

In conjunction with the REIT’s internal growth strategy, the external growth strategy has been to focus on future acquisitions, such as those described above. The REIT actively seeks accretive acquisitions in its existing and adjacent markets and in new Canadian markets that present opportunities for favourable returns. The REIT believes that current market conditions are providing buyers of mid-market commercial real estate the opportunity to benefit from attractive going-in yields on an unleveraged basis, significant potential for capital appreciation and the availability of both short and long-term financing at favourable interest rates.

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

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

DESCRIPTION OF THE BUSINESS

As of December 31, 2006 REIT owned a portfolio of 35 retail and 2 office income producing mid-market commercial properties located in secondary and tertiary cities across Canada (the “Properties”). The total gross revenues of the Properties as of December 31, 2006 was derived as to approximately 96.1% from the retail properties which contain an aggregate of 4,638,490 square feet and as to approximately 3.9% from the office properties which contain 112,442 square feet. The Properties are located in British Columbia (six), Alberta (three), Saskatchewan (seven), Manitoba (three), Ontario (thirteen), Quebec (two), and one property in each of New Brunswick, Nova Scotia and the Yukon Territory.

High demand for quality properties, limited new supply and low vacancy and interest rates have combined to produce favourable valuations for Canadian commercial real estate. As retail sales have grown, retail real estate vacancy rates have declined nationally in recent years and are now typically below 5%.

The following table provides certain information about each Property as at December 31, 2006 (including properties classified in the financial statements of the REIT as discontinued operations):

Property	Type	Year Built/ Renovated	Key Tenants	GLA	Occupancy (%)
BRITISH COLUMBIA					
Cariboo Mall(1)	Enclosed Community Mall	1974/1994	Bargain Shop, Pharmasave, True Value Hardware & Bank of Montreal	37,961	100.0%
Chilliwack Mall	Enclosed Community Mall	1981/1996	Wal-Mart, Safeway, Liquor Store, Chevron & Suncoast Canadian Mattress	178,674	96.8%
Driftwood Mall(4)	Enclosed Regional Mall	1975/2001	Zellers, Save on Foods, London Drugs, Rialto Theatre, Mariposa Stores, Boston Pizza & CIBC	238,525	95.6%
Evergreen Centre(1)	Open Community Plaza	1978/2000	Western Foods, Shoppers Drug Mart, Fields Store, Liquor Store & Royal Bank of Canada	67,756	87.9%
Smithers Mall(1)	Enclosed Community Mall	1973/1995 & 2001	Zellers, Safeway & Bank of Nova Scotia	43,795	100.0%
Terrace Shopping Centre(1)	Enclosed Community Mall	1969	Shoppers Drug Mart & TD Canada Trust	19,728	65.2%
ALBERTA					
Carry Plaza	Open Community Plaza	1991	Only Women's Fitness, Warehouse One, Rossco's Pub, Medicine Hat Buffet, Earl's Restaurant, Ruckers & KFC	59,274	91.8%
Millwoods Mall(1)	Open Community Plaza	1992	IGA, Roger's Video, Bank of Montreal, Cash Converters, Easy Home, Value Drug Mart, Rosie's Bar & Grill, Suzy Cues Sports, Mainstreet Liquor Mart, Pizza Hut, Wendy's & Tim Hortons	139,771	96.8%
Wetaskiwin Mall	Enclosed Community Mall	1980/2002	Wal-Mart, Liquidation World, Dollarama, Hangers Fashion, Central Sled & Cycle, Easy Home, Reitmans, Mariposa-Savannah, The Source & Bank of Nova Scotia	142,800	91.6%
SASKATCHEWAN					
Golden Mile Shopping Centre	Enclosed Community Mall	1959/1977, 1988, 1990, 2002 & 2003	Extra Foods & Gas Bar, Winners, Rainbow Cinemas, Buck or Two, GM Bowling, The Broken Rack Billiards, Liquidation World, Smitty's & Royal Bank of Canada	228,790	95.2%
Grand Central Plaza(3)	Open Community Plaza	1985/1987 & 1997	City Centre Bingo & Great Buffet of China	32,723	93.4%
Kindersley Mall	Enclosed Community Mall		Zellers, Extra Foods & Gas Bar, Sask. Liquor & Gaming, Hangers, Guy's Furniture, Dazzle Razzle $ Store, The Source & Molly's Restaurant	121,254	93.3%
South Hill Mall	Enclosed Community Mall	1972	Winners, Safeway, Galaxy Cinemas, Red Apple, Shoppers Drug Mart, Liquor Store, Petro Canada, Smitty's & Only Deals	189,061	67.2%

Southland Mall	Enclosed Regional Mall	1975/1989	Safeway, Wal-Mart, Cineplex Odeon, Chapters, Sport Check, Regina Public Library, Turbo Resources, Bank of Montreal, Montana's, Kelsey's, Smitty's, Ricki's/Stitch It, Tip Top & CIBC	439,010	97.3%
Town 'N' Country Mall	Enclosed Community Mall	1973/1980	Zellers, Sears, Winners, Galaxy Cinemans, Sport Check, Dollarama, Stitches, Thrifty's, Penningtons, Smitty's & Royal Bank of Canada	357,580	86.5%
Wheatland Mall(3)	Enclosed Community Mall	1975/1988	Peavey Mart, Dollarama, Swift Vacuums, Coles, Easy Home, Kabo's Family Restaurant, Liquidation World, Nutters & Pinnacle Sport	119,698	81.6%
MANITOBA					
City Centre Mall(3)	Enclosed Community Mall	1971/1999	Wal-Mart, Safeway, Mark's Work Warehouse, Vantis Credit, Easy Home, Ilio's Dining Room, Reitmans, Tim Horton's, Warehouse One & TD Canada Trust	183,651	99.0%
First Victoria Mall	Open Community Plaza	1990	Blockbuster Video, Shell Circle K & Donuts 'N' More	11,041	100.0%
Island Lakes Village	Open Community Plaza	1989/2003	Rainbow Daycare, Marquis Dance Academy & Dental Offices	21,353	100.0%
ONTARIO					
351 Select Drive	Single Tenant Retail Property	1992	UBS Furniture	28,000	100.0%
370 Select Drive	Single Tenant Retail Property	1992	Ministry Of Health	21,244	100.0%
944 Futures Gate	Single Tenant Retail Property	1995	Mattress Mart	7,933	100.0%
Clock Tower	Open Community Plaza	1986 & 1988	Cora's, Dorrance & Wyngarden & ReMax	25,946	92.7%
Elgin Mall	Enclosed Community Mall	1974/1987	Zellers, A&P Foods, Galaxy Cinemas, Buck or Two, TD Canada Trust, Hallmark, Kelsey's, Sport Mart, Stitches & Trad's Furniture	265,343	92.7%
Gardiners Road	Open Business Park	Mid 1960's & Mid 1980's	Dacon Corporation, Speedy, Hakim Optical & MDG Kingston	48,040	100.0%
Kenora Shoppers Mall	Enclosed Community Mall	1974/2002	Zellers, Extra Foods, Movie Gallery, Chicken Chef, Easy Home, Reitmans & The Beer Store	154,023	94.9%
Lincoln Value centre(3)	Open Community Plaza	1968/2001	Wal-Mart, Canadian Tire & Gas Bar, No Frills, Dollarama, DOT Seasonal, End of the Roll, Fabricland, Goodwill, North China Buffet, Penningtons, Stamford Deli & United Furniture	355,878	98.9%

Mountainview Mall	Enclosed Community Mall	1983/1988	Zellers, Food Basics, Galaxy Cinemas, Fabricland, Shoppers Drug Mart, Sport Mart & National Bank of Canada	303,844	87.7%
Orangeville Mall	Enclosed Community Mall	1978/1997	Zellers, A&P Foods, 99 Cent Depot, TD Canada Trust, Reitmans, Sears Flooring & Shoppers Drug Mart	183,406	98.7%
Value Centre	Open Business Park	1991	Crown In Right, Para Med Health Service & Serco Des Inc.	20,092	67.2%
1412 Bath Road	Single Tenant Retail Property	1985	Giant Tiger	20,173	100.0%
Woodbine Place(1)	Multi-Tenant Office	1991	Rexlaw Management, BFI Canada, AFM Hospitality, Brain & Sleep Diagnostic Centre, Canadian Office Product, Public Works & Government Services, RIMI & Refugee Board	91,198	79.3%
QUEBEC					
Les Promenades St. Francois (2)	Open Community Plaza	1958/1999 & 2003	Jean Coutu, Dollarama, Caisse Populaire & Videotron	58,464	93.6%
Plaza La Sarre	Enclosed Community Mall	1980	Metro-Richelieu, L'Aubainerie, Dollarama, Brasserie le Grecque, SIQ & Reitmans	81,602	89.7%
NEW BRUNSWICK					
Lansdowne Place(2)	Open Community Plaza	1959/1980 & 2000	Zellers, Spiegel Group, Shoppers Drug Mart, Brunswick Physiotherapy, Fairview Bowling, New Brunswick Liquor Corporation, Lansdowne Billiard Parlour, Dollarama & Salvation Army Store	202,046	99.1%
NOVA SCOTIA					
Staples Plaza (2)	Open Community Plaza	1968/2001	Staples, Atlantic Fabrics, Reitman's, Bank of Montreal, Bulk Barn, Coastal Dance, Halifax Regional Library, Taylor Flooring, The Growing Place, Warehouse One, Woodlawn Physioclinic, Rogers Video & Jungle Jims	150,466	93.6%
YUKON					
Qwanlin Mall	Enclosed Community Mall	1972/1999	Extra Foods, Liquidation World, Shoppers Drug Mart & Staples	100,789	97.4%
TOTALS				**4,750,932**	**92.8%**

(1) Classified as Discontinued Operations in the REIT's financial statements for the year ended December 31, 2006

(2) 50% Ownership Interest, shown at 100%

(3) In the event that the REIT decides to sell the property, a tenant or an adjacent landowner has, in certain circumstances, a right of first refusal to acquire the property at a matching price

(4) This property is in the final stages of due diligence for a sale, expected to close in May 2007.

Overview of Properties

The following table summarizes the distribution of the areas of the Properties by property type as of December 31, 2006:

PORTFOLIO DISTRIBUTION BY ASSET CLASS

Asset Class	# of Properties	Total GLA	% of Total GLA
Retail	35	4,638,490	97.6%
Office	2	112,442	2.4%
TOTAL	**37**	**4,750,932**	**100%**

The following table summarizes the distribution of the gross leasable area ("GLA") and annualized revenue of the Properties by province and territory as of December 31, 2006:

GEOGRAPHIC DISTRIBUTION OF PORTFOLIO

Province	# of Properties	Total GLA	% of Total GLA	Total Net Rent*	% of Total Gross Revenue*
British Columbia	6	586,439	12.3%	4,701,081	11%
Alberta	3	341,845	7.2%	3,933,494	9%
Saskatchewan	7	1,488,116	31.3%	13,441,569	34%
Manitoba	3	216,045	4.5%	1,950,471	5%
Ontario	13	1,525,120	32.1%	12,973,082	33%
Quebec	2	140,066	2.9%	851,881	2%
New Brunswick	1	202,046	4.3%	1,006,366	2%
Nova Scotia	1	150,466	3.2%	855,937	2%
Yukon	1	100,789	2.1%	911,296	2%
TOTAL	**37**	**4,750,932**	**100%**	**$40,625,177**	**100%**

* Based on revenue from last month of Q4 2006, annualized.

Top 20 Tenants

The following table illustrates the twenty largest tenants for the Properties as measured by their percentage contribution to the REIT's total annual gross revenue during the REIT's financial year ended December 31, 2006:

TOP 20 TENANTS

Rank	Tenant	Occupied Area (sq.ft.)	% of Total GLA	Group Revenue*	% of Annualized Gross Revenue*	Weighted Ave. Lease Term Remaining
1	Zellers	704,905	14.8%	4,480,290	6.8%	3.2
2	Wal-Mart	477,290	10.0%	3,649,827	5.6%	2.3
3	Galaxy Cinemas	127,778	2.7%	2,402,429	3.7%	13.1
4	Extra Foods	148,242	3.1%	1,766,190	2.7%	4.3
5	Shoppers	78,567	1.7%	1,727,475	2.6%	6.8
6	Food Basics	103,838	2.2%	1,577,926	2.4%	4.5
7	Safeway	143,699	3.0%	1,450,870	2.2%	5.0
8	Canadian Tire	89,194	1.9%	1,290,511	2.0%	13.4
9	Save on Foods	57,900	1.2%	916,518	1.4%	0.6
10	Dollarama	70,634	1.5%	884,500	1.4%	6.5
11	Winners	74,672	1.6%	870,467	1.3%	2.3
12	IGA - Garden Market	34,606	0.7%	716,649	1.1%	5.1
13	Sears	69,801	1.5%	677,478	1.0%	3.5
14	Royal Bank	19,517	0.4%	632,353	1.0%	3.6
15	Smitty's	21,698	0.5%	623,950	1.0%	5.1
16	United Furniture	50,500	1.1%	621,349	0.9%	5.2
17	Sport Chek	33,484	0.7%	573,423	0.9%	3.9
18	Penningtons	42,432	0.9%	567,951	0.9%	3.6
19	Chapters	25,172	0.5%	559,565	0.9%	2.3
20	Bank of Montreal	26,116	0.5%	555,630	0.8%	7.7
Top 20 Tenants		**2,400,045**	**50.5%**	**$26,545,351**	**40.6%**	**4.4**
Top 5 Tenants		**1,536,782**	**32.3%**	**$14,026,211**	**21.4%**	**4.0**

* Based on revenue from last month of Q4 2006, annualized.

Schedule of Lease Maturities

As at December 31, 2006, the occupancy rate in the rental portfolio comprising the Properties was approximately 92.8%. The weighted average remaining term of all leases as of December 31, 2006 was approximately 4.1 years. The following table indicates the total occupied square footage of the Properties subject to lease expiries after December 31, 2006 (assuming tenants do not exercise renewal options or termination rights) and the percentage of the total gross leasable area relating to the Properties represented by such expiries.

LEASE EXPIRY BY CALENDAR

YEAR	Occupied Area	% Total GLA
2007	648,678	13.7%
2008	574,365	12.1%
2009	602,716	12.7%
2010	877,765	18.5%
2011	473,873	10.0%
2012	232,329	4.9%
2013	141,336	3.0%
2014	198,774	4.2%
2015	86,282	1.8%
2016	142,582	3.0%
Thereafter	428,022	9.0%
Vacancy	344,210	7.2%
Total	**4,750,932**	**100.0%**

Description of Properties

The following is a description of the Properties. All data relating to the Properties, including calculations as to percentage occupancy, are as at December 31, 2006 unless otherwise noted.

British Columbia

As at December 31, 2006, the REIT owned six retail properties in the Province of British Columbia consisting of community shopping centres located in Chilliwack, Terrace, Courtenay, Smithers, 100 Mile House and Sooke. The industries that form the base of the British Columbia economy include manufacturing, services, forestry, mining, fishing and agriculture.

<u>Chilliwack Mall, 45610 Luckakuck Way, Chilliwack, British Columbia</u>

Chilliwack Mall is a 178,674 square foot single-level enclosed community mall in Chilliwack, located approximately 100 kilometres east of Vancouver. Chilliwack's regional trade area has a population of approximately 240,000. Chilliwack is located in the eastern portion of the lower Fraser Valley and has a service-based economy. Chilliwack Mall is located immediately south of the Trans-Canada Highway at a busy intersection in an area that is the primary location for retail services in Chilliwack. The main competition for the mall is directly across the street at Cottonwood Mall, which is anchored by Zellers, London Drugs and Sears. Chilliwack Mall's key tenants include Wal-Mart and Safeway. As of December 31, 2006, Chilliwack Mall was 96.8% leased and occupied by 35 tenants.

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

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Wal-Mart	70,828	39.6%	November 2008
Safeway	46,544	26.0%	August 2011

Terrace Shopping Centre, 4633 – 4645 Lakelse Avenue, Terrace, British Columbia

Terrace Shopping Centre is a 19,728 square foot single-level enclosed community mall in Terrace, located along the Alaska highway approximately 570 kilometres west of Prince George. Terrace is close to the U.S. border and the city's retail market benefits from highway traffic. Terrace's regional trade area has a population of approximately 55,000. Terrace is the primary retail and service centre for northwest British Columbia. Terrace Shopping Centre is located in the city's downtown core within a two block radius of the majority of Terrace's retail development. The mall contains local as well as national tenants, including Shoppers Drug Mart, which subleased its space to a Dollar Store, however remains lease obligated for the space, and TD Canada Trust. A Safeway under separate ownership and title forms part of and has access to the mall and is an important shadow anchor. As of December 31, 2006, Terrace Shopping Centre was 65.2% leased and occupied by two tenants. The mall was built in 1969. It is situated on a 0.85 acre site and has parking for 250 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Shoppers Drug Mart	9,424	47.8%	September 2008
TD Canada Trust	3,442	17.4%	December 2007

Driftwood Mall, 2751 Cliffe Avenue, Courtenay, British Columbia

Driftwood Mall is a 238,525 square foot single-level enclosed regional mall located along the Island Highway in Courtenay. Situated on the eastern side of Vancouver Island, Courtenay is located 186 kilometres from the city of Vancouver. Courtney's regional trade area has a population of approximately 54,300. Driftwood Mall is the largest retail mall in its immediate vicinity and is surrounded by many residential developments. The mall faces local competition from box stores and other local malls including one mall located within one-half of a mile which is anchored by a Wal-Mart which opened three years ago. Driftwood Mall has a broad tenant base and its key tenants include Zellers, Save on Foods, the Rialto Theatre and London Drugs. The mall was built in 1975 and renovated in 2001 and 2004. As of December 31, 2006, Driftwood Mall was 95.6% leased and occupied by 27 tenants. Driftwood Mall is situated on a 22.64 acre site and has parking for approximately 1,340 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Zellers	83,047	34.8%	April 2009
Save on Foods	57,900	24.3%	July 2007
London Drugs	27,393	11.5%	November 2024

Smithers Mall, Highway 16 and King Street, Smithers, British Columbia

Smithers Mall is a 43,795 square foot single-level enclosed community mall in Smithers, located 376 kilometres west of Prince George. Smithers' regional trade area has a population of approximately 25,000. Smithers is an isolated community known for its forestry and tourism industries. The mall plays a key role in the community and faces very limited competition. Smithers Mall is anchored by a 25,752 square foot Zellers which is the only major retail clothing store in the area. Another key tenant is Bank of Nova Scotia. In addition, a Safeway under separate ownership and title forms part of, and has access to, the mall and is an important shadow anchor. As of December 31, 2006, Smithers Mall was 100.0% leased and occupied by six tenants. The mall was built in 1973 and renovated in 1995 and 2001. It is situated on a 3.16 acre site and has parking for approximately 300 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Zellers	25,752	58.8%	March 2008
Bank of Nova Scotia	4,017	9.2%	November 2008

Cariboo Mall, 575 South Cariboo Highway, 100 Mile House, British Columbia

Cariboo Mall is a 37,961 square foot single-level enclosed community mall in 100 Mile House, located approximately 125 kilometres northwest of the city of Kamloops. 100 Mile House's regional trade area has a population of approximately 20,000. 100 Mile House is located in a region known for its lumber industry and year-round tourism. Cariboo Mall is situated in a commercial zone along Highway 97, the province's main transportation route linking the south central part of British Columbia to the province's northern interior and Alaska. Cariboo Mall plays a key role in the community and faces very limited competition. The mall's key tenants include Bargain Shop, Pharmasave, and True Value Hardware. A Safeway supermarket and a provincially run liquor store, both located on an adjacent property under separate title and ownership, have direct access to the mall. As of December 31, 2006, Cariboo Mall was 100.0% leased and occupied by ten tenants. The mall was built in 1974 and renovated in 1994. It is situated on a 3.44 acre site and has parking for 287 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Bargain Shop	10,700	28.2%	January 2017
Pharmasave	9,027	23.8%	December 2012
True Value Hardware	6,390	16.8%	March 2010

Evergreen Centre, 6638 – 6660 Sooke Road, Sooke, British Columbia

Evergreen Centre is a 67,756 square foot single-level open community plaza with an adjacent two-level multi-tenant office building in Sooke, located 38 kilometres west of downtown Victoria. Sooke has a population of 8,735 and is considered to be a suburb of Victoria. Evergreen Centre is situated in a predominantly residential area and is considered the local area's dominant retail centre. The plaza has a strong mix of local and national tenants including Fields Store and Shoppers Drug Mart, as well as a strong regional tenant, Western Foods, a family owned regional grocery chain. The plaza plays a key role in the community and faces limited competition. As of December 31, 2006, Evergreen Centre was 87.9% leased and occupied by 22 tenants. The plaza was built in 1978 and renovated in 2000. It is situated on a 6.97 acre site and has parking for 255 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Western Foods	13,565	20.0%	April 2009
Shoppers Drug Mart	7,244	10.7%	May 2011
Fields Store	6,592	9.7%	February 2010

Alberta

As at December 31, 2006, the REIT owned three properties in the Province of Alberta consisting of community shopping centres located in Edmonton, Medicine Hat and Wetaskiwin. The industries that form the base of the Alberta economy include oil and gas, livestock, agriculture, forestry and industrial products.

Millwoods Mainstreet Mall, 6400 – 6600 28th Avenue, Edmonton, Alberta

Millwoods Mainstreet Mall is a 139,771 square foot single-level open community shopping centre in Edmonton. Edmonton has a population of approximately 938,000. Millwoods Mainstreet Mall is located in the Millwoods area, which is the dominant retail zone of southeast Edmonton. Millwoods Mainstreet Mall is situated on two non-contiguous sites, containing 8 individual buildings. The shopping centre is anchored by an IGA which has a long-term lease expiring in 2012. The shopping centre's other key tenants include Rogers Video, Bank of Montreal and Value Drug Mart. The mall competes with the neighbouring Millwoods Town Centre which is anchored by a Safeway store. As of December 31, 2006, Millwoods Mainstreet Mall was 96.8% leased and occupied by 42 tenants. The mall was built in 1992. It is situated on a 15.75 acre site and has parking for approximately 800 vehicles. The REIT sold a 19,295 square foot portion of the property in 2004. In the event that the REIT decides to sell this property, an adjacent landowner has a right of first refusal on a small section of the property.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
IGA	34,606	24.8%	January 2012
Rogers Video	7,219	5.2%	February 2014
Bank of Montreal	6,490	4.6%	March 2012
Value Drug Mart	5,375	3.8%	February 2012

Carry Plaza, 3201 Dunmore Road, Medicine Hat, Alberta

Carry Plaza is a 59,274 square foot single-level open neighbourhood plaza located within the southeastern periphery of Medicine Hat. Medicine Hat is located 287 kilometres east of Calgary. Medicine Hat services a broad sector of southeastern Alberta and southwestern Saskatchewan and has a regional trade area population of approximately 127,000. Medicine Hat's economy is dominated by the agricultural and petroleum industries. The city is located on the Trans-Canada highway linking Calgary and Regina. The plaza benefits from its location immediately across the street from Medicine Hat Mall, the city's leading regional shopping centre occupied by The Bay, Sears and Safeway. Carry Plaza has a strong mix of local tenants including Only Women's Fitness, Medicine Hat Buffet, Earl's Restaurant and Bank of Montreal. As of December 31, 2006, Carry Plaza was 91.8% leased and occupied by 18 tenants. The plaza was built in 1991. It is situated on a 4.84 acre site and has parking for 265 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Only Women's Fitness	10,300	17.4%	February 2009
Medicine Hat Buffet	6,000	10.1%	September 2009
Earl's Restaurant	5,250	8.9%	December 2008
Bank of Montreal	3,200	5.4%	February 2011

Wetaskiwin Mall, 3725 – 56th Street, Wetaskiwin, Alberta

Wetaskiwin Mall is a 142,800 square foot single-level enclosed community mall in Wetaskiwin, located approximately 75 kilometres south of Edmonton. Wetaskiwin's regional trade area has a population of approximately 40,000. Wetaskiwin is located in a region dominated by the petroleum industry. Wetaskiwin Mall is the only enclosed mall in the town, plays a key role in the community and faces limited competition. The mall's key tenants include Liquidation World and Dollarama. In addition, a Canadian Tire, located on an adjacent property under separate title and ownership, has direct access to the mall and is an important shadow anchor. There is also a McDonald's restaurant, which the REIT understands occupies a free-standing pad under a prepaid long-term ground lease, on an adjacent property. In addition, Wal-Mart has vacated the premises and is moving to a neighbouring site and a leasing strategy is being developed to fill this vacancy. Wal-Mart ceased paying rent in January, 2007. As of December 31, 2006, Wetaskiwin Mall was 91.6% leased and occupied by 29 tenants. The mall was built in 1980 and renovated in 2002. It is situated on a 15.1 acre site and has parking for approximately 950 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Wal-Mart (dark)	50,706	35.5%	January 2007
Liquidation World	20,000	14.0%	January 2017
Dollarama	9,300	6.5%	October 2016

Saskatchewan

As at December 31, 2006, the REIT owned seven properties in the Province of Saskatchewan consisting of community shopping malls located in Saskatoon, Regina (2), Swift Current, Kindersley, Prince Albert and Moose Jaw. The industries that form the base of the Saskatchewan economy include agriculture, mining, manufacturing and oil and gas.

Grand Central Plaza, 320 – 22nd Street West, Saskatoon, Saskatchewan

Grand Central Plaza is a 32,723 square foot single-level open neighbourhood plaza located in Saskatoon. Saskatoon has a population of approximately 226,000. Grand Central Plaza is situated on the west side of the city, at a busy site close to the Yellowhead Trail, the main transportation route across central Saskatchewan. The plaza's key tenants include Great Buffet of China and City Centre Bingo, which is owned and operated by the major service clubs in Saskatoon. As of December 31, 2006, Grand Central Plaza was 93.4% leased and occupied by three tenants. The plaza comprises four free-standing single-level buildings constructed between 1985 and 1997. The plaza is situated on a 3.4 acre site and has parking for 284 vehicles. In the event that the REIT decides to sell its interest in the property, a tenant has, in certain circumstances, a right of first refusal to acquire the REIT's interest.

Key Tenants	**Area Leased (sq. ft.)**	**% GLA**	**Expiry Date**
City Centre Bingo	19,281	58.9%	January 2012
Great Buffet of China	10,812	33.0%	August 2015

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

Golden Mile Shopping Centre is a 228,790 square foot enclosed community mall located in Regina. Regina has a population of approximately 192,800. Golden Mile Shopping Centre was the first enclosed mall in the city and is situated in South Albert Street retail corridor, approximately two kilometres from Regina's downtown core. The mall's key tenants include Extra Foods, Winners, Royal Bank of Canada, Liquidation World and a ten screen Rainbow Cinema. Located in a mature residential area, the mall's nearest competition is the 437,00 square foot Southland Mall, which is anchored by Wal-Mart and Safeway and was acquired by the REIT as part of the Riocan Portfolio acquisition. As of December 31, 2006, Golden Mile Shopping Centre was 95.2% leased and occupied by 53 tenants. The mall was built in 1959, redeveloped in 1977, 1988, 1990 and 2002 and renovated in 2003. It is situated on a 13.43 acre site and has parking for 819 vehicles.

Key Tenants	**Area Leased (sq. ft.)**	**% GLA**	**Expiry Date**
Extra Foods	41,448	18.1%	September 2011
Winners	24,462	10.7%	November 2012
The Rainbow Cinema	23,637	10.3%	March 2008
Liquidation World	15,194	6.6%	January 2011
Royal Bank of Canada	10,451	4.6%	October 2010

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

Wheatland Mall is a 119,698 square foot single-level enclosed community mall in Swift Current, located on the Trans-Canada Highway approximately 245 kilometres west of Regina. Swift Current's regional trade area has a population of approximately 55,000. Swift Current is in a region known for its agricultural, ranching and oil and gas industries. The mall occupies a strong location and is well established in Swift Current. The REIT's key tenant in the mall is Wal-Mart, which vacated the premises but will continue to pay rent until January, 2008. Through a remerchandising plan developed to lease the vacancy, the space has now been leased and is occupied by Peavey Mart and Liquidation World. In addition, Pioneer Co-Op, the province's leading regional retailer, is located on an adjacent property under separate ownership and title and is an important shadow anchor. As of December 31, 2006, Wheatland Mall was 81.6% leased and occupied by 33 tenants. The mall was built in 1975 and renovated in 1988. It is situated on a 30.6 acre site and has parking for 1,256 vehicles. In the event that the REIT decides to sell its interest in the property, an adjacent landowner has, in certain circumstances, a right of first refusal to acquire the REIT's interest.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Wal-Mart (dark)	66,576	55.6%	January 2008
Peavey Mart	25,155	21.0%	October 2016
Liquidation World	21,000	17.5%	August 2017

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

Kindersley Mall is a 121,254 square foot single-level enclosed community mall in Kindersley, located approximately 125 kilometres west of the city of Saskatoon. Kindersley's regional trade area has a population of approximately 35,000. The town is located in a region dominated by the petroleum industry. Kindersley Mall is the only enclosed mall in the area and is anchored by strong tenants including Zellers and Extra Foods, which are the region's largest department store and supermarket, respectively. A Canadian Tire and McDonald's, both under separate ownership and title, form part of, and have access to, the mall and are important shadow anchors. As of December 31, 2006, Kindersley Mall was 93.3% leased and occupied by 22 tenants. The mall was built in 1981 and redeveloped in 1996. It is situated on an 11.75 acre site and has parking for 820 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Zellers	40,331	33.3%	October 2007
Extra Foods	29,775	24.6%	October 2007

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

South Hill Mall is a 189,061 square-foot single-storey enclosed community mall in Prince Albert, located approximately 140 kilometres northeast of Saskatoon. Prince Albert is the province's third largest city with a population of approximately 35,000. Prince Albert's primary industries are mining, forestry and agriculture. South Hill Mall consists of five buildings and is located on the southwest corner of 2nd Avenue West and 28th Street West approximately 1.5 kilometres north of Prince Albert's downtown area. The mall's key tenants are Winners and Shoppers Drug Mart, both of whom commenced operations in 2002, and Galaxy Cinemas, which commenced operations in 2003. A Safeway, on adjacent land under separate title and ownership located to the north of the mall, has direct access to the mall and is an important shadow anchor. As of December 31, 2006, South Hill Mall was 67.2% leased. The mall and one stand-alone building were built in 1973. The mall was expanded in 2002/2003. It is situated on an approximately 23 acre site and has parking for approximately 1,600 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Winners	25,036	13.2%	April 2012(1)
Galaxy Cinemas	21,961	11.6%	June 2018
Shoppers Drug Mart	18,356	9.7%	January 2018

Note:

(1) The tenant has the right to terminate the lease in 2007 upon payment of $100,000.

Southland Mall - 2960 Gordon Road, Regina, Saskatchewan

Southland Mall is a 439,010 square-foot enclosed community mall consisting of the main mall and five standalone retail buildings located in Regina. Regina has a population of approximately 192,800. Southland Mall is located at the intersection of two of the city's major arterial routes immediately north of the Trans Canada Highway. The mall is anchored by Wal-Mart and Safeway, and contains a diverse mix of tenants that include Cineplex and Chapters. As of December 31, 2006, Southland Mall was 97.3% leased. The mall was built in a number of phases beginning in 1975. Subsequent expansions and renovations were completed in 1977, 1989, 1994 and 1997. The five stand-alone retail buildings were built between 1995 and 2000. Southland Mall is situated on an approximately 52 acre site, and has parking for approximately 2,300 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Wal-Mart	147,356	33.6%	January 2010
Safeway	38,609	8.8%	March 2010
Cineplex	36,165	8.2%	May 2017
Chapters	25,172	5.7%	April 2009

Town ‘N’ Country Mall - 1235 Main Street North, Moose Jaw, Saskatchewan

Town ‘N’ Country Mall is a 357,580 square-foot enclosed community mall in Moose Jaw, located in south-central Saskatchewan approximately 71 kilometres west of the city of Regina. Moose Jaw has a population of approximately 32,000 and serves as a hub to the many small towns and farms in the local region. Town ‘N’ Country Mall is Moose Jaw’s only enclosed mall and is located approximately 1.6 kilometres north of the city’s central business district and 1.6 kilometres south of the Trans Canada Highway. The mall is anchored by Zellers and its other key tenants include Sears, Winners and Galaxy Cinemas. As of December 31, 2006, Town ‘N’ Country Mall was 86.5% leased. The mall was built in two phases beginning in 1973 with the south portion added in 1979. The mall was renovated and expanded in each of 2001 and 2002. It is situated on a 26.3 acre site and has parking for approximately 1,400 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Zellers	95,644	26.7%	October 2009
Sears	60,355	16.9%	August 2010
Winners	23,248	6.5%	April 2012(1)
Galaxy Cinemas	22,173	6.2%	June 2021

Note:
(1) The tenant has the right to terminate the lease in 2007 upon payment of $100,000.

Manitoba

As at December 31, 2006, the REIT owned three properties in the Province of Manitoba consisting of convenience, neighbourhood and community shopping centres located in Winnipeg, Brandon and Thompson. The industries that form the base of the Manitoba economy include the services sector, agriculture, transportation, mining and manufacturing.

Island Lakes Village Centre, 14 Island Shore Boulevard, Winnipeg, Manitoba

Island Lakes Village Centre is a 21,353 square foot single-level open community plaza located in Winnipeg. Winnipeg has a population of approximately 671,000. Island Lakes Village Centre is situated on a good site in a residential suburb of the city. The plaza is situated on the only commercially zoned land in the immediate area and faces limited competition. Island Lakes Village Centre’s key tenants include Rainbow Daycare and Marquis Dance Academy. As of December 31, 2006, Island Lakes Village Centre was 100% occupied by 13 tenants. Phase I of the plaza was built in 1989 and Phase II was completed in 2004. The plaza is situated on a 2.4 acre site and has parking for approximately 100 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Rainbow Daycare	4,200	19.7%	September 2013
Marquis Dance Academy	4,267	20.0%	July 2009

First Victoria Mall, 510 – 1st Street, Brandon, Manitoba

First Victoria Mall is an 11,041 square foot single-level open community plaza in Brandon, located on the Trans-Canada Highway approximately 215 kilometres west of Winnipeg. Brandon is the second largest city in Manitoba and has a regional trade area population of approximately 180,000. Brandon's economy is focused on agricultural industries including the Maple Leaf Foods processing plant that opened in 1999. The plaza's key tenants include Blockbuster Video and Shell Circle K. The mall is well located and serves the convenience needs of the surrounding neighbourhood with limited competition. As of December 31, 2006, First Victoria Mall was 100% leased and occupied by five tenants. The plaza was built in 1990. It is situated on a 0.99 acre site and has parking for 56 vehicles. In the event that the REIT decides to sell its interest in the plaza, a tenant has, in certain circumstances, a right of first refusal to acquire the REIT's interest.

Key Tenants	**Area Leased (sq. ft.)**	**% GLA**	**Expiry Date**
Blockbuster Video	4,160	37.7%	January 2009
Shell Circle K	2,045	18.5%	February 2010

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

City Centre Mall is a 183,651 square foot single-level enclosed community mall in Thompson, located approximately 770 kilometres north of the city of Winnipeg. Thompson's regional trade area has a population of approximately 45,000. Thompson is in a region whose economy is dominated by hydro-electricity production and an Inco nickel refinery. City Centre Mall, located in the heart of Thompson, plays a key role in the community. The mall's key tenants include Wal-Mart, Safeway, Mark's Work Warehouse and TD Bank. There is additional expansion capacity on the site. As of December 31, 2006, City Centre Mall was 99.0% leased and occupied by 28 tenants. The mall was built in 1971 and renovated most recently in 1999. It is situated on an 18.95 acre site and has parking for approximately 1,000 vehicles. In the event that the REIT decides to sell its interest in the mall, a tenant has, in certain circumstances, a right of first refusal to acquire the REIT's interest.

Key Tenants	**Area Leased (sq. ft.)**	**% GLA**	**Expiry Date**
Wal-Mart	80,000	43.6%	August 2007
Safeway	39,251	21.4%	April 2014
Mark's Work Warehouse	8,070	4.4%	October 2007
TD Bank	4,500	2.5%	May 2008

Ontario

As at December 31, 2006, the REIT owned thirteen properties in the Province of Ontario consisting of two office properties located in Toronto and Kingston, five community shopping centres located in St. Catharines, Kenora, St. Thomas, Midland and Orangeville, and six retail buildings located in Kingston. The industries that form the base of the Ontario economy include the services sector, manufacturing, mining and other natural resources.

Woodbine Place, 135 Queens Plate Drive, Toronto, Ontario

Woodbine Place is a well maintained 91,198 square foot six-storey multi-tenant office building, including 5,527 square feet of ground floor retail space, located in Toronto. Toronto has a population of approximately 2,480,000, is North America's fourth largest city and is Canada's financial and business centre. Woodbine Place is located at the intersection of Rexdale Boulevard and Queens Plate Drive in northwest Toronto. The building's key tenants include RIMI, Rexlaw Management and BFI Canada. RIMI's lease of 8,957 square feet of space has been amended by reducing the leased square footage by 3,278 square feet. The REIT signed a lease to take the 3,278 square feet effective February 2006 which is being used as the REIT's head office. As of December 31, 2006, Woodbine Place was 79.3% leased and occupied by 25 tenants. The building was built in 1991. It is situated on a 3.1 acre site and has exterior parking for 230 vehicles and underground parking for 50 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
RIMI	5,679	6.2%	October 2009
Rexlaw Management	17,147	18.8%	February 2010
BFI Canada	11,175	12.3%	December 2010

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

Lincoln Value Centre is a 355,878 square foot single-level open community plaza in St. Catharines, located 110 kilometres south of Toronto. St. Catharines has a population of approximately 129,000. The plaza is on a large, prominent site in the north central part of St. Catharines. The economy of St. Catharines is diverse and includes the automobile industry. The plaza's key tenants include Wal-Mart, a No Frills supermarket and a new format Canadian Tire. There are several developments of competing nature within a 7 kilometre radius of the plaza, including the 989,000 square foot Pen Centre; however Lincoln Value Centre is well located within a mature residential development providing a good primary market catchment. As of December 31, 2006, Lincoln Value Centre was 98.9% leased and occupied by 18 tenants. The plaza was built in 1968 and renovated in 2001. It is situated on a 35 acre site and has parking for approximately 2,000 vehicles. In the event that the REIT decides to sell its interest in the plaza, a tenant has, in certain circumstances, a right of first refusal to acquire the REIT's interest.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Wal-Mart	128,400	36.1%	July 2010
Canadian Tire	86,491	24.3%	May 2020
No Frills	25,950	7.3%	June 2013

Kenora Shoppers Mall, 534 Park Street, Kenora, Ontario

Kenora Shoppers Mall is a 154,023 square foot single-level enclosed community mall in Kenora, located on the Trans-Canada Highway approximately 210 kilometres east of Winnipeg, and 290 kilometres west of Thunder Bay. Kenora is the second largest centre in northwestern Ontario and has a regional trade population of approximately 63,000 with the summer season adding approximately 30,000 more residents. Kenora is in the Lake of the Woods region whose economy is supported by the forestry, tourism and mining industries. Kenora Shoppers Mall is situated in downtown Kenora and faces competition from a newly developed open format retail centre across town. The mall is itself a major tourist destination as it is the only enclosed mall in the city. The mall's key tenants include Zellers and Extra Foods. As of December 31, 2006, Kenora Shoppers Mall was 94.9% leased and occupied by 19 tenants. The mall was built in 1974 and renovated in 2002. It is situated on a 8.24 acre site and has parking for approximately 500 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Zellers	75,133	48.8%	November 2014
Extra Foods	28,131	18.3%	July 2011

Clock Tower Plaza, 819-863 Norwest Road, Kingston, Ontario

Clock Tower Plaza is a 25,946 square foot single-level open neighbourhood plaza in Kingston, located approximately 250 kilometres east of Toronto, with a population of approximately 146,000. Clock Tower Plaza is located on the south side of Norwest Drive, which intersects with the service road from the Cataraqui Town Centre. The surrounding area is mainly single family and high density residential development. The plaza's key tenants include Remax, Cora's and Dorrance & Wyngaarden. As of December 31, 2006, Clock Tower Plaza was 92.7% leased and occupied by 11 tenants. The plaza was built in 1986. It is situated on a 2.79 acre site and has parking for 135 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Remax	6,975	26.9%	July 2009
Dorrance & Wyngaarden	3,125	12.0%	June 2009
Cora's	3,790	14.6%	December 2012

U.B.S. Furniture, 351 Select Drive, Kingston, Ontario

UBS Furniture is a 28,000 square foot stand alone retail building in Kingston. The building is occupied by a single tenant, United Buy & Sell Furniture, and is located at the intersection of Princess Street and Futures Gate. The surrounding area includes a major retail development occupied by tenants that include RONA, Cashway and Chapters, and there is also a major residential development to the immediate south and north of the property. The building was built in 1992. It is situated on a 2.4 acre site and has parking for 120 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
UBS Furniture	28,000	100.0%	July 2012

370 Select Drive, Kingston, Ontario

370 Select Drive is a 21,244 square foot single-story office building in Kingston, located at the intersection of Princess Street and Futures Gate. The surrounding area includes a major retail development occupied by tenants that include RONA, Cashway and Chapters, and there is also a major residential development to the immediate south and north of the property. The single tenant of the building is the Ontario Ministry of Health. The building was built in 1994. It is situated on a 2.35 acre site and has parking for 114 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Ministry of Health	21,244	100.0%	June 2009

944 Futures Gate, Kingston, Ontario

944 Futures Gate is a 7,933 square foot stand alone retail building in Kingston, located at the intersection of Princess Street and Futures Gate. The surrounding area includes a major retail development occupied by tenants that include RONA, Cashway and Chapters, and there is also a major residential development to the immediate south and north of the property. The single tenant of the building is Mattress Mart. The building was built in 1995. It is situated on a 1.12 acre site with access to parking for 123 vehicles. There is a parking easement in favour of a neighbouring property which allows for the potential encroachment of the parking requirement for the site.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Mattress Mart	7,933	100.0%	July 2008

Value Centre, 375 & 381 Select Drive, Kingston, Ontario

Value Centre is a 20,092 square foot single-level open neighbourhood plaza in Kingston, located at the intersection of Princess Street and Futures Gate. The surrounding area includes a major retail development occupied by tenants that include RONA, Cashway and Chapters, and there is also major residential development to the immediate south and north of the property. The plaza's key tenants include the Ontario Ministry of Transportation and Serco Designs Inc. As of December 31, 2006 Value Centre was 67.2% leased and occupied by three tenants. The building was built in two stages in 1991 and 1992. It is situated on a 2.33 acre site and has parking for 92 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Serco Designs Inc.	5,768	28.7%	August 2013
Ontario Ministry of Transportation	3,623	18.0%	July 2007

681- 691 Gardiners Road, Kingston, Ontario

681- 691 Gardiners Road is a 48,040 square foot single-level open neighbourhood plaza in Kingston. The plaza is located on Gardiners Road, directly across the street from the RIOCAN Power Centre consisting of approximately 400,000 square feet of big box retail outlets anchored by a number of tenants, including Sears, Winners, Staples, Michaels, HomeSense, Old Navy and Home Depot. The surrounding area includes a major residential development to the immediate south and north of the property. The plaza's key tenants include Dacon Corporation, Speedy Muffler, MDG Computers and Hakim Optical. As of December 31, 2006, the plaza was 100% leased and occupied by five tenants. The building was built in 1965 and renovated in 1985 and 1993. It is situated on a 11 acre site and has parking for 102 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Dacon Corporation	37,072	77.2%	March 2008
Speedy Muffler	4,879	10.2%	July 2010
MDG Computers	2,490	5.2%	January 2008

1412 Bath Road, Kingston, Ontario

1412 Bath Road is a 20,173 square foot stand alone retail building in Kingston. The building is located on a major four lane arterial road linking Kingston's city centre to the west end. The surrounding area includes a major retail development housing a Wal-Mart and there is also major residential development to the immediate west and east of the property. As of December 31, 2006, the plaza was 100% leased and occupied by a single tenant. The building was built in 1985 and is situated on a 7.29 acre site.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Giant Tiger	20,173	100%	September 2011

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

Elgin Mall is a 265,343 square-foot single-level enclosed community mall in St. Thomas, located approximately 28 kilometres south of the city of London. St. Thomas has a population of approximately 35,000 and is home to automobile manufacturing facilities, including Ford's Crown Victoria auto plant. Elgin Mall is anchored by Zellers. The mall's other key tenants include A&P, Galaxy Cinemas, A Buck or Two and TD Canada Trust. As of December 31, 2006, Elgin Mall was 92.7% leased. The mall was built in 1974, and expanded in 1987 and 1993. It is situated on a 19.7 acre site and has parking for approximately 1,300 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Zellers	86,853	32.7%	October 2010
A&P	35,578	13.4%	October 2012
Galaxy Cinemas	21,326	8.0%	November 2023
A Buck or Two	11,051	4.2%	November 2013
TD Canada Trust	4,333	1.6%	December 2006

Mountainview Mall - 9226 Highway 93, Midland, Ontario

Mountainview Mall is a 303,844 square-foot single-storey enclosed community mall consisting of the main mall and a stand-alone single-use retail building in Midland, located on Georgian Bay approximately 54 kilometres north of the city of Barrie. Midland is centrally located within the southern Georgian Bay area and has a regional trade population of approximately 43,000. In the summer months, the area population grows to over 100,000 due to cottages, resort hotels and provincial and national parks. Mountainview Mall is the primary mall in Midland. The mall is anchored by a recently renovated and expanded Zellers. The mall's other key tenants include Food Basics (A&P), Galaxy Cinemas and Shoppers Drug Mart. As of December 31, 2006, Mountainview Mall was 87.7% leased. The mall was built in 1983 with renovations completed in 1999 and 2000. It is situated on an approximately 37 acre site and has parking for approximately 1,700 vehicles.

Key Tenants	**Area Leased (sq. ft.)**	**% GLA**	**Expiry Date**
Zellers	113,223	37.3%	September 2008
Food Basics (A&P)	38,173	12.6%	July 2008
Galaxy Cinemas	26,153	8.6%	December 2020
Shoppers Drug Mart	10,216	3.4%	November 2010

Orangeville Mall - 150 First Street, Orangeville, Ontario

Orangeville Mall is a 183,406 square-foot single-storey enclosed community mall consisting of the main mall and a stand-alone single-use retail building in Orangeville, located 80 kilometres northwest of the city of Toronto and 75 kilometres south of the city of Collingwood. Orangeville Mall is directly adjacent to RioCan Fairgrounds and is anchored by Zellers. The mall's other key tenants include A&P and Shoppers Drug Mart. As of December 31, 2006, Orangeville Mall was 98.7% leased. The mall was built in 1977, with an extension for Zellers added in 1993 and the stand-alone retail building constructed in 2000. It is situated on an approximately 17 acre site and has parking for approximately 800 vehicles.

Key Tenants	**Area Leased (sq. ft.)**	**% GLA**	**Expiry Date**
Zellers	86,484	47.2%	September 2009
A&P	30,087	16.4%	September 2013
Shoppers Drug Mart	7,270	4.0%	February 2010

Quebec

Retrocom REIT owns one community shopping centre located in LaSarre and a 50% interest in a neighbourhood shopping centre located in Laval. The industries that form the base of the Quebec economy include the services sector, manufacturing, mining, forestry, energy and agriculture.

Les Promenades St. Francois, 600 Montee-Du-Moulin, Laval, Quebec

Les Promenades St. Francois is a 58,464 square foot single-level open community plaza in Laval, located 28 kilometres north of Montreal. Laval has a population of approximately 343,000. The plaza has recently been converted from an enclosed shopping centre and its location is easily accessible to Highway 40. The plaza's key tenants include Jean Coutu, Dollarama and Caisse Populaire. In addition, a Provigo under separate title and ownership is adjacent to the mall and is an important shadow anchor. As of December 31, 2006, Les Promenades St. Francois was 93.6% leased and occupied by 19 tenants. The mall was built in 1958, de-malled in 1999 and renovated in 2003. It is situated on a 4.24 acre site and has parking for approximately 250 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Jean Coutu	11,578	19.8%	April 2016
Dollarama	8,374	14.3%	February 2009
Caisse Populaire	6,412	11.0%	August 2011

Plaza La Sarre - 77-2ie`me Rue Est, La Sarre, Quebec

Plaza La Sarre is a 81,602 square-foot single-storey enclosed community mall in La Sarre, located approximately 82 kilometres north of the city of Rouyn-Noranda. La Sarre has a population of approximately 22,000 and is located at the intersection of provincial highways 393 and 111. Plaza La Sarre is anchored by Métro-Richelieu. A Canadian Tire, located on an adjacent property under separate title and ownership, has direct access to the mall, and is an important shadow anchor. Plaza La Sarre's other key tenants include L'Aubainerie and Dollarama. As of December 31, 2006, Plaza La Sarre was 89.7% leased. The mall was built in 1977, with an addition to the south end of the mall completed in 1996. It is situated on an approximately 9 acre site and has parking for approximately 300 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Métro-Richelieu	23,305	28.6%	November 2010
L'Aubainerie	11,554	14.2	March 2013
Dollarama	10,540	12.9%	March 2015

New Brunswick

As at December 31, 2006, the REIT owned a 50% interest in one property in the Province of New Brunswick consisting of a two-level open community plaza located in Saint John. The industries that form the base of the New Brunswick economy include the manufacturing of food, beverage and wood-based products, mining, fishing, agriculture and telecommunications.

Lansdowne Place, 55 Lansdowne Avenue, Saint John, New Brunswick

Lansdowne Place is a 202,046 square foot two-level open community plaza in Saint John, located 103 kilometres northeast of Fredericton and 125 kilometres southwest of Moncton. Saint John is one of the major industrial centres of Atlantic Canada and has a population of approximately 180,000. The plaza is conveniently situated near a high concentration of residential development in the city's north end, resulting in steady consumer traffic. It has a favourable tenant mix comprised of local, regional and national companies. Lansdowne Place's key tenants include Zellers, Shoppers Drug Mart, and a call centre operated by Spiegel Group. As of December 31, 2006, Lansdowne Place was 99.1% leased and occupied by 23 tenants. The mall consists of five separate buildings built in 1959 and renovated in 1980 and 2000. The mall is situated on a 16.7 acre site and has parking for approximately 970 vehicles. The mortgage on the plaza has been cross-collateralized with indebtedness owed by the previous vendor on two other properties in which the REIT has no interest. The previous vendor has indemnified the REIT against any losses that the REIT may incur in connection with a default by the previous vendor under the cross-collateralized loan, and has granted to the REIT a dilution right pursuant to which the previous vendor's co-ownership interest in Lansdowne Place would be reduced and the REIT's interests correspondingly increased, to the extent that any default by the previous vendor under the cross-collateralized loan is not covered by the indemnity.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Zellers	60,999	30.2%	August 2010
Spiegel Group	37,815	18.7%	June 2011
Shoppers Drug Mart	18,013	8.9%	September 2020

Nova Scotia

As at December 31, 2006, the REIT owned a 50% interest in one property in the Province of Nova Scotia, an open community neighbourhood plaza in the Halifax Regional Municipality. The industries that form the base of the Nova Scotia economy include mining, forestry, fishing and tourism.

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

Staples Plaza is a 150,466 square foot two-level open community plaza located in the Halifax Regional Municipality. The Halifax Regional Municipality has a population of approximately 359,000. The plaza is situated near the busiest intersection of a traditionally strong retail market in the eastern portion of the Halifax Regional Municipality. Staples Plaza – Woodlawn is a major community shopping centre in an area with a growing residential base. The plaza's key tenants include Atlantic Fabrics, Pennington's and a recently constructed freestanding Staples. As of December 31, 2006, Staples Plaza – Woodlawn was 93.6% leased and occupied by 37 tenants. The plaza was built in 1968 and was last renovated in 2001. It is situated on a 9.36 acre site and has parking for 512 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Staples	25,815	17.2%	August 2016
Atlantic Fabrics	20,261	13.5%	September 2011
Pennington's	7,411	4.9%	July 2011

Yukon

As at December 31, 2006, the REIT owned one property in the Yukon Territory consisting of a community shopping centre located in Whitehorse. The industries that form the base of the Yukon economy include mining, tourism and the services sector.

Qwanlin Mall, 303 Ogilvie Street, Whitehorse, Yukon

Qwanlin Mall is a 100,789 square foot single-level enclosed community mall located in Whitehorse. Whitehorse is the capital and the largest community in the Yukon Territory, with approximately 21,400 people or two-thirds of the territory's population. Qwanlin Mall is located in Whitehorse's downtown core and is close to local retail trade and tourist traffic. Qwanlin Mall's key tenants are Extra Foods and a recently built Staples store. As of December 31, 2006, Qwanlin Mall was 97.4% leased and occupied by nine tenants. The mall was built in 1972 and renovated in 1999. It is situated on a 6.11 acre site and has parking for approximately 300 vehicles.

Key Tenants	Area Leased (sq. ft.)	% GLA	Expiry Date
Extra Foods	33,487	33.2%	April 2008
Staples	28,150	27.9%	April 2019
Liquidation World	19,775	19.6%	September 2016

Debt Strategy

The REIT seeks to maintain a combination of short, medium and long-term debt maturities that are appropriate for the overall debt level of its portfolio, taking into account availability of financing and market conditions and the financial characteristics of each Property. The Declaration of Trust provides that the REIT may not incur or assume any indebtedness if, after incurring or assuming such indebtedness, the total consolidated indebtedness of the REIT would be more than 60% of Gross Book Value (which may increase by up to 10% to the extent of convertible debentures of the REIT from time to time outstanding). For purposes of this calculation, the face amount of convertible debentures will constitute indebtedness. The Declaration of Trust also limits new debt on individual properties or pools of properties to no more than 75% of their value.

As at December 31, 2006, the total consolidated indebtedness of the REIT was 63.26% of Gross Book Value. Overall interest rates and debt maturities are reviewed regularly by the Trustees to ensure that appropriate debt management strategies are implemented.

The REIT has in place a $35 million operating line with a Canadian chartered bank, secured by the REIT's assets. The operating line provides for conditions precedent to draw down, events of default and positive and negative covenants customary for operating facilities of this nature. The ability of the REIT to drawdown amounts under its operating line from time to time may be constrained by the limitations on REIT indebtedness set out above. See "Investment Guidelines and Operating Policies".

The REIT and the current chartered bank providing the operating line have agreed to extend the maturity date of the credit facility to March 31, 2008 on similar terms, except as follows :

- a reduction of the maximum limit to $28 Million on March 31, 2007
- a reduction of the maximum limit to $20 Million on June 30, 2007
- a reduction of the maximum limit to $15 Million on September 30, 2007

Schedule of Debt Maturities

The following table summarizes, as at December 31, 2006, the REIT's principal debt repayments (excluding capital lease obligations) over each of the next five calendar years and thereafter (assuming such debt is not renewed at maturity):

Term Facilities	**Payments of Principal**	**Debt Maturing During Year**	**Total**	**% of Total**	**Weighted Average Interest Rate[1]**
2007	6,188,089	32,975,764	39,163,853	24.02%	7.57%
2008	5,224,834	537,173	5,762,007	3.53%	6.26%
2009	3,628,574	44,675,812	48,304,386	29.62%	6.23%
2010	2,081,379	6,958,917	9,040,296	5.54%	7.18%
2011	1,909,315	0	1,909,315	1.17%	5.81%
Thereafter	6,089,338	52,806,456	58,895,794	36.12%	5.78%
Total	25,121,529	137,954,122	163,075,611	100.00%	

Long Term Debt (excluding operating line) as a percentage of Gross Book Value[2]	55.54%
Debt (including operating line) as a percentage of Gross Book Value	63.26%
Weighted average interest rate	6.52%
Weighted average interest rate (excluding operating line)	6.44%

Notes:

(1) Without giving effect to the Interest Rate Subsidy Agreement.

(2) Gross Book Value means, at any time, the book value of the assets of the REIT and its consolidated subsidiaries, as shown on its then most recent consolidated balance sheet, plus accumulated depreciation and amortization recorded in the books and records of the REIT in respect of its properties, calculated in accordance with Canadian generally accepted accounting principles.

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

Competitive Conditions

The REIT has certain competitive advantages in the income-producing mid-market segment that enhances its ability to identify and capitalize on acquisition opportunities in the mid-market niche. These advantages include: (i) management's extensive understanding of the Canadian income-producing mid-market commercial real estate marketplace; and (ii) the REIT's profile as a publicly-traded issuer in a market segment characterized predominantly by private owner-operators. Many mid-market properties owned by private owner-operators tend to be highly leveraged and, therefore, are more vulnerable to interest rate increases. The REIT's experienced management team employs proven management and operating systems, and maintains a conservative debt profile on behalf of the REIT.

RISK FACTORS

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

Real Property Ownership

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

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

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

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

Availability of Growth Opportunities

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

Reliance on Anchor Tenants

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

Financing Risks

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

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

Competition

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

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

Access to Capital

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties, as well as, to fund its growth strategy and significant capital expenditures from time to time. There is no assurance that capital will be available when needed or on favourable terms.

Availability of Cash Flow

Distributable Income may exceed actual cash available to the REIT from time to time because of items such as principal repayments, tenant allowances, leasing commissions, capital expenditures and redemptions of Units, if any. The REIT may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. The REIT anticipates temporarily funding such items, if necessary, through its operating line of credit in expectation of refinancing long-term debt on its maturity.

Environmental Matters

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

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

The REIT is not aware of any material non-compliance with environmental laws at any of its properties, and is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties. The REIT will continue to implement policies and procedures to assess, manage and monitor environmental conditions at its properties to manage exposure to liability.

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

Fluctuations in the Market Price of Units

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets.

One of the factors that may influence the market price of the Units is the annual yield on the Units. An increase in market interest rates may lead purchasers of Units to demand a higher annual yield, which accordingly could adversely affect the market price of the Units. In addition, the market price of the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of the REIT.

Potential Conflicts of Interest

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

Retail Concentration

The REIT's portfolio is heavily weighted in retail properties. Consequently, the market value of the Properties and the income generated from them could be negatively affected by changes in the retail environment.

General Uninsured Losses

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

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

Tax-Related Risk Factors

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

(a) Income Trust Proposals

On December 21, 2006, the Minister of Finance (Canada) released draft legislation (the "Proposals") relating to the federal income taxation of certain publicly traded trusts and limited partnerships ("specified investment flow-throughs" or "SIFTs"). Under the Proposals, certain distributions from a SIFT that is a trust will no longer be deductible in computing a SIFT's income and a SIFT will be subject to tax on such distributions at a rate that is substantially equivalent to the general tax rate applicable to a Canadian corporation. However, the Proposals provide that distributions paid by a SIFT as returns of capital will not be subject to the tax.

The Proposals provide that a SIFT which was publicly listed before November 1, 2006 (an "Existing Trust") would become subject to the tax on distributions commencing with the 2011 taxation year end. However, an Existing Trust may become subject to this tax prior to the 2011 taxation year-end if its equity capital increases beyond certain limits measured against the market capitalization of the Existing Trust at the close of the trading on October 31, 2006 (see discussion below).

Under the Proposals, the new taxation regime will not apply to a real estate investment trust (the "REIT Exemption") that meets prescribed conditions relating to the nature of its income and investments (the "REIT Conditions"). Unless the REIT is able to meet all REIT Conditions, the Proposals, if enacted, would subject the REIT to the new tax commencing in 2011, which would adversely impact the level of cash otherwise available for distribution.

The REIT Conditions contain a number of technical tests that many Canadian real estate investment trusts, including the REIT, may find difficult to satisfy. For example, the REIT owns certain property which may not meet these technical tests, including depreciable property the capital cost allowance rate for which is greater than 5%, such as parking lots (and ancillary items) appurtenant to certain of the properties comprising the REIT's portfolio. If such property is "non-portfolio property" of the REIT, then the REIT would not meet the REIT Conditions. In addition, the Notice of Ways and Means Motion that accompanied the federal budget announced on March 19, 2007 provides that the permitted capital cost allowance in respect of non-residential buildings will increase from 4% to 6% for properties acquired after March 19, 2007. This increase will result in each non-residential building acquired by the REIT after March 19, 2007 being characterized as "non-portfolio property" other than a "real or immovable property" situated in Canada unless conforming amendments are made to the Proposals. Assuming that the Proposals and the March 19, 2007 Notice of Ways and Means Motion were enacted as proposed, management of the REIT believes that the REIT would not satisfy the REIT Conditions to qualify for the REIT Exemption.

Accordingly, if the Proposals are enacted as currently drafted, commencing in 2011, the REIT would become subject to the new tax. Distributions of income of SIFTs received by unitholders that are not deductible to the SIFT will be treated as dividends payable to unitholders. The Proposals indicate that such deemed dividends from a SIFT will be taxed as a taxable dividend that is an "eligible dividend" from a taxable Canadian corporation such that the enhanced dividend gross-up and credit mechanism would apply to such deemed dividends that are received by a holder that is an individual. Dividends received or deemed to be received by a holder that is a corporation will generally be deductible in computing the corporation's taxable income and will be added to the corporation's general rate income pool. Certain corporations, including private corporations or subject corporations (as such terms are defined in the Tax Act), may be liable to pay a refundable tax under Part IV of the Tax Act of 33⅓% on dividends received or deemed to be received to the extent that such dividends are deductible in computing taxable income.

As noted above, generally, for income trusts the units of which were publicly traded prior to November 1, 2006, such as the REIT, there is a four year transition period and the Proposals, if otherwise applicable, will not apply until 2011. However, the background material released with respect to the Proposals (the "Backgrounder") stated that the application date of 2011 is subject to certain concerns. The Backgrounder indicates that, as an example, while there is now no intention to prevent existing income trusts from “normal growth” prior to 2011, any “undue expansion” of an existing income trust (such as might be attempted through the insertion of a disproportionately large amount of additional capital) could cause this to be revisited. On December 15, 2006, the Minister of Finance (Canada) announced guidelines with respect to the meaning of “undue expansion” and “normal growth” (the “Guidelines”). The Guidelines state that the Department of Finance will not recommend any change to the 2011 date in respect of any SIFT whose equity capital grows as a result of issuances of new equity (which includes units and convertible debentures), in any of the following periods: (i) November 1, 2006 to December 31, 2007, and (ii) each of the calendar years 2008 through 2010, by an amount that does not exceed the greater of $50 million and an objective safe harbour cumulative amount based on a percentage of the SIFT’s market capitalization on October 31, 2006 (the “benchmark”). For this purpose, market capitalization is to be measured in terms of the value of a SIFT’s issued and outstanding publicly-traded units, not including debt (whether or not that debt carried a conversion right or was itself publicly-traded), options or other interests that were convertible into units of the SIFT. For the period from November 1, 2006 to December 31, 2007, a SIFT’s safe harbour will be 40% of the benchmark. A SIFT’s safe harbour cumulative limit will increase by 20% of the benchmark for each of the 2008 through 2010 calendar years, in aggregate allowing growth of up to 100% over the four-year transition period.

The Proposals did not contain legislation to implement the Guidelines nor the consequences of exceeding “normal growth”. Accordingly, the consequences of exceeding the Guidelines are based solely on the Backgrounder and there can be no assurance that any legislation enacted to address the normal growth restriction will be the same as the Backgrounder and the Guidelines. There can be no assurance that any future additions to the capital or assets of the REIT will not, alone or in combination with each other and/or such public offering, be considered to be an undue expansion of the REIT within the meaning contemplated in the Guidelines. In the event that the REIT undergoes an undue expansion within the meaning contemplated in the Guidelines and the REIT does not then qualify for the REIT Exception, the REIT would become subject to the Proposals.

It is possible that changes will be made to the Proposals prior to their enactment. If the Proposals are not changed, the REIT may need to restructure its affairs in order to minimize, or if possible eliminate, the impact of the Proposal. There can be no assurances, however, that changes will be made to the Proposals or that the REIT would be able to restructure such that the REIT would not be subject to the tax contemplated by the Proposals. There can also be no assurance that further review of the tax treatment of flow-through entities will not be undertaken or that Canadian federal income tax law respecting flow-through entities or the Proposals will not be further changed in a manner which adversely affects the REIT and unitholders. To the extent that changes are made to the Proposals, such changes could result in the Canadian federal income tax considerations described herein being materially different in certain respects. Until the Proposals are passed into law, it is uncertain what the impact will be to the REIT and its unitholders.

A Notice of Ways and Means motion to implement certain provisions of the 2006 budget were tabled on March 27, 2007 and included revisions to the Proposals. At this time the REIT has not completed its review of the effect to it of these revisions.

(b) Qualified Investment Status

The Tax Act imposes penalties for the acquisition or holding of non-qualified investments by Plans. The REIT will endeavour to ensure that the Units continue to be qualified investments for Plans. Under the current version of the Tax Act, Units will cease to be qualified investments for Plans if the REIT is no longer qualified as a mutual fund trust. Alternatively, based on a proposal announced in the 2007 federal budget, Units will also be qualified investments for Plans as long as the Units are listed on the TSX (or another “designated stock exchange”). Trust Notes received on a redemption in specie will not be qualified investments under the Tax Act for Plans. Based on a proposal announced in the 2007 federal budget, Trust Notes would be qualified investments under the Tax Act for Plans if the Trust Notes have an investment grade rating from a recognized credit rating agency and are part of a minimum $25 million issuance.

(c) Distributions in the Form of Units

The Declaration of Trust of the REIT provides that a sufficient amount of the REIT’s net income and net realized capital gains will be distributed each year to Unitholders or otherwise in order to eliminate the REIT’s liability for tax under Part I of the Tax Act. Where such amount of net income and net realized capital gains of the REIT in a taxation year exceeds the cash available for distribution in the year, such excess net income and net realized capital gains will be distributed to Unitholders in the form of additional Units. Unitholders will generally be required to include an amount equal to the fair market value of those Units in their taxable income, in circumstances where they do not directly receive a cash distribution.

(d) Deduction of Expenses

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

(e) Tax Deferred Distributions

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

(f) Accelerated Realization of Gains

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

Specific Lease Considerations

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

Interest Rate Fluctuations

The REIT's financing includes indebtedness with interest payments based on variable lending rates that will result in fluctuations in the REIT's cost of borrowing. To the extent that interest rates rise, the REIT's operating results and financial condition could be adversely affected.

Reliance on RGFI

RGFI has agreed to provide to the REIT certain environmental and other indemnities. To the extent RGFI is unable to fulfil these obligations, Distributable Income may be adversely affected which could in turn reduce distributions made to Unitholders.

Dilution

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

Nature of Investment

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

Restrictions on Redemptions

It is anticipated that the redemption right will not be the primary mechanism for holders of Units to liquidate their investments. Series 2 or Series 3 Trust Notes which may be distributed in specie to holders of Units in connection with a redemption will not be listed on any stock exchange and no established market is expected to develop for such securities, and such securities may be subject to an indefinite "hold period" or other resale restrictions under applicable securities laws. 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. Regulatory approvals will be required in connection with the distribution of Series 2 or Series 3 Trust Notes in specie to holders of Units in connection with a redemption.

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

Possibility of Unitholder Liability

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

However, in jurisdictions outside of the Provinces of Ontario, Quebec and Alberta (and in those jurisdictions in certain circumstances), there remains a risk (which is considered by counsel to be remote in the circumstances) that a Unitholder or annuitant could be held personally liable for obligations of the REIT (to the extent that claims are not satisfied by the REIT) in respect of contracts which the REIT enters into and for certain liabilities arising other than out of contract including claims in tort, claims for taxes and possibly certain other statutory liabilities. The Trustees intend to cause the REIT's operations to be conducted in such a way as to minimize any such risk, including by obtaining appropriate insurance and, where feasible, attempting to have every material written contract or commitment of the REIT contain an express disavowal of liability against the Unitholders (which in the opinion of counsel will be effective).

INVESTMENT GUIDELINES AND OPERATING POLICIES

Investment Guidelines

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

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

(a) notwithstanding anything in paragraphs (b) to (k) below, the REIT must not make any investment, take any action or omit to take any action that would result in Units not being units of a "mutual fund trust" within the meaning of the Tax Act, that would result in Units not being qualified investments for Plans, that would result in the REIT being liable under the Tax Act to pay a tax as a result of holdings by the REIT of "foreign property" as defined in the Tax Act, that would result in Units being foreign property for the purpose of the Tax Act for any such Plan or that would result in the REIT paying a tax under Part XI of the Tax Act;

(b) the REIT may only invest, directly or indirectly, in:

   (i) interests (including fee ownership and leasehold interests) in income-producing real property located primarily in Canada;

   (ii) corporations, trusts, partnerships or other persons which solely have, directly or indirectly, interests (including the ownership of leasehold interests) in income-producing property located primarily in Canada (or activities relating or ancillary thereto); and

   (iii) such other activities as are consistent with the other investment guidelines of the REIT and are approved by a majority of the Trustees from time to time.

(c) the REIT will not invest in any interest in a single real property if, after giving effect to the proposed investment, the cost of investment to the REIT (net of the amount of debt incurred or assumed in connection with such investment) will exceed 20% of the Adjusted Unitholders' Equity at the time the investment is made;

(d) the REIT may, directly or indirectly, invest in a joint venture arrangement for the purposes of owning interests or investments otherwise permitted to be held by the REIT; provided that such joint venture arrangement contains terms and conditions which, in the opinion of the Trustees, are commercially reasonable, including without limitation such terms and conditions relating to restrictions on transfer and the acquisition and sale of the REIT's and any joint venturer's interest in the joint venture arrangement, provisions to provide liquidity to the REIT (such as buy-sell mechanisms), provisions to limit the liability of the REIT to third parties, and provisions to provide for the participation of the REIT in the management of the joint venture arrangement. For purposes hereof, a joint venture arrangement is an arrangement between the REIT and one or more other persons ("joint venturers") pursuant to which the REIT, directly or indirectly, conducts an undertaking for one or more of the purposes set out above and in respect of which the REIT may hold its interest jointly or in common or in another manner with others either directly or through the ownership of securities of a corporation or other entity (a "joint venture entity"), including, without limitation, a general partnership, limited partnership or limited liability company;

(e) except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of Canada or of a province of Canada, short-term government debt securities, or receivables under instalment receipt agreements or money market instruments of, or guaranteed by, a Schedule I Canadian bank maturing prior to one year from the date of issue or except as permitted pursuant to subparagraphs (b), (d), (g), (i) and (j) of these guidelines, and pursuant to subparagraph (a) under the heading "Investment Guidelines and Operating Policies – Operating Policies", the REIT may not hold securities other than (i) securities of any issuer referred to in subparagraph (b); (ii) securities of a joint venture entity; or (iii) securities of an entity wholly-owned, directly or indirectly, by the REIT formed and operated solely for the purpose of holding, directly or indirectly, a particular real property or real properties and provided further that, notwithstanding anything contained in the Declaration of Trust to the contrary, the REIT may acquire securities of other real estate investment trusts;

(f) the REIT must not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;

(g) the REIT must not invest, directly or indirectly:

(i) in operating businesses unless such investment is an indirect investment and is incidental to a transaction:

(A) where revenue will be derived, directly or indirectly, principally from real property; or

(B) which principally involves the ownership, maintenance, improvement, leasing or management, directly or indirectly, of real property (in each case as determined by the Trustees); or

(ii) in predominantly special purpose properties, such as hotels, nursing homes or resort properties;

(h) provided that the REIT will maintain its status as a mutual fund trust within the meaning of the Tax Act, the REIT may invest in raw land for development and ownership or for other development projects for the purpose of (i) renovating or expanding Properties or facilities on adjacent properties, or (ii) developing new properties which will, upon completion, be income producing provided that the aggregate value of the investments of the REIT in raw land, after giving effect to the proposed investment, will not exceed 5% of the Gross Book Value;

(i) the REIT may invest in mortgages and mortgage bonds (including participating or convertible mortgages) and similar instruments where:

(i) the mortgage or mortgage bond is issued by a subsidiary;

(ii) (A) the real property which is security therefor is income-producing real property which otherwise meets the other investment guidelines of the REIT;

(B) the amount of the mortgage loan is not in excess of 75% of the market value of the property securing the mortgage and the mortgage has at least 1.2X debt service coverage;

(C) the mortgage is a first ranking mortgage registered on title to the real property which is security therefor; and

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

(j) notwithstanding any of the provisions hereof, the REIT may invest in any mortgage which is not a first ranking mortgage for purposes of providing, directly or indirectly, financing in connection with a transaction in which the REIT is the vendor or with the intention of using such mortgage as part of a method for subsequently acquiring an interest in or control of a property or a portfolio of properties; provided that the aggregate value of the investments of the REIT in mortgages, after giving effect to the proposed investment, will not exceed 20% of the Adjusted Unitholders' Equity; and

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

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

Operating Policies

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

(a) the REIT must not purchase, sell, market or trade in currency or interest rate futures contracts otherwise than for hedging purposes where, for the purposes hereof, the term "hedging" has the meaning ascribed thereto by National Instrument 81-102 adopted by the Canadian Securities Administrators, as amended from time to time;

(b) (i) any written instrument creating an obligation which is or includes the granting by the REIT of a mortgage; and

(ii) to the extent management determines to be practicable, any written instrument which is, in the judgment of management, a material obligation

must contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort must not be had to, nor will recourse or satisfaction be sought from, the private property of any of the Trustees, Unitholders, annuitants under a plan of which a Unitholder acts as a trustee or carrier, or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof is bound; the REIT, however, is not required, but must use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the REIT upon the acquisition of real property;

(c) the REIT will not lease or sublease to any person any real property, premises or space where that person and its affiliates would, after the contemplated lease or sublease, be leasing or subleasing real property, premises or space having a fair market value net of encumbrances in excess of 20% of Adjusted Unitholders' Equity;

(d) the limitation contained in paragraph (c) will not apply to the renewal of a lease or sublease and will not apply where the lessee or sub lessee is, or where the lease or sublease is guaranteed by: (i) the Government of Canada, the Government of the United States, any province or territory of Canada, any state of the United States, any municipality or city in Canada, or any agency or crown corporation thereof; (ii) any entity, of which any of the bonds, debentures or other evidences of indebtedness of, or guaranteed by, such entity, or any of the other securities of such entity, have received and continue to hold, an investment grade rating from a recognized credit rating agency, in each case at the time the lease or sublease is entered into, or at the time other satisfactory leasing or pre-leasing arrangements (as determined by the Trustees in their discretion) were entered into; or (iii) a Canadian chartered bank or a trust company or insurance company registered or licensed federally or under the laws of a province of Canada;

(e) in addition to the provisions of paragraph (h) under the heading "Investment Guidelines", the REIT may engage in activities in order to maintain its real properties in good repair or to improve the income-producing potential of properties in which the REIT has an interest;

(f) title to each real property shall be held by and registered in the name of the REIT, the Trustees or a corporation or other entity owned, directly or indirectly, by the REIT or jointly-owned, directly or indirectly, by the REIT, with joint venturers or a corporation which is a nominee, directly or indirectly, of the REIT which holds registered title to such real property pursuant to a nominee agreement with the REIT;

(g) the REIT will not incur any new indebtedness (otherwise than by the assumption of existing indebtedness) or renew or refinance any indebtedness under a mortgage on any of the real property of the REIT where (i) in the case of an individual property, the total amount of indebtedness secured by mortgages on such property exceeds 75% of the market value of such individual property, other than the three Properties located in 100 Mile House, British Columbia, Kindersley, Saskatchewan and Smithers, British Columbia; or (ii) in the case of more than one property or a pool or portfolio of properties, the total amount of indebtedness secured by mortgages on such properties exceeds 75% of the market value of such properties on an aggregate basis;

(h) the REIT will not incur or assume any indebtedness if, after giving effect to such indebtedness, the total indebtedness of the REIT would be more than 60% of the Gross Book Value (which may increase by up to 10% of Gross Book Value to the extent of convertible debentures of Retrocom REIT from time to time outstanding). For the purposes of this paragraph, the term "indebtedness" means any obligation of the REIT for borrowed money provided that (A) an obligation will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the REIT in accordance with GAAP; and (B) indebtedness excludes trade accounts payable, distributions payable to Unitholders and accrued liabilities arising in the ordinary course of business;

(i) at no time will the REIT incur indebtedness aggregating more than 15% of its Gross Book Value (excluding trade account payables, accrued liabilities arising in the ordinary course of business, debt with an original maturity of one year or more falling due in the next 12 months or variable rate debt for which the REIT has entered into interest rate swap agreements to fix the interest rate for a one year period or more and distributions payable to Unitholders) at floating interest rates or having maturities of less than one year;

(j) the REIT will not directly or indirectly guarantee any indebtedness or liabilities of any kind of a third party, except indebtedness or liabilities assumed or incurred by an entity in which the REIT holds an interest, directly or indirectly, or by an entity jointly-owned by the REIT with joint venturers and operated solely for the purpose of holding a particular property or properties where such indebtedness, if granted by the REIT directly, would not cause the REIT to otherwise contravene the guidelines set out under the heading "Investment Guidelines" or these operating policies. The REIT is not required but must use its reasonable best efforts to comply with this requirement (i) in respect of obligations assumed by the REIT pursuant to the acquisition of real property or (ii) if doing so is necessary or desirable in order to further the initiatives of the REIT permitted under the Declaration of Trust;

(k) no acquisition may be made nor any development undertaken unless and until the officers of the REIT have prepared and presented to the Investment Committee or the Trustees a written report containing their recommendation that the REIT make the investment together with a financial analysis of the estimated cost and projected return from the investment and such supplementary information and data (including, without limitation, underlying assumptions, proposed financial arrangements, leasing and economic and market data) as is reasonably necessary to the investment decision;

(l) the REIT must obtain and maintain at all times property insurance coverage in respect of potential liabilities of the REIT from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties; and

(m) the REIT must obtain a building condition report and a Phase I environmental assessment ("ESA") of each real property to be acquired by it and, if the Phase I ESA report recommends a Phase II ESA be conducted, the REIT must conduct a Phase II ESA, in each case by an independent and experienced environmental consultant; as a condition to any acquisition, any such ESA to be satisfactory to the Trustees within discretion.

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

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

Amendments to Investment Guidelines and Operating Policies

Pursuant to the Declaration of Trust, all of the investment guidelines set out under the heading "Investment Guidelines" and the operating policies contained in subparagraphs (b), (e), (g), (h), (i), (l) and (m) set out under the heading "Operating Policies" may be amended only with the approval of two-thirds of the votes cast by Unitholders 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 will be made in the sole discretion of the Trustees.

General

The REIT made monthly distributions from April, 2004 until December, 2006. On December 21, 2006, the REIT announced that it will be making quarterly rather than monthly distribution payments following the December 2006 distribution. The REIT intends to continue making cash distributions to Unitholders on each quarterly Distribution Date (subject to an election by Unitholders to utilize the Distribution Reinvestment Plan described below). Pursuant to the Declaration of Trust, the REIT is only required to make distributions to Unitholders equal to taxable income calculated prior to such distributions.

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

Distributions are made in cash, subject to an election by a Unitholder to have the Unitholder's distributions automatically reinvested in additional Units under the REIT's Distribution Reinvestment Plan. See "Distribution Reinvestment Plan".

Computation of Distributable Income

Distributable Income means net income determined in accordance with GAAP, subject to certain adjustments as set out in the Declaration of Trust, including: (i) adding back the following items: depreciation of buildings, amortization of tenant improvements, amortization of value of tenant rents in in-place lease agreements, amortization of differential between original rent and above market rents, amortization of customer relationships, future income tax expense, losses on dispositions of assets and amortization of any net discount on long-term debt assumed from vendors of properties at rates of interest less than fair value; and (ii) deducting the following items: amortization of differential between original rents and below market rents, future income tax credits, gains on dispositions of assets and amortization of any net premium on long-term debt assumed from vendors of properties at rates of interest greater than fair value. Other adjustments may be made to Distributable Income as determined by a majority of the Trustees in their discretion.

In 2005, adjustments to Distributable Income were approved by the Trustees as follows:

(i) the interest rate subsidies received from the vendor of the Riocan Portfolio effectively lowering the cash payments required under the assumed mortgages will be added to Distributable Income;

(ii) any adjustments for discontinued operations will only be made in the quarter in which a property is determined to be discontinued; and

(iii) a one time add back for the income earned by the Riocan Portfolio as the acquisition was effective July 1, 2005 and, as a result, the revenue and expenses from such properties were received by the REIT. The distributions paid by the REIT to Unitholders in the third quarter of 2005 were based on the REIT owning the Riocan Portfolio from July 1, 2005.

In 2006, adjustments to Distributable Income were approved by the Trustees to add back certain non-recurring costs related to any transaction considered or proposed by the Special Committee pursuant to its mandate including but not limited to such items as the termination fee paid to the asset manager, special advisor fees and costs of the Special Committee.

Effective in the fourth quarter of 2006, the Trustees approved an amendment to the definition of Distributable Income in the REIT's Declaration of Trust. Discontinued operations (excluding gains/losses on sale) will be included in Distributable Income beginning in the fourth quarter of 2006.

Where appropriate, estimates may be made of Distributable Income by a majority of the Trustees where the actual amount has not been finally determined.

Computation of Net Realized Capital Gains and Net Recapture Income

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

Tax Deferral on Distributions

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

Distribution Reinvestment Plan

The REIT has adopted a Distribution Reinvestment Plan, pursuant to which registered Unitholders are entitled to elect to have all cash distributions of the REIT automatically reinvested in additional Units at a price per Unit calculated by reference to the weighted average of the trading price for the Units on the TSX for the five 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 will be invested in the REIT to be used for future property acquisitions, capital improvements and working capital.

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

On March 21, 2007, the REIT announced that until further notice it had suspended its Distribution Reinvestment Plan effective immediately and that for unitholders that had been participating in the Plan, all future distributions made by the REIT would automatically be paid in cash and would no longer be used to purchase additional units of the REIT.

Distribution History

In March 2004, the REIT paid a distribution of $0.0285 for a 10 day period from March 22, 2004, the date the Initial Offering closed, to March 31, 2004. This payment represented a pro rated distribution of $0.0854 on a monthly basis. In each month since April 2004 up to and including November 2005, the REIT has paid a monthly distribution of $0.0854. In each month from December 2005 up to and including November 2006, the REIT has paid a monthly distribution of $0.0683. In December 2006, the REIT paid a monthly distribution of $0.05. On December 21, 2006, the REIT announced that it will be making quarterly rather than monthly distribution payments following the December 2006 distribution. This quarterly distribution will be $0.15.

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

CAPITAL STRUCTURE

The following is a summary, which does not purport to be complete, of the material attributes of the Units and 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.

General

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

Units

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

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

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

Meetings of Unitholders

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

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

A meeting of Unitholders may be convened at any time and for any purpose by the Trustees and must be convened, except in certain circumstances, if requisitioned in writing by the holders of not less than 10% of the Units then outstanding. 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).

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

Redemption Right

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

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

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

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

Cash payable on redemptions will be paid pro rata to all Unitholders tendering Units for redemption in any month. 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 will, 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 Subsidiary Trust Units of a value equal to the balance of the Redemption Price will be redeemed by Subsidiary 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 include a multiple less than $100, that number shall be rounded to the next lowest integral multiple of $100. The REIT will be entitled to all interest paid on the Subsidiary Trust Notes, if any, and distributions paid on the Subsidiary 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 Subsidiary 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.

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.

On March 21, 2007, the REIT announced that the Toronto Stock Exchange (TSX) had approved the REIT’s application to make a Normal Course Issuer Bid for the repurchase of its Units. Pursuant to the bid, the REIT will be entitled to repurchase up to 1,797,914 of its Units (representing approximately 10% of the REIT’s public float of outstanding Units as at March 20, 2007) over the twelve-month period commencing on March 23, 2007. The Trustees of the REIT have concluded that the ongoing purchase by the REIT of certain of its Units, in accordance with the bid, is a sound investment opportunity for the REIT based on the current market price for its Units and would be in the best interests of the REIT and its Unitholders. All purchases will be made through the facilities of the TSX, and the Units purchased under the bid will be cancelled.

Take-Over Bids

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

Issuance of Units

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

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

Limitation on Non-Resident Ownership

In order for the REIT to maintain its status as a "mutual fund trust" under the Tax Act, the REIT must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, at no time may non-residents of Canada (within the meaning of the Tax Act) be the beneficial owners of more than 49% of the Units and the Trustees will inform the transfer agent and registrar of this restriction. The Trustees may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Trustees become 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 may make a public announcement thereof and will 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 determine that more than 49% of the Units are held by non-residents, the Trustees 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 with satisfactory evidence that they are not non-residents within such period, the Trustees may, on behalf of such Unitholders sell such Units and, in the interim, must suspend the voting and distribution rights attached to such Units. Upon such sale the affected holders will cease to be holders of Units and their rights will 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 will have no liability for the amount received provided that they act in good faith.

Information and Reports

The REIT will furnish to Unitholders such financial statements (including quarterly and annual financial statements) and other reports as are from time to time required by the Declaration of Trust and by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation. Prior to each meeting of Unitholders, the Trustees will 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:

(g) aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over: (i) the Trustees or over the REIT; (ii) the status of the REIT as a "mutual fund trust" or "registered investment" under the Tax Act (including whether the Units are foreign property for purposes of the Tax Act); or (iii) the distribution of Units;

(h) which, in the opinion of the Trustees, provide additional protection for the Unitholders;

(i) 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;

(j) which, in the opinion of the Trustees, are necessary or desirable to remove conflicts or inconsistencies between the disclosure in the Prospectus and the Declaration of Trust;

(k) 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;

(l) which, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation or other laws;

(m) which, in the opinion of the Trustees, are necessary or desirable to enable the REIT to implement a Unit option or purchase plan or issue Units for which the purchase price is payable in instalments;

(n) 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

(o) 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.

DESCRIPTION OF OTHER SECURITIES

As at the date hereof, the REIT had outstanding the following debentures (collectively, the "Debentures"): (i) $30,000,000 principal amount of a 4.50% convertible non-callable debenture, due on July 26, 2008 (the "Riocan Debenture"); and (ii) $20,000,000 aggregate principal amount of 7.50% convertible unsecured subordinated debentures, due on July 31, 2012 (the "Unsecured Debentures"). Below are summaries of the material attributes of the Debentures. Reference should be made to the Riocan Debenture and the trust indenture (the "Indenture") dated July 26, 2005 between the REIT and CIBC Mellon Trust Company for the full texts, and complete descriptions, of the Riocan Debenture and the Unsecured Debentures, respectively.

Riocan Debenture

The Riocan Debenture was issued to RioCan Real Estate Investment Trust on July 26, 2005 as part of the purchase price paid by the REIT to complete its acquisition of a portfolio of seven retail income-producing mid-market commercial properties located in Saskatchewan, Ontario and Quebec (the "Acquisition Properties"). Interest on the Riocan Debenture is compounded semi-annually and payable monthly in arrears on the last business day of each calendar month until maturity or until the debenture is converted into Units. The Riocan Debenture is secured by charges on the Acquisition Properties subordinate to the assumed mortgages thereon and is convertible at any time prior to maturity, in whole or in part, at the option of the holder, for Units at a price equivalent to $10.25 per Unit. The Riocan Debenture is non-callable and on maturity, if such debenture has not been converted by the holder into Units, the principal amount thereof shall be repaid by the REIT in cash.

Unsecured Debentures

The Unsecured Debentures were also issued by the REIT on July 26, 2005 as part of the purchase price paid by the REIT to acquire the Acquisition Properties. Interest on the Unsecured Debentures is compounded semi-annually and payable semi-annually on July 31 and January 31 of each year. The Unsecured Debentures are convertible at the holders' option into Units at any time prior to the earlier of maturity and the business day immediately preceding the date fixed by the REIT for redemption of the Unsecured Debentures at a conversion price of $9.25 per Unit (the "Conversion Price"). The Unsecured Debentures are not redeemable by the REIT prior to July 31, 2009. From July 31, 2009 and prior to July 31, 2011, such debentures may be redeemed in whole or in part at the option of the REIT at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price for the REIT's Units on the TSX is no t less than 125% of the Conversion Price. On and after July 31, 2011 and prior to the maturity date, such debentures may be redeemed in whole or in part at the option of the REIT on not more than 60 days and not less than 30 days prior notice at a price equal to their principal amount plus accrued and unpaid interest. The payment of the principal of, and interest on, the Unsecured Debentures has priority over the payment of any cash or other distributions to the holders of Units, but is subordinated to all senior indebtedness and indebtedness to trade creditors of the REIT. The Unsecured Debentures do not limit the ability of the REIT to incur additional indebtedness that ranks senior to the Unsecured Debentures, or from mortgaging, pledging or charging its properties to secure any indebtedness. The Unsecured Debentures are listed and posted for trading on the TSX.

Market for Securities

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

Period	High	Low	Volume
2006			
January	$7.46	$6.75	794,876
February	$7.31	$6.83	713,860
March	$7.33	$6.35	1,051,739
April	$7.00	$6.45	1,133,267
May	$7.08	$6.50	388,101
June	$6.75	$6.20	627,557
July	$6.99	$6.40	380,283
August	$6.74	$6.32	439,278
September	$6.55	$5.76	822,169
October	$6.25	$5.70	854,746
November	$6.20	$4.75	2,083,577
December	$5.35	$4.82	2,436,424

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

Period	High	Low	Volume
2006			
January	$105.00	$102.30	159,000
February	$104.75	$102.60	251,000
March	$105.50	$104.20	329,000
April	$104.50	$99.50	372,000
May	$100.15	$96.00	255,000
June	$100.00	$98.00	264,000
July	$99.95	$98.01	297,000
August	$102.50	$96.50	244,000
September	$102.50	$96.51	151,000
October	$100.00	$98.00	99,000
November	$101.00	$98.50	144,000
December	$99.25	$98.00	142,000

Management of the REIT

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

Board of Trustees

General

The Declaration of Trust provides that the investment policies and operations of the REIT will be the responsibility of the Board. The Declaration of Trust provides for a Board of between three and 12 Trustees. Currently there are six Trustees. The number of Trustees may be changed by the Unitholders or, by the Trustees, provided that the Trustees may not, between meetings of 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 Unitholders. Subject to certain conditions, a vacancy occurring among the Trustees may be filled by resolution of the remaining Trustees so long as they constitute a quorum or by Unitholders at a meeting of the Unitholders.

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

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

Conflict of Interest Restrictions and Provisions

The Declaration of Trust contains "conflict of interest" provisions 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 *Canada Business Corporations Act*, that require each Trustee to disclose to the REIT any interest in a material contract or transaction or proposed material contract or transaction with the REIT (including a contract or transaction involving the making or disposition of any investment in real property or a joint venture agreement) or the fact that such person is a director or officer of or otherwise has a material interest in any person who is a party to a material contract or transaction or proposed material contract or transaction with the REIT. Such disclosure is required to be made at the first meeting at which a proposed contract or transaction is considered. If a material contract or transaction or proposed material contract or transaction is one that in the ordinary course would not require approval by the Trustees, a Trustee is required to disclose in writing to the REIT, or request to have entered into the minutes of meetings of Trustees, the nature and extent of his interest forthwith after the Trustee becomes aware of the contract or transaction or proposed contract or transaction. In any case, a Trustee who has made disclosure to the foregoing effect is not entitled to vote on any resolution to approve the contract or transaction unless the contract or transaction is one relating to his remuneration or for indemnity under the provisions of the Declaration of Trust or liability insurance.

Independent Trustee Matters

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

- the entering into, waiver of, exercise or enforcement of any rights or remedies under any agreement entered into by the REIT, or the making, directly or indirectly, of any co-investment, with any Trustee who is not an Independent Trustee or any of such Trustee's respective related parties;

- the refinancing or renewal of any indebtedness owing by or to any Trustee who is not an Independent Trustee or any of such Trustee's respective related parties;

- the grant of options or issuing of Units under any option or purchase plan, or any amendment thereto, provided to any Trustee, any officer and/or others;

- any change in the number of Trustees of the REIT and the appointment of Trustees to fill any vacancies created by any increase in the number of Trustees;
- decisions relating to compensation of Trustees; and
- decisions relating to any claim by or against any vendor of properties to the REIT or any of such vendor's related parties.

Governance

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

Mandate of the Board of Trustees

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

Relationship of the Board of Trustees and Management

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

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

TRUSTEES AND OFFICERS OF THE REIT

The Declaration of Trust provides for a Board of between three and 12 Trustees. There are currently six Trustees. The following table sets forth, as of the date hereof, the name, municipality of residence, positions held with the REIT and the principal occupation of each Trustee and officer of the REIT, and the number of Units owned by each of them or over which control or direction is exercised by each of them:

Name and Municipality of Residence	Position with the REIT	Trustee Since	Principal Occupation	Units Beneficially Owned[6]
STEPHEN BELLRINGER [1],[2],[3],[4],[5] Toronto, Ontario	Trustee and Chairman of the Board	2006	Corporate Director	1,087,000

Name and Municipality of Residence	Position with the REIT	Trustee Since	Principal Occupation	Units Beneficially Owned[(6)]
PATRICK J. LAVELLE[(1),(2),(3),(4)] Toronto, Ontario	Trustee	2004	Corporate Director	41,500
CHRISTOPHER J. CANN, CGA[(1),(2),(4)] Pickering, Ontario	Trustee and Chairman of the Audit Committee	2004	Executive Consultant	51,000
HANI ZAYADI [(1),(3),(4),(7)] Toronto, Ontario	Trustee and Chairman of the Governance and Compensation Committee	2006	Retired	Nil
JAMES D MEEKISON [(1),(4),(8)] Toronto, Ontario	Trustee and Chairman of the Investment Committee	2006	Corporate Director	121,288
DAVID FIUME, CA[(9)] Pickering, Ontario	Trustee, Chief Executive Officer	2006	Chief Executive Officer, REIT	45,000
AVIS MAHER, CA[(10)] Oakville, Ontario	Chief Financial Officer	2006	Chief Financial Officer, REIT	Nil

Notes:
(1) Independent Trustee.
(2) Member of the Audit Committee.
(3) Member of the Governance and Compensation Committee.
(4) Member of the Investment Committee.
(5) Mr. Bellringer was appointed as a Trustee of the REIT effective April 20, 2006, filling a vacancy on the Board of Trustees. Mr. Bellringer was appointed Chairman of the Board effective November 14, 2006, replacing Mr. Patrick Lavelle who remains a Trustee.
(6) Includes Units issued pursuant to the REIT's Long Term Incentive Plan ("LTIP"). See the management information circular for the REIT's most recent annual meeting of Unitholders. The REIT announced on February 27, 2006 that, subject to any required regulatory approvals, it intends to cancel the LTIP and return to treasury all units that remain unpaid out of the 807,000 units in aggregate that have been issued thereunder.
(7) Mr. Zayadi was appointed as a Trustee of the REIT effective November 14, 2006, filling a vacancy on the Board of Trustees.
(8) Mr. Meekison was appointed as a Trustee of the REIT effective December 1 2006, filling a vacancy on the Board of Trustees.
(9) Mr. Fiume was promoted to the position of Chief Executive Officer of the REIT effective November 14, 2006, replacing Mr. Walter Davies who had resigned as a Trustee and as the REIT's interim CEO.
(10) Ms. Maher was appointed as the Chief Financial Officer of the REIT effective December 21, 2006.

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

The Trustees and officers of the REIT, as a group, beneficially own, directly or indirectly, or exercise control or direction over, an aggregate of 1,345,788 Units or approximately 7.3% of the issued and outstanding Units of the REIT.

Additional biographical information regarding the Trustees and the officers of the REIT for the past five years is provided as follows:

Stephen Bellringer, Trustee and Chairman. Mr Bellringer currently is a director of B.C. Hydro and Canadian Hotel Income Properties REIT. Mr. Bellringer served as Chairman of Anthem Properties from 2002 until 2004 and President and Chief Executive Officer of Canadian Hotel Income Properties from 1999 to 2002. During his career, Mr. Bellringer held a number of other senior executive positions including President and Chief Executive Officer of Orca Bay Sports and Entertainment, B.C. Gas (Terasen), Transmountain Pipelines and Union Gas.

Hani Zayadi, Trustee. Mr Zayadi recently retired from the position of Group Managing Director, Food, Liquor & Fuel Division of Coles Myer Ltd., Australia's largest retailer. Mr. Zayadi has held a number of senior executive positions with leading retailers, such as Kmart in Australia and with Wal-Mart, Zellers, Hudson's Bay, Woodward and Future Shop in Canada.

James D. Meekison, Trustee. Mr. Meekison currently is President and Chief Executive Officer of Trimin Capital Corp. During his career, Mr Meekison has served as Chairman of Trimin Enterprises Inc., Chairman and President of Fusion Capital Limited, a private investment company, and as a Director and Vice-President Corporate Finance for Nesbitt Thomson Limited. From 1971 to 1986, Mr Meekison was Chairman of Cablecasting Limited, a Canadian cable television company. Throughout his career, Mr. Meekison has held director positions in numerous public and private companies and charitable foundations. Mr Meekison was an outside director of Fantom Technologies Inc., when it filed for creditor protection under the *Companies' Creditors Arrangement Act* (Canada) in 2001.

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

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

David Fiume, Trustee, Chief Executive Officer. Mr. Fiume joined the REIT as its Chief Financial Officer in 2005 and was promoted to Chief Executive Officer in 2006. Mr. Fiume brings to the REIT many years of senior financial experience, most recently as Chief Financial Officer of Telepanel Systems Inc. He was also Chief Financial Officer of Camreal Inc. and Vice President Finance at The Lehndorff Group, later Dundee Realty, which owned and managed real estate and private client investments. After graduating from the University of Toronto with a Bachelors of Commerce degree, Mr. Fiume began his career at KPMG LLP where he practiced as a Chartered Accountant primarily in the real estate industry.

Avis Maher, Chief Financial Officer. Ms. Maher joined the REIT as its Chief Financial Officer in 2006 and brings to the REIT many years of senior financial experience, most recently as Chief Financial Officer of Trimin Capital Corp. She was also Chief Financial Officer of Grey Advertising Ltd, the Canadian subsidiary of an international advertising agency and Director of Finance of Rogers Publishing. After graduating from Queen's University with a

Bachelors of Science degree in Geological Engineering and a Masters in Business Administration, Ms. Maher began her career at Ernst & Young LLP where she practiced as a Chartered Accountant.

ASSET MANAGEMENT

Effective February 28, 2006, the REIT terminated its asset management and property management agreements with RIMI in exchange for a one-time cash payment to RIMI in the amount of $750,000 and other limited considerations, and has internalized its asset management functions by way of an orderly transition to the REIT of office space, staff and related resources required by the REIT.

As at December 31, 2006, the REIT had 8 employees. None of the REIT's employees is covered by a collective bargaining agreement. The REIT has good relationships with its employees.

PROPERTY MANAGEMENT

Property Management Agreements

On July 26, 2005, the REIT and RPST entered into the Riocan Property Management Agreement pursuant to which RPST provides property management services with respect to the Riocan Portfolio.

Effective February 28, 2006, the REIT terminated its asset management and property management agreements with RIMI. In respect of property management and related functions, in March 2006 the REIT negotiated revised property management agreements directly with Arcturus Limited Partnership (formerly O&Y Enterprise Limited Partnership, the "Arcturus Property Management Agreement") and Plaza Atlantic Limited (the "Plaza Property Management Agreement"), each of which had been providing such services to the REIT on an indirect basis. Arcturus provides property management services in respect of the REIT's properties located in British Columbia, Alberta, Saskatchewan, Manitoba and Ontario, other than the properties comprising the Riocan Portfolio. Plaza Atlantic Limited provides property management services in respect of the REIT's Eastern Initial Properties.

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

Fees

In 2006, the REIT paid annual property management fees in an amount equal to 3.2% of the gross revenue on 27 of the Properties, 4% of the gross revenue on ten of the Properties plus, in each case, the REIT pays leasing fees and the recovery by the property manager of certain of its costs.

Payments by Property Manager

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

Term and Termination

The Riocan Property Management Agreement expires on July 26, 2008. For both the Arcturus and Plaza Property Management Agreements, the initial term expires on March 31, 2009 and will be automatically renewed for a further one year period unless the REIT advises either Arcturus or Plazacorp that the agreement is terminated.

The Arcturus Property Management Agreement and the Plaza Property Management Agreement may each be terminated by the REIT at any time upon the occurrence of certain events of default thereunder or at any time on 90 days' prior notice or upon payment in lieu of notice. Each such agreement may be terminated by the other party on not less than 120 days' prior notice to the REIT if there is a default by the REIT thereunder. The Arcturus Property Management Agreement may be terminated by Arcturus, without cause, on six months' prior notice to the REIT. The Riocan Property Management Agreement may be terminated by either party upon the occurrence of certain events of default thereunder.

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

PROMOTERS

RIMI took the initiative in founding and organizing the REIT and may therefore be considered a promoter of the REIT for purposes of applicable securities legislation. Effective February 28, 2006, the REIT terminated its asset management and property management agreements with RIMI. See "General Development of the Business".

LEGAL PROCEEDINGS

There are no legal proceedings involving the REIT which would have a material effect on the REIT.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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

- the acquisition by the REIT of certain of the Initial Properties. See "Acquisition of Initial Properties" in the Prospectus.

TRANSFER AGENT AND REGISTRAR

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

MATERIAL CONTRACTS

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

(a) the Indenture described under "Description of Other Securities";

(b) the Riocan Debenture described under "Description of Other Securities";

(c) the Arcturus Property Management Agreement described under “Property Management - Property Management Agreements”;

(d) the Plaza Property Management Agreement described under “Property Management - Property Management Agreements”;

(e) the Riocan Property Management Agreement described under “General Development of the Business - Internal Growth Through Active Asset Management” and “Property Management - Property Management Agreements”;

(f) the Distribution Reinvestment Plan described under “Distribution Policy - Distribution Reinvestment Plan”;

(g) the Rights Plan described under “General Development of the Business”; and

(h) the operating facility described under “Debt Strategy”.

INTERESTS OF EXPERTS

The auditor of the REIT is KPMG LLP, Chartered Accountants, Suite 3300, Commerce Court West, Toronto, Ontario M5L 1B2. There are no registered or beneficial interests, direct or indirect, in any securities or other property of the REIT or any of its subsidiaries held or received by KPMG LLP.

AUDIT COMMITTEE INFORMATION

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

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

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

Audit Fees

The table below provides disclosure of the services provided and fees earned by the REIT’s external auditors.

Audit Fees

	2006	**2005**
Audits for the respective fiscal years	$300,000	$575,000
Quarterly reviews	150,000	135,000
	$450,000	$710,000

Tax Fees		
Tax compliance services	$38,100	$0
Audit-related Fees		
Review of prospectus (July 20, 2005)	$0	$675,000
Total Fees	**$488,100**	**$1,385,000**

ADDITIONAL INFORMATION

The REIT will provide to any person or corporation, upon request to the Chief Executive Officer of the REIT, at 135 Queens Plate Drive, Suite 420, Toronto, Ontario M9W 6V1:

(a) when the REIT is selling its Units pursuant to a preliminary short form prospectus or a short form prospectus:

(i) one copy of this annual information form together with one copy of any document, or the pertinent pages of any document, incorporated by reference therein;

(ii) one copy of the REIT's comparative financial statements for its most recently completed financial year together with the report of its auditors thereon and one copy of the REIT's interim financial statements, if any, that have been filed subsequent to the financial statements for its most recently completed financial year;

(iii) one copy of the management information circular for its most recent annual meeting of Unitholders; and

(iv) one copy of any other documents that are incorporated by reference into the REIT's preliminary short form prospectus or short form prospectus and are not referred to above; or

(b) at any other time, one copy of any documents referred to in (a)(i), (ii) and (iii) above, provided that the REIT may require the payment of a reasonable charge if the request is made by a person or corporation who is not a holder of Units of the REIT.

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

SCHEDULE "A"
CHARTER OF THE AUDIT COMMITTEE OF
RETROCOM MID-MARKET REAL ESTATE INVESTMENT TRUST

1. PURPOSE OF THE COMMITTEE

1.1 Responsibilities

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

(a) the integrity of the financial information of the REIT;

(b) the financial reporting process of the REIT;

(c) the systems of internal controls which management and the Board have established for the REIT;

(d) the performance of the REIT's external auditors;

(e) the external auditors' qualifications and independence; and

(f) the REIT's compliance with related legal and regulatory requirements and internal policies.

1.2 General

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

1.3 Interpretation

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

2. ESTABLISHMENT AND COMPOSITION OF COMMITTEE

2.1 Establishment of the Committee

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

2.2 Appointment and Removal of Members of the Committee

(a) The members of the Committee shall be appointed by the Board.

(b) The appointment of members of the Committee shall take place from time to time and at the first meeting of the Board after a meeting of the unitholders at which Trustees are elected, provided that if the appointment of members of the Committee is not so made, the Trustees who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.

(c) The Board may appoint a member to fill a vacancy that occurs in the Committee between annual elections of Trustees. The Board shall fill any vacancy if the membership of the Committee is less than three Trustees.

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

2.3 Composition of Committee

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

2.4 Qualifications of Members

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

3. COMMITTEE CHAIR

3.1 Board to Appoint Chair

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

3.2 Chair to be Appointed Annually

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

3.3 Duties of the Chair

(a) provides leadership to the Committee with respect to its functions as described in this Mandate and as otherwise may be appropriate, including overseeing the logistics of the operations of the Committee;

(b) chairs meetings of the Committee, unless not present;

(c) ensures that the Committee meets on a regular basis and at least four times per year;

(d) reviews in advance the agenda and supporting material for Committee meetings as prepared by the Secretary or other members of management;

(e) in consultation with the Chair of the Board and the Committee members, establishes a calendar for holding meetings of and sets the agendas for the meetings of the Committee;

(f) acts as liaison and maintains communication with the Chair of the Board and the Board to optimize and co-ordinate input from Trustees, and to optimize effectiveness of the Committee. This includes reporting to the full Board on all proceedings and deliberations of the Committee at the first meeting of the Board after each Committee meeting and at such other times and in such manner as the Board or the Declaration of Trust of the REIT may require or as the Committee considers advisable;

(g) ensures that the Committee receives adequate and regular updates from management on all issues relating to the business of the REIT; and

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

3.4 Absence of Committee Chair

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

4. COMMITTEE MEETINGS

4.1 Invitees

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

4.3 Time and Place of Meetings

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

4.4 Notice of Meetings

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

4.5 Attendance of Auditors at Meetings

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

4.6 Questions Arising at Meetings

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

4.7 Meet Independently

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

4.8 Secretary

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

4.9 Quorum

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

4.10 Right to Vote

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

4.11 Regular Reporting

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

5. AUTHORITY OF THE COMMITTEE

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

(a) The Audit Committee or any Trustee shall have unrestricted access to members of management and relevant information.

(b) The Audit Committee or any Trustee may retain independent counsel, accountants or others to assist it in the conduct of any investigation.

(c) The Audit Committee shall have the authority to communicate directly with the external auditors.

6. RESPONSIBILITIES OF THE COMMITTEE

6.1 General Responsibilities

(a) conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities;

(b) report Committee activities and actions to the Board with recommendations, as the Committee deems appropriate;

(c) review and update the Audit Committee's charter annually;

(d) perform an evaluation of the Audit Committee's performance at least annually;

(e) meet a minimum of four times per year or more frequently as circumstances require and at any time at the request of a member or the Auditor;

(f) meet at least annually with the external auditors and management in separate sessions to discuss any matters that the Audit Committee believes should be discussed privately and to provide a forum for any relevant issues to be raised;

(g) review with management, and the external auditors, the scope of review of internal control over financial reporting, significant findings, recommendations and management's responses for implementation of actions to correct weaknesses in internal controls;

(h) review disclosures made by the CEO and CFO regarding significant deficiencies in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in the REIT's internal controls;

(i) review with the REIT's legal counsel any legal or regulatory matters that could have a significant impact on the REIT's financial statements or compliance with applicable laws and regulations, and inquiries received from regulators;

(j) review and assess the adequacy of the REIT's policies and procedures for the review of financial information derived from the REIT's financial statements and publicly disclosed;

(k) ensure all complaints arising through the REIT's "whistleblower" policy related to accounting, internal controls or auditing matters are disclosed to the Audit Committee; and

(l) review any significant transactions outside the REIT's ordinary course of business and all pending litigation involving the REIT.

6.2 External Auditors

(m) recommend to the Board the external auditors to be appointed, approve compensation of the external auditors and review and approve any proposal to change the external auditors;

(n) review independence and qualifications of the external auditors. In assessing such independence the Audit Committee shall discuss with the external auditors, and may require a letter from the external auditors outlining, any relationships between the external auditors and the REIT or its affiliates;

(o) review the scope and approach of the annual audit plan with the external auditors;

(p) discuss with the external auditors the quality and acceptability of the REIT's accounting principles including all critical accounting policies and practices used, any alternative treatments that have been discussed with management as well as any other material communications with management;

(q) assess the external auditors' processes for identifying and responding to key audit and internal control risks;

(r) ensure the rotation of the lead audit partner every five years and other audit partners every seven years, and consider regular rotation of the audit firm;

(s) evaluate the performance of the external auditors and present it to the Board;

(t) determine which non-audit services the external auditors are prohibited by law or regulation, or as determined by the Audit Committee, from providing and pre-approve all services provided by the external auditors. The Committee may delegate such pre-approval authority to a member of the Committee. The decision of any Committee member to whom pre-approval authority is delegated must be presented to the full Audit Committee at its next scheduled meeting, and

(u) the Audit Committee shall approve all employees, partners and former employees or partners of the present and former external auditors to be hired by the REIT.

6.3 Financial Reporting

(a) review and approve the REIT's interim financial statements and interim financial information and disclosures under Management's Discussion and Analysis and earnings press releases, prior to filing. If the members of the Audit Committee deem it to be necessary, they shall provide a report to the Board based on this review;

(b) before the Board approves the annual financial statements and related MD&A, the Audit Committee shall review with management and the external auditors, at the completion of the annual audit:

(i) the REIT's annual financial statements, MD&A and related footnotes;

(ii) the external auditors' audit of the financial statements and their report;

(iii) any significant changes required in the external auditors' audit plan;

(iv) any difficulties or disputes with management encountered during the audit;

(v) the REIT's accounting policies;

(vi) other matters related to conduct, which should be communicated to the Committee under generally accepted auditing standards; and

(vii) the Audit Committee shall then present a report to the Board for its review;

(c) review significant accounting and reporting issues and understand their impact on the financial statements. These include complex or unusual transactions and highly judgmental areas; major issues regarding accounting principles and financial presentations, including significant changes in the REIT's selection or application of accounting principles; the effect of regulatory and accounting initiatives, as well as off-balance sheet arrangements, on the financial statements of the REIT;

(d) review analyses prepared by management and/or the external auditors detailing financial reporting issues and judgments made in connection with the preparation of financial information, including analyses of the effects of alternative GAAP methods;

(e) advise management, based upon the Audit Committee's review and discussion, whether anything has come to the Audit Committee's attention that causes it to believe that the financial statements contain an untrue statement of material fact or omit to state a necessary material fact; and

(f) review and monitor the administration of and compliance with the REIT's Declaration of Trust as it may affect the integrity of the REIT's financial statements and its systems of internal controls.

6.4 Treatment of Complaints

(a) establish procedures for the receipt, recording and treatment of complaints received by the REIT regarding accounting, internal controls, or auditing matters; and

(b) establish procedures for the confidential and anonymous submission by employees of concerns regarding accounting or auditing matters of the REIT.

6.5 Limitation on the Oversight Role of the Audit Committee

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

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

7. RESOURCES OF THE COMMITTEE

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

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

8. REMUNERATION OF COMMITTEE MEMBERS

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

9. REGULAR PERFORMANCE EVALUATION

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

10. CHARTER REVIEW

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

11. PARALLEL AUTHORITY OF THE TRUSTEES

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

May, 2006.