

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

Information has been incorporated by reference into this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request, without charge, from Partners Real Estate Investment Trust at 200-710 Redbrick Street, Victoria, BC V8T 5J3, (250) 592-3395 and are also available electronically at [www.sedar.com](http://www.sedar.com).

The securities offered herein have not been and will not be registered under the United States Securities Act of 1933, as amended and, subject to certain exceptions, may not be offered or sold within the United States. See "Plan of Distribution".

## Short Form Prospectus

New Issue

December 20, 2010



### PARTNERS REAL ESTATE INVESTMENT TRUST

**\$7,488,000**

**4,680,000 Units**

This short form prospectus qualifies the distribution of 4,680,000 units (the "Units") of Partners Real Estate Investment Trust (the "Trust") at a price of \$1.60 per Unit (the "Offering") pursuant to an underwriting agreement (the "Underwriting Agreement") dated December 20, 2010 between the Trust and TD Securities Inc. ("TD Securities"), CIBC World Markets Inc., National Bank Financial Inc., Scotia Capital Inc., Canaccord Genuity Corp., Dundee Securities Corporation and Macquarie Capital Markets Canada Ltd. (collectively, the "Underwriters"). The offering price of the Units was determined by negotiation between the Trust and the Underwriters.

The Trust is an unincorporated open-ended real estate investment trust governed by the laws of the Province of Ontario. The currently outstanding Units are listed and posted for trading on the TSX Venture Exchange (the "TSXV") under the trading symbol "PAR.UN". On December 17, 2010, the last trading day prior to the date hereof, the closing price of the Units on the TSXV was \$1.65. The TSXV has conditionally approved the listing of the Units issuable pursuant to the Offering on the TSXV subject to the Trust fulfilling all of the listing requirements of the TSXV within 15 days of the closing of the Offering.

**There are risks associated with an investment in the Units. See "Risk Factors" for a discussion of factors that should be considered by prospective investors and their advisors in assessing the appropriateness of an investment in the Units.**

Price \$1.60 per Unit			
	Price to the Public	Underwriters' Fee <sup>(1)</sup>	Net Proceeds to the Trust <sup>(2)</sup>
Per Unit .....	\$1.60	\$0.096	\$1.504
Total <sup>(3)</sup> .....	\$7,488,000	\$449,280	\$7,038,720

#### Notes:

- (1) Pursuant to the terms of the Underwriting Agreement, the Underwriters will receive a fee equal to 6% of the gross proceeds of the Offering.
- (2) Before deducting the expenses of the Offering, estimated to be \$750,000.
- (3) The Trust has granted to the Underwriters an option (the "Over-Allotment Option") to purchase up to an additional 468,000 Units at a price of \$1.60 per Unit on the same terms and conditions as the Offering, exercisable in whole or in part from time to time up to the 30<sup>th</sup> day following the closing of the Offering for the purposes of covering the Underwriters' over-allocation position, if any. If the Over-Allotment Option is exercised in full, the total price to the public, Underwriters' fee and net proceeds to the Trust (before deducting expenses of the Offering) will be \$8,236,800, \$494,208 and \$7,742,592, respectively. This short form prospectus also qualifies for distribution the grant of the Over-Allotment Option and the issuance of Units pursuant to the exercise of the Over-Allotment option. See "Plan of Distribution" and the table below. A person who acquires Units forming part of the Underwriters' over-allocation position acquires such Units under this short form prospectus

regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or in secondary market purchases.

The following table sets out the securities issuable to the Underwriters in connection with the Offering:

<b>Underwriters' Position</b>	<b>Maximum Size or Number of Securities Available</b>	<b>Exercise Period</b>	<b>Exercise Price</b>
Over-Allotment Option	Option to acquire up to 468,000 Units	Exercisable for a period of 30 days after the closing of the Offering	\$1.60 per Unit

The Underwriters, as principals, conditionally offer the Units, subject to prior sale, if, as and when issued by the Trust and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters relating to the Offering on behalf of the Trust by McCarthy Tétrault LLP and on behalf of the Underwriters by Torys LLP.

Subscription for Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. It is expected that closing of the Offering will occur on or about December 30, 2010 or such other date not later than January 6, 2011 as the Trust and the Underwriters may agree. The Units will be represented by a global certificate issued in registered form to CDS Clearing and Depository Services Inc. ("CDS") or its nominee under the book-based system administered by CDS. No certificates evidencing the Units will be issued to subscribers except in certain limited circumstances, and registration will be made in the depository service of CDS. Subscribers for Units will receive only a customer confirmation from the Underwriters or other registered dealer who is a CDS participant and from or through whom a beneficial interest in the Units is purchased.

Subject to applicable laws and policies, the Underwriters may, in connection with the Offering, effect transactions that stabilize or maintain the market price of the Units at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. The Underwriters propose to offer the Units initially at the offering price specified above. After a reasonable effort has been made to sell all of the Units at the price specified, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Units remaining unsold. Any such reduction will not affect the proceeds received by the Trust. See "Plan of Distribution".

Although the Trust intends to make distributions of a portion of its available cash to holders of the Units (the "Unitholders"), these cash distributions are not assured. A return on an investment in the Trust is not comparable to the return on an investment in a fixed-income security. The ability of the Trust to make cash distributions and the actual amount distributed will be dependent upon, among other things, the financial performance of the Trust, its debt covenants and obligations, its working capital requirements and its future capital requirements. The market value of the Units may deteriorate if the Trust is unable to maintain current levels of cash distributions in the future, and that deterioration may be material. An investment in the Units is subject to a number of risks and investment considerations that should be considered by a prospective purchaser. See "Risk Factors".

**The Trust is not a trust company and is not registered under applicable legislation governing trust companies as it does not carry on or intend to carry on the business of a trust company. The Trust qualifies as a mutual fund trust for the purposes of the *Income Tax Act* (Canada) (the "Tax Act") and offers and sells its Units to the public. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation.**

Subject to certain conditions set out under "Eligibility for Investment", Units offered hereby will constitute a qualified investment for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, tax-free savings accounts, registered education savings plans and registered disability savings plans. As set out under "Eligibility for Investment", prospective purchasers of Units who intend to hold Units in their tax-free savings account should consult their own advisors regarding their particular circumstances.

Investors should be aware that the acquisition or disposition of the securities described in this prospectus may have tax consequences in Canada or elsewhere depending on each particular investor's specific circumstances. Investors should consult their own tax advisors with respect to such tax considerations. The after-tax return from an investment in Units to Unitholders subject to Canadian income tax will depend, in part, on the composition for tax purposes of distributions paid by the Trust on Units, which may be fully or partially taxable or tax deferred. That composition may change over time, thus affecting a Unitholder's after-tax return. See "Canadian Federal Income Tax Considerations".

**Investors who are not residents of Canada for tax purposes should consult their own tax advisors concerning the consequences to them of the Offering.**

**The Trust is not a partnership.**

The Trust's head and registered office is located at 200-710 Redbrick Street, Victoria, BC V8T 5J3, (250) 592-3395.

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### **NOTICE REGARDING FORWARD-LOOKING STATEMENTS**

This short form prospectus contains forward-looking statements within the meaning of Canadian securities laws that reflect the current expectations of management regarding our future growth, results of operations, performance and business prospects and opportunities. See “Business of the Trust – Business Overview” and the second paragraph and the last paragraph in “The Acquisition”. Forward-looking statements are only predictions and are not guarantees of performance. Wherever possible, words such as “may”, “would”, “could”, “will”, “believe”, “expect”, “estimate”, “endeavour” and similar expressions have been used to identify these forward-looking statements. These statements reflect management’s beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks, uncertainties and assumptions. Important assumptions relating to the forward-looking statements contained in this short form prospectus include the completion of the proposed property acquisition described in this prospectus (see “The Acquisition”), expansion plans, proposed capital expenditures, the market for retail space, economic conditions, particularly in the retail sector, competitive conditions, and current levels of distributions. Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, those discussed under the heading “Risk Factors” and elsewhere in our documents incorporated by reference. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements could vary materially from those expressed or implied by the forward-looking statements contained in this short form prospectus. These factors should be considered carefully and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this short form prospectus are based upon what management currently believes to be reasonable assumptions, we cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements.

These forward-looking statements are made as of the date of this short form prospectus or, in the case of documents incorporated by reference herein, as of the date of such documents, and we do not intend, and do not assume any obligation, to update these forward-looking statements, except as required by law. We cannot assure you that such statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such statements. Investors are cautioned that forward-looking statements are not guarantees of future performance and accordingly investors are cautioned not to put undue reliance on forward-looking statements due to the inherent uncertainty therein.

### **NON-GAAP FINANCIAL MEASURES**

Net operating income (“**NOI**”) and funds from operations (“**FFO**”) are non-GAAP measures often used by Canadian real estate investment trusts as measures of operating performance. “**GAAP**” means the generally accepted accounting principles described and promulgated by the Canadian Institute of Chartered Accountants which are applicable as at the date on which any calculation using GAAP is to be made.

NOI and FFO are presented herein and in the documents incorporated by reference herein because management believes these non-GAAP measures are relevant measures of the operating performance of the Trust. NOI is defined as gross revenues from income producing properties less operating costs from income producing properties. Operating expenses do not include costs associated with financing, administration, amortization and depreciation, income taxes, realized and unrealized gains and losses, and the equity pickup of an investment’s net earnings. The Trust calculates FFO in accordance with the recommendations of the Real Property Association of Canada (“**RealPac**”). The definition is meant to standardize the calculation and disclosure of FFO across real estate entities in Canada, and is modeled on the definition adopted by the National Association of Real Estate Investment Trusts (“**NAREIT**”) in the United States. NAREIT’s definition of FFO is net income (calculated in accordance with GAAP) excluding gains or losses from the sale of property; plus depreciation and amortization; and after adjustments for unconsolidated partnerships and joint ventures (which is also calculated to reflect FFO on the same basis).

**NOI and FFO are not measures recognized under GAAP and do not have a standardized meaning prescribed by GAAP. NOI and FFO should not be construed as an alternative to net earnings or cash flow from operating activities determined in accordance with GAAP. Management’s method of calculating NOI and FFO may differ from other issuers’ methods of calculating NOI and FFO and accordingly, may not be comparable to the NOI or FFO reported by other issuers.**

In the Trust’s Management’s Discussion and Analysis of financial condition and results of operations for the three and nine months ended September 30, 2010, which is incorporated by reference herein, management of the Trust believed that a comparison of FFO year over year and quarter to quarter produced inequitable results because of the significant incurrence of one-time corporate transaction costs that took place in 2010 (primarily in the second quarter of 2010). Consequently, in order to provide relevant analysis of year over year and quarter to quarter results, the Trust also used the 2010 quarterly and year to date FFO amounts excluding these costs. **This adjustment to FFO is not calculated in accordance with the recommendations of RealPac described above and may not be comparable to adjustments to FFO reported by other issuers.**

### **GENERAL MATTERS**

In this prospectus, “we”, “us” and “our” refer to the Trust unless the context otherwise requires.

All references in this prospectus to “dollars” or “\$” are to Canadian dollars unless otherwise noted. The Trust’s financial statements incorporated herein by reference have been prepared in accordance with Canadian generally accepted accounting principles.

You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering the Units only in jurisdictions where, and to persons to whom, such offering is lawfully permitted. The information contained in this prospectus is accurate only as of the date of this short form prospectus, regardless of the time of delivery of this prospectus or of any sale of the Units.

Although the Trust is of the view that the Acquisition (as defined herein) does not constitute a “significant acquisition” under applicable securities laws, the Trust has provided in this prospectus unaudited interim financial statements for the nine months ended September 30, 2010 and audited financial statements for the years ended December 31, 2009 and 2008 relating

to Wellington Plaza (as defined herein), as well as unaudited pro forma consolidated financial statements of the Trust that give effect to the Acquisition as at September 30, 2010.

### **DOCUMENTS INCORPORATED BY REFERENCE**

**Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of documents incorporated herein by reference may be obtained on request without charge from the Trust at 200-710 Redbrick Street, Victoria, BC V8T 5J3, telephone (250) 592-3395, and are also available electronically at [www.sedar.com](http://www.sedar.com). The following documents, as filed with the various securities commissions or similar authorities in each of the provinces and territories of Canada are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (a) the Annual Information Form of the Trust dated April 12, 2010 (“**Annual Information Form**”);
- (b) the audited consolidated financial statements of the Trust for the financial years ended December 31, 2009 and 2008 together with the notes thereto and the auditors report thereon included as supplemental information;
- (c) the Management’s Discussion and Analysis of financial condition and results of operations for the Trust for the financial year ended December 31, 2009;
- (d) the amended unaudited interim consolidated financial statements of the Trust as at and for the three and nine months ended September 30, 2010 together with the notes thereon;
- (e) the Management’s Discussion and Analysis of financial condition and results of operations for the Trust for the three and nine months ended September 30, 2010;
- (f) the Management Information Circular dated June 4, 2010 relating to the Annual and Special Meeting of unitholders held on June 30, 2010 (the “**2010 Management Information Circular**”);
- (g) the material change report dated June 8, 2010 relating to, among other matters, the sale by C.A. Bancorp Inc. of approximately 33% of the issued and outstanding Units to IGW Public Limited Partnership;
- (h) the material change report dated July 30, 2010 relating to, among other matters, the issuance of Units pursuant to the Trust’s previously announced rights offering and the closing of the Trust’s standby purchase commitment with IGW Public Limited Partnership;
- (i) the material change report dated November 15, 2010 relating to the proposed property acquisition described under the heading “The Acquisition” in this short form prospectus; and
- (j) the material change report dated December 20, 2010 relating to the Cornwall Square Loan Agreement described under the heading “Recent Developments – Refinancing of Cornwall Square” in this short form prospectus.

Any document of the types referred to above, any material change reports and business acquisition reports (but excluding confidential material change reports) and any other document referred to in National Instrument 44-101F1, item 11.1 filed by the Trust with any securities regulatory authorities after the date of this short form prospectus and prior to the termination of this distribution will be deemed to be incorporated by reference into this prospectus.

**Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein will be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained in this prospectus or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded will not, except as so modified or superseded, be deemed to constitute a part of this short form prospectus.**

## THE TRUST

The Trust is an unincorporated open-ended real estate investment trust established by a declaration of trust dated March 27, 2007, as amended and restated with effect as of June 4, 2010 and as further amended and restated with effect as of November 3, 2010 (the “**Declaration of Trust**”), and governed by the laws of the Province of Ontario.

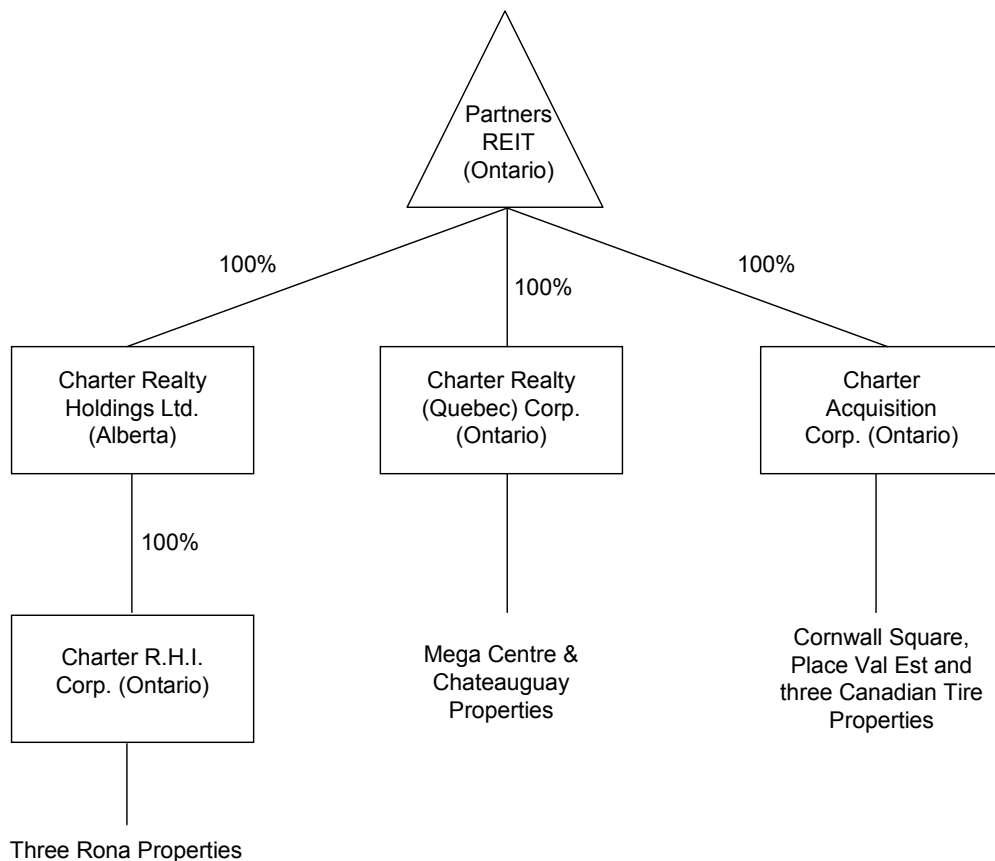
On March 29, 2005, Charter Realty Holdings Ltd. (“**Charter Realty**”), the predecessor to the Trust, was incorporated pursuant to the provisions of the *Business Corporations Act* (Alberta). The common shares of Charter Realty were listed and posted for trading on the TSXV commencing on September 2, 2005. On May 10, 2007, Charter Realty completed a plan of arrangement and corporate reorganization (the “**Arrangement**”) pursuant to which its outstanding shares and options were consolidated on a ten-for-one basis and exchanged for Units and Unit options. The Trust continued the business of Charter Realty from and after May 10, 2007.

Effective November 3, 2010, the Trust changed its name from “Charter Real Estate Investment Trust” to “Partners Real Estate Investment Trust”.

The Trust’s head and registered office is located at 200-710 Redbrick Street, Victoria, BC V8T 5J3.

### **Inter-corporate Relationships**

The following chart illustrates the relationship of the Trust to those entities that hold the ten properties comprising the current portfolio of properties held by the Trust and its controlled entities, as well as the jurisdiction of incorporation or organization of each entity. The properties listed under each subsidiary of the Trust are held in the name of the applicable subsidiary. However, Charter Realty Holdings Ltd. is the beneficial owner of the three Rona properties pursuant to nominee agreements entered into between Charter Realty and Charter R.H.I. Corp., and the Trust is the beneficial owner of all of the other properties pursuant to nominee agreements entered into between the Trust and the subsidiary that holds each property. The legal title to the Wellington Southdale Plaza will be held by Wellington Plaza Holdings Inc. (“**Wellington Holdings**”), a newly incorporated Ontario corporation that is a wholly-owned subsidiary of the Trust, and the Trust will be the beneficial owner of that property pursuant to a nominee agreement (see “The Acquisition”).



## **RECENT DEVELOPMENTS**

### **New Management Agreement and Non-Competition Agreement**

On June 4, 2010, C.A. Bancorp Inc. (“**CAB**”) sold 6,047,095 Units of the Trust, representing all of the Units beneficially held by CAB and its affiliates, to IGW Public Limited Partnership (“**IGW**”), an affiliate of League Assets Corp. On the same date, C.A. Realty Management Inc., an affiliate of CAB, agreed with the Trust to terminate the management agreement that was in place at that time between it and the Trust without penalty to the Trust, and the Trust entered into a management agreement with LAPP Global Asset Management Corp. (the “**Manager**”), an affiliate of IGW, pursuant to which the Manager provides the Trust with strategic, advisory, asset management and administrative services (the “**Management Agreement**”). In addition, the Manager, IGW and League Assets LP entered into a non-competition agreement with the Trust on such date (the “**Non-Competition Agreement**”). For a description of these agreements, see the section entitled “Management Contracts” beginning on page 22 of the 2010 Management Information Circular.

### **Rights Offering**

On June 16, 2010, the Trust filed a short form prospectus in each of the provinces and territories of Canada qualifying the distribution of rights to the holders of its outstanding Units of record at the close of business (Toronto time) on June 30, 2010 (the “**Rights Offering**”). Each Unitholder was entitled to one right for each Unit held on the record date. Each 2.5787 rights entitled the holder thereof to purchase one Unit of the Trust at a price of \$1.39 per Unit prior to 5:00 p.m. (Toronto time) on July 23, 2010, and Unitholders who exercised these basic subscription rights in full were entitled to subscribe for additional Units, if available, pursuant to an additional subscription privilege. On July 26, 2010 the Trust announced that Unitholders had elected to exercise 6,920,528 rights under the basic subscription rights, which resulted in the issuance of 2,683,727 Units to such Unitholders at a price of \$1.39 per Unit. In addition, 5,613 Units were issued pursuant to the additional subscription rights, for a total issuance of 2,689,340 Units. This included 2,345,016 Units issued in connection with the exercise of the basic subscription rights by IGW, the Trust’s largest Unitholder. Pursuant to the terms of a standby purchase agreement between the Trust and IGW dated June 4, 2010, as amended (the “**Standby Purchase Agreement**”), on July 29, 2010 IGW purchased an additional 4,420,749 Units at a purchase price of \$1.39 per Unit. As of December 10, 2010, IGW held 49.8% of the outstanding Units. Substantially all of the funds raised by the Rights Offering were used by the Trust to repay outstanding indebtedness under its operating and acquisition facility.

### **Changes to Trustees and Management**

#### *New Management Team*

On August 18, 2010, the Trust announced the appointment of Dionne Barnes as Chief Financial Officer of the Trust, and on September 10, 2010, the Trust announced the appointment of Adam Gant as Chief Executive Officer of the Trust and of Patrick Miniutti as President and Chief Operating Officer of the Trust. See “Trustees and Officers” below.

#### *Changes to Trustees*

On August 12, 2010, the Trust announced the appointment of Mr. Gant as a trustee of the Trust. On August 17, 2010, the Trust announced that Janet Graham has tendered her resignation as a trustee of the Trust. On September 13, 2010, the Trust announced the appointment of Louis Maroun as Chair of the Trust’s board of trustees, and on September 20, 2010 the Trust announced the appointment of Paul Dykeman, CA as a trustee of the Trust. As a result of these changes, the Trust’s board of trustees now consists of Messrs. Maroun, Dykeman, Gant and Miniutti, as well as John van Haastrecht and Saul Shulman. See “Trustees and Officers” below.

### **Refinancing of Cornwall Square**

On December 16, 2010, Charter Acquisition Corp. (“**Charter Acquisition**”), a wholly-owned subsidiary of the Trust, borrowed \$25.5 million which amount was secured against the Cornwall Square shopping centre located in Cornwall Ontario which is registered in its name and beneficially held by the Trust. This loan, which was used to repay two existing loans secured against this property, has a term of five years and bears interest at the rate of 4.9% annually. The Trust has guaranteed the obligations of Charter Acquisition Corp. to repay the principal, interest and other amounts owing to the lender under the terms of a loan agreement entered into by the three parties (the “**Cornwall Square Loan Agreement**”). After the repayment of the existing loans, including interest owing thereon, which amount to approximately \$17.4 million, the balance of the proceeds of this loan will be used to partially fund the acquisition of Wellington Southdale Plaza (see “The Acquisition”).



In connection with the advance made under the Cornwall Square Loan Agreement, the Trust paid out a \$1.4 million five-year facility maturing in 2013 that bore interest at 8.75% per annum (effective interest rate of 10%) on an interest-only basis for the first two years and was then self-amortizing over the final three years. That facility was secured by a second charge on the Cornwall Square shopping centre. The Trust also repaid all but \$1.00 of a line of credit from a Canadian chartered bank which was secured against the Cornwall Square property.

The \$1.4 million facility was the second of two facilities under credit agreements entered into by the Trust dated September 5, 2008 (the “**Credit Facilities**”). The first facility, which remains, is an \$8.6 million five-year facility maturing in 2013 that bears interest at 8.75% per annum (effective interest rate of 9.69%) on an interest-only basis. The facility is secured by (a) a first charge on the three Rona properties indirectly owned by the Trust that are located in Exeter, Seaforth and Zurich, Ontario; (b) second charges on the Trust’s Méga Centre property, Châteauguay property and Canadian Tire properties; and (c) a general security agreement relating to the above properties. This facility can be prepaid without penalty at any time.

## **BUSINESS OF THE TRUST**

### **Business Overview**

The Trust is a real estate investment trust focused on acquiring and managing a portfolio of retail and mixed-use retail community and neighbourhood centres, generally in the mid-market deal size range of \$10 to \$50 million, from both primary and secondary markets throughout Canada. The Trust’s goal is to generate a reliable and growing tax-efficient return for its Unitholders.

Management is of the view that retail centres are attractive investments because they offer stable cash flow where the majority of rents are derived from national and regional retailers with multi-year leases. These centres typically provide growth opportunities through the lease-up of vacant space, the upward trend in rental rates through contractual escalations and through management’s active re-merchandising and re-development of the properties. The Trust will look to create a base of retail assets that provide both a reliable, stable cash flow and an opportunity for yield growth through re-leasing, re-development and/or development of assets which it will use for rental purposes. Currently, the Trust’s portfolio consists of ten properties located in Ontario and Québec comprising approximately 1,070,000 square feet of gross leasable area.

The Trust is currently managed by the Manager, an affiliate of IGW. Pursuant to the terms of the Management Agreement dated June 4, 2010, the Manager provides strategic, advisory, asset management and administrative services to the Trust. See “Recent Developments”.

## **TRUSTEES AND OFFICERS**

The following table sets forth the name of each Trustee and executive officer of the Trust, their province or state and country of residence, their position(s) with the Trust, their principal occupation during the preceding five years, the date they first became a Trustee, and the number of Units held, directly or indirectly, by such Trustee or officer of the Trust.

<b>Name and Residence</b>	<b>Position(s) with the Trust</b>	<b>Principal Occupation During Past Five Years</b>	<b>Trustee/ Officer Since<sup>(1)</sup></b>	<b>Number of Units Owned/ Controlled</b>
Louis Maroun (2)(3)(4) Devonshire, Bermuda	Chairman and Trustee of the Trust	Executive Chairman of Sigma Real Estate Advisors LLP/ Sigma Capital Corporation since 2009. From 2006 to 2009 Mr. Maroun was the Executive Chairman and Real Estate Advisor and Asset Manager of ING Real Estate Canada. Prior to that, Mr. Maroun served as Chief Executive Officer to Summit Real Estate Investment Trust (2002 to 2006).	June 2010	203,400
Patrick Miniutti Victoria, British Columbia	Trustee, President and Chief Operating Officer of the Trust	Since September 2009, Mr. Miniutti has been the Chief Financial Officer of League Assets Corp. From 2001 to	Trustee since June 2010; Chief Operating	nil

<b>Name and Residence</b>	<b>Position(s) with the Trust</b>	<b>Principal Occupation During Past Five Years</b>	<b>Trustee/ Officer Since<sup>(1)</sup></b>	<b>Number of Units Owned/ Controlled</b>
		August 2009, Mr. Miniutti served as Managing Director of Sunset Realty Services, a financial and management advisory services firm.	Officer since September 2010	
Dionne Barnes Victoria, British Columbia	Chief Financial Officer of the Trust	Since January 2010, Ms. Barnes has been the Vice President Finance, Real Estate Operations of League Assets Corp. From 2006 to 2008, Ms. Barnes served as Treasury Manager for Carma Development LP, a subsidiary of Brookfield Properties, and from 2004 to 2006 she served as Senior Manager with Deloitte and Touche.	August 2010	nil
Adam Gant Victoria, British Columbia	Trustee and Chief Executive Officer of the Trust	Mr. Gant is Founding Partner of League Assets Corp., which was started in 2005, and he was instrumental in the founding of IGW REIT and IGW REIT LP in 2007.	Trustee since August 2010; Chief Executive Officer since September 2010	12,812,860 <sup>(5)</sup>
John van Haastreht <sup>(2)</sup> Toronto, Ontario	Trustee of the Trust	Mr. van Haastreht is currently the President of Vanreal Ltd., an operator and developer of commercial retail shopping centres that was founded by Mr. van Haastreht in 2001.	March 2007	31,338
Saul Shulman <sup>(2)</sup> Toronto, Ontario	Trustee of the Trust	Since January 1, 2005, Mr. Shulman has been the Chief Executive Officer of MLG Management Inc.	March 2009	10,000
Paul Dykeman Dartmouth, Nova Scotia	Trustee of the Trust	Mr. Dykeman is the Chief Executive Officer of Sigma Real Estate Advisors LLP (since 2009). From 2006 to 2009, Mr. Dykeman was Chief Executive Officer of ING Real Estate Canada. Prior to that Mr. Dykeman served as Chief Financial Officer to Summit Real Estate Investment Trust (1998-2006).	September 2010	155,000

Notes:

- (1) Under the Declaration of Trust, each Trustee holds office until the next annual meeting of Unitholders.
- (2) Member of the Board of Trustee's Audit Committee.
- (3) Chair of the Board of Trustee's Audit Committee.
- (4) Chair of the Board of Trustees.
- (5) These Units are held by IGW, an entity controlled by Mr. Gant.

**Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

Other than as follows, no Trustee or executive officer of the Trust is, as at the date hereof, or was within 10 years before the date hereof, a trustee, director, chief executive officer or chief financial officer of any trust or company (including the Trust) that was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant issuer access

to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days (a “**Cease Trade Order**”) that was issued while the Trustee or executive officer was acting in the capacity as trustee, director, chief executive officer or chief financial officer of such issuer, or (b) was subject to a Cease Trade Order that was issued after the Trustee or executive officer ceased to be a trustee, director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as trustee, director, chief executive officer or chief financial officer. Mr. Gant is, and was at the time of the orders described below, a director and officer of Colwood City Centre GP Inc., the general partner of Cityzen Properties Limited Partnership (now Colwood City Centre Limited Partnership) (“**CCCLP**”); League REIT Investco Inc., the trustee of IGW Real Estate Investment Trust (“**IGW REIT**”); and IGW Properties GP I Inc., the general partner of IGW Properties Limited Partnership I (“**IGW LP**”). On December 21, 2007, the British Columbia Securities Commission (“**BCSC**”) issued cease trade orders against the securities of CCCLP, IGW REIT and IGW LP. The cease trade orders were issued on the basis that an offering memorandum of each entity was not prepared in the form required under British Columbia's securities legislation. These orders were revoked by the BCSC after each entity filed an updated offering memorandum and made a rescission offer to investors. An additional cease trade order was subsequently issued against the securities of IGW REIT on the basis that its amended offering memorandum was not prepared in the form required under British Columbia's securities legislation. The BCSC fully revoked this order after IGW REIT filed an updated offering memorandum.

No Trustee or executive officer of the Trust nor, to the knowledge of the Trust, any unitholder holding a sufficient number of securities of the Trust to affect materially the control of the Trust (a) is, as at the date hereof, or has been within the 10 years before the date hereof, a trustee, director or executive officer of any trust or company (including the Trust) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of such trustee, director, executive officer or securityholder.

No Trustee or executive officer of the Trust nor, to the knowledge of the Trust, any unitholder holding a sufficient number of securities of the Trust to affect materially the control of the Trust, has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Potential Conflicts of Interest**

The Trust is subject to various potential conflicts of interest because of the fact that its officers and trustees are engaged in a wide range of business activities. In particular, the Trust's executive officers may devote time to their outside business interests. In some cases, the Trust's executive officers may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Trust's business and affairs and that could adversely affect the Trust's operations. These business interests could require significant time and attention of the Trust's executive officers. For instance, many of the officers of the Trust are also officers of the Manager. As well, the officers of the Trust are employed by League Assets Corp. The Manager will have economic interests that are different from the Trust, which will create conflicts of interest between the Trust and the Manager. The independent trustees on the Board of Trustees of the Trust will monitor and manage these conflicts of interest.

In addition, the Trust may also become involved in other transactions which conflict with the interests of its trustees and the officers who may from time to time deal with persons, firms, institutions or corporations with which the Trust may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Trust. From time to time, these persons may be competing with the Trust for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under the Declaration of Trust, which are similar to those set out in the OBCA.

### **Interests of Management and Others in Material Transactions**

Other than as described elsewhere in this prospectus, no Trustee, executive officer or unitholder that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the issued securities of the Trust, or any of their respective

associates or affiliates, has any material interest, direct or indirect, in any transaction which has materially affected or is reasonably expected to materially affect the Trust within the three years preceding the date of this prospectus.

## **THE ACQUISITION**

Charter Acquisition has entered into an acquisition agreement (the “**Acquisition Agreement**”) with Wellington Southdale Limited Partnership (the “**Vendor**”) pursuant to which Charter Acquisition will acquire the Wellington Southdale Plaza (“**Wellington Plaza**”) in London, Ontario for a purchase price of \$20,265,000 (the “**Acquisition**”). The effective purchase price under the Acquisition Agreement, subject to closing adjustments, is \$21,700,150 after taking into account an adjustment of \$885,150 relating to the assumption of an existing mortgage on the property at above-market rates and estimated expenses incurred in connection with the acquisition of approximately \$550,000, consisting of land transfer tax of \$302,450, the Manager’s acquisition fee under the Management Agreement of \$101,325, and other expenses associated with the Acquisition. Wellington Plaza is described below under the heading “Description of Acquisition Property”.

Charter Acquisition is expected to assign all of its rights and obligations under the Acquisition Agreement to the Trust. On closing, it is expected that the Trust will enter into a nominee agreement with Wellington Holdings, its wholly-owned subsidiary, pursuant to which Wellington Holdings will hold legal title to Wellington Plaza as nominee for the Trust. Assuming this to be the case, for the purposes of the discussion below, the Trust and Wellington Holdings are collectively referred to as the “**Purchaser**”.

The following is a summary of certain provisions of the Acquisition Agreement. Reference is to be made to the Acquisition Agreement for a complete description and the full text of its provisions, a copy of which has been filed on [www.sedar.com](http://www.sedar.com).

### *Satisfaction of Purchase Price*

The purchase price for the Acquisition will be satisfied by the assumption of a mortgage on Wellington Plaza and the payment of the balance in cash.

The cash portion of the purchase price is expected to come from (i) the net proceeds of the loan under the Cornwall Square Loan Agreement (see “Recent Developments – Refinancing of Cornwall Square”), (ii) funds resulting from a second mortgage on Wellington Plaza in the amount of \$2,300,000 which is expected to be placed on the property concurrently with the closing of the Acquisition, and (iii) available funds. See “Use of Proceeds”. The second mortgage in the amount of \$2,300,000 will be guaranteed by the Trust, is expected to bear interest at a rate of 4.2% and is expected to have a 5.5 year term, expiring on July 1, 2016 and amortizing over a 25 year period.

The non-cash portion of the purchase price will be satisfied by the Purchaser’s assumption of the outstanding principal and accrued interest under the existing mortgage on Wellington Plaza (the “**Assumed Mortgage**”). As of December 2, 2010, the balance owing under the Assumed Mortgage was \$9,690,414, with a stated interest rate of 6% payable until the maturity date of the Assumed Mortgage on July 1, 2016 (but with an effective interest rate of 4.2% taking into consideration the above-mentioned \$885,150 purchase price adjustment). It is anticipated that the current guarantor under the Assumed Mortgage will not be released from the Assumed Mortgage on closing of the Acquisition, and that the Purchaser will indemnify such guarantor in respect thereof.

*Other Assumed Obligations and Rights Obtained* — In addition to the acquisition of Wellington Plaza, the Purchaser will also assume or obtain (i) all of the leases in respect of Wellington Plaza, (ii) such other contracts to which the Vendor is party that the Purchaser elects to assume, (iii) the existing warranties and guarantees for the construction and operation of Wellington Plaza, to the extent the same are assignable, and (iv) any permitted encumbrances as set out in the schedules to the Acquisition Agreement.

*Conditions* — Closing of the Acquisition is conditional upon the satisfaction or waiver of customary conditions in favour of each party, including compliance in all material respects by each party with all of the terms, covenants and conditions of the Acquisition Agreement, and each party’s representations and warranties being true and accurate in all material respects. In addition, closing of the Acquisition is conditional upon the satisfaction of customary conditions in favour solely of the Purchaser, including that the Vendor’s title to Wellington Plaza is good and marketable and free of all liens except for certain permitted encumbrances, delivery to the Purchaser of estoppel certificates from tenants of Wellington Plaza holding 75%, by area, of the leased space within Wellington Plaza, that there are no defaults under the Assumed Mortgage or any related security and that the Vendor will have executed all documentation required by the lender in connection with the Assumed Mortgage. Each party agrees to act in good faith and to use reasonable commercial efforts to satisfy the foregoing conditions.

*Representations and Warranties* — The Acquisition Agreement contains representations and warranties of the parties as are customary in arm's length transactions of this nature, including representations and warranties as to organization, power and authority, and the due authorization of the Acquisition Agreement. The Acquisition Agreement also contains additional representations and warranties given by the Vendor, including with respect to the status and existence of leases, payment of accounts, no notice of default under the Assumed Mortgage or related security instruments, no material litigation except as disclosed, no employees, valid title subject to certain permitted encumbrances, no insolvency or bankruptcy, residency status, no commissions payable other than to CB Richard Ellis, no default under material obligations arising out of permitted encumbrances or other contracts, no notice of non-compliance with environmental matters, no construction obligation in respect of off-site services, no notice of proposed expropriation, tax status of the purchased assets and truth and accuracy of certain information provided by the Vendor. All representations and warranties of each party will survive for one year after the closing of the Acquisition. No claims against the other party for breach may be brought until the aggregate of such claims exceeds \$100,000, in which case the full amount of such claims (including the initial \$100,000) may be claimed, provided that the foregoing limitation will not apply to an indemnity provided by the Vendor in certain circumstances in respect of any withholding tax obligations under section 116 of the Tax Act.

*"As is, where is basis"* — The Acquisition Agreement provides that except as provided in the Acquisition Agreement, Wellington Plaza is being purchased on an "as is, where is basis" in reliance on the Purchaser's own due diligence with respect to Wellington Plaza.

*Closing Date* — The Acquisition Agreement provides that the Acquisition will close on December 22, 2010 (being the date that is 40 days after the waiver of the Purchaser's due diligence condition in respect of the Acquisition). However, in the event that the Vendor and/or some or all of its limited partners have not received any requisite certificates under section 116 of the Tax Act prior to such date, the Vendor will have the option to extend the closing date for 30 days by notice in writing to the Purchaser at least two business days prior to the originally scheduled closing date. If so extended, the Vendor will have the further option to accelerate the closing date to any business day within this 30 day extension period, which option may be exercised by notice in writing to the Purchaser at least two business days prior to the extended closing date. We expect to close the Acquisition on or about December 22, 2010.

The Trust is currently assessing other acquisition opportunities. It is expected that any acquisition would be funded through a combination of cash, assumed debt and, in some cases, additional debt that can be placed on the property post-closing. Following this Offering and the acquisition of Wellington Plaza, the Trust anticipates that it will have sufficient funds, either existing or through its credit facility, or through refinancing or placing second mortgages on certain properties to permit it to acquire properties in addition to Wellington Plaza with an aggregate purchase price of approximately \$30 million, assuming cash needs of 50% of such aggregate purchase price.

### **DESCRIPTION OF THE ACQUISITION PROPERTY**

Located at 979 & 995 Wellington Road, London, Ontario, Wellington Plaza was originally completed in 1986 and was extensively renovated in 2000, 2004 and 2006. Wellington Plaza's gross leasable area consists of 86,600 square feet of retail space in an open format, single-storey neighbourhood plaza, situated on 6.97 acres in the heart of London's Wellington Road retail node. The retail centre comprises five separate structures: the main building which anchors the property's western most edge, and four free-standing retail pads. The City of London is located roughly midway between the Greater Toronto Area and the City of Windsor. London is the regional economic centre for southwestern Ontario and is located along Highway 401. Wellington Plaza is located on Wellington Road, a major arterial route connecting Highway 401 to downtown London.

Anchored by Empire Theatres, other key tenants of Wellington Plaza include Dollarama, Moxie's Grill, 2001 Audio Video, Harvey's, Jones New York, Dairy Queen and Pizza Pizza. Various other retailers and restaurants are located immediately south of the property along Wellington Road, including Toys R Us, HomeSense, Chapters and Future Shop.

As of November 12, 2010, the weighted average rent per square foot for the leased space at Wellington Plaza was \$19.21 and physical occupancy was at 93%. In addition to rents being paid by tenants on space leased by them, a payment of \$110,000 from the Vendor of Wellington Plaza to the Trust is expected upon the closing of Wellington Plaza to compensate for loss of rent on recently vacated 2,613 square foot premises. This payment is meant to cover the rent that otherwise would have been paid on those premises until March 2014, and results in economic occupancy for Wellington Plaza being approximately 97%. The property currently generates net operating income of approximately \$1.6 million on an annualized basis. This translates to a capitalization rate of 7.9% based on the contract price of \$20,265,000.

The following is a list of the key tenants at Wellington Plaza, together with the area leased by each tenant and its percentage of the total leased area.

<u>Key Tenants</u>	<u>Area Leased (Sq. Ft.)</u>	<u>Percentage of Gross Leaseable Area</u>	<u>Current Annual Base Rent</u>	<u>Expiry Date of Current Lease</u>
Empire Theatres	33,949	39.2	\$543,184	November 2015
Dollarama	9,375	10.8	\$140,625	December 2012
Moxie's Grill	8,009	9.3	\$200,225	January 2016
2001 Audio Video	6,416	7.4	\$83,408	May 2013
Harvey's	3,664	4.2	\$110,580	December 2024
Jones New York	3,293	3.8	\$70,997	November 2012
Goodyear	2,700	3.1	\$35,100	November 2015
Dairy Queen	2,250	2.6	\$90,000	May 2014
Pizza Pizza	1,500	1.7	\$33,000	September 2015

The overall weighted average term to maturity of existing leases at Wellington Plaza is approximately 4.7 years. In the next five years, leases representing the percentage of leased retail square feet set out below will expire:

<u>Year</u>	<u>Leased Square Feet Expiring</u>	<u>% of Square Feet</u>
2011	0	0
2012	12,668	15.5
2013	7,566	9.3
2014	5,423	6.7
2015	38,149	46.8

No tenants in Wellington Plaza have vacated in 2010, although Goodyear and Pizza Pizza each reduced the size of the premises leased by them by 2,613 square feet and 1345 square feet, respectively.

The Trust expects that it will enter into a new property management agreement with a third party with respect to Wellington Plaza prior to the closing of the Acquisition. It is anticipated that the agreement will provide for a management fee of 3% of gross revenues, leasing fees ranging from \$1.50 to \$3.00 per square foot and other customary property management fees on market terms. It is expected that the property management agreement will have a term of one year and will be terminable by either party on 90 days notice.

## **CONSOLIDATED CAPITALIZATION**

The following table sets forth the consolidated capitalization of the Trust as at June 30, 2010 (before giving effect to the Rights Offering, the Offering or the Acquisition), as at September 30, 2010 (after giving effect to the Rights Offering but before giving effect to the Offering and the Acquisition) and as at September 30, 2010 (after giving effect to the Rights Offering, the Offering and the Acquisition).

	As at June 30, 2010	As at September 30, 2010	As Adjusted as at September 30, 2010 <sup>(1)</sup>
<b>Indebtedness</b>			
Secured Debt	\$71,190,250	\$70,922,437	\$83,798,001
Credit Facilities	22,350,000	14,400,000	23,224,586
Total Indebtedness	<u>\$96,421,053</u>	<u>\$89,400,583</u>	<u>\$111,122,778</u>
<b>Unitholders' Equity</b>			
Sale of Units and Contributed Surplus	\$55,859,756	\$64,339,749	\$70,606,424
Deficit, Distributions and Accumulated Other Comprehensive Loss	<u>(19,898,119)</u>	<u>(21,548,326)</u>	<u>(21,548,326)</u>
Total Unitholders' Equity	<u>\$35,961,637</u>	<u>\$42,791,423</u>	<u>\$49,058,098</u>
<b>Total Capitalization</b>	<u>\$132,382,690</u>	<u>\$132,192,006</u>	<u>\$160,180,876</u>
<b>Number of outstanding Units</b>	18,552,040	25,713,324	30,393,324

**Notes:**

(1) Adjusted to give effect to the receipt of proceeds of this Offering and to the Acquisition.

## **USE OF PROCEEDS**

The estimated net proceeds to the Trust from the Offering, after deducting the Underwriters' fee of \$449,280 and the expenses of the Offering estimated to be approximately \$750,000, will be approximately \$6,288,720. The net proceeds from the Offering are expected to be used by the Trust for possible future property acquisitions and for general trust working capital purposes. Pending the use of such funds, the Trust expects to invest the net proceeds in short term interest bearing instruments.

If the Underwriters exercise the Over-Allotment Option in full, the estimated net proceeds to the Trust from the Offering, after deducting the Underwriters' fee of \$494,208 and the estimated expenses of the Offering of \$750,000, will be approximately \$6,992,592. The Trust intends to use the additional funds to repay any advances made against the Trust's existing credit facility in respect of the Acquisition and any remaining funds (if any) will be used for general Trust purposes.

**The Trust intends to spend the funds available to the Trust as stated in this short form prospectus; however, there may be circumstances where, for sound business reasons, a reallocation of funds may be deemed prudent or necessary.**

## **PRIOR SALES**

The Trust has not sold any Units or securities convertible into Units for the 12-month period before the date of this prospectus, other than in connection with the Rights Offering at \$1.39 per Unit as described above under "Recent Developments".

## TRADING PRICE AND VOLUME

The Units are listed and posted for trading on the TSXV under the symbol “PAR.UN”. The following table sets forth, for the periods indicated, the reported high and low sales prices and aggregate volume of trading of the Units on the TSXV.

Period	High (\$)	Low (\$)	Volume
<b>2009</b>			
November	1.46	1.11	168,800
December	1.40	1.12	231,200
<b>2010</b>			
January	1.55	1.31	169,000
February	1.53	1.36	161,000
March	1.55	1.35	192,300
April	1.60	1.41	153,400
May	1.52	1.31	192,800
June	1.49	1.31	241,014
July	1.44	1.30	278,329
August	1.40	1.10	1,777,507
September	1.68	1.22	781,767
October	1.85	1.56	1,584,019
November	2.00	1.61	407,408
December 1-17	1.75	1.56	337,868

## DESCRIPTION OF THE UNITS

The following is a summary of the material attributes and characteristics of the Units. This summary does not purport to be complete and is subject to, and qualified in its entirety by, reference to the terms of the Declaration of Trust filed under the Trust’s profile at [www.sedar.com](http://www.sedar.com).

### **General**

The rights of holders of Units are based primarily on the Declaration of Trust. A holder of a Unit does not hold a share of a body corporate. There is no statute governing the affairs of the Trust equivalent to the *Business Corporations Act* (Ontario) (“**OBCA**”) or the *Canada Business Corporations Act* which sets out the rights and entitlements of shareholders of corporations in various circumstances. As such, holders of Units do 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 Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act*, nor are they insured under the provisions of that Act or any other legislation. Furthermore, the Trust 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 beneficial interests in the Trust are divided into interests of two classes, described and designated as “**Units**” and “**Special Voting Units**”, respectively. An unlimited number of Units and Special Voting Units (collectively, “**Voting Units**”) are issuable pursuant to the Declaration of Trust. Issued and outstanding Units and Special Voting Units may be subdivided or consolidated from time to time by the Trustees without the approval of the holders of Voting Units (the “**Voting Unitholders**”). Fractions of Units may be issued, including pursuant to distributions of additional Units to all Unitholders. No certificates will be issued for fractional Units. Fractional Units shall not, except to the extent that they may represent in the aggregate one or more whole Units, entitle the holder thereof to notice of, or to attend or to vote at meetings of Unitholders.

### **Units**

Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Trust whether of net income, net realized capital gains or other amounts and in the net assets of the Trust in the event of a termination or winding-up of the Trust. Units are not subject to future calls or assessments and entitle a holder thereof to one vote for each whole Unit held at all meetings of Voting Unitholders. Except as set out under “Redemption Right” below, the Units have no conversion, retraction, redemption or pre-emptive rights.



## Special Voting Units

Special Voting Units may be issued only in connection with or in relation to securities exchangeable, directly or indirectly, for Units (“**Exchangeable Securities**”), in each case for the purpose of providing voting rights with respect to the Trust to the holders of such securities. Currently, there are no Special Voting Units outstanding. However, if the Trustees so determine, Special Voting Units may be issued in the future in conjunction with, and will be attached to Exchangeable Securities to which they relate, and will be evidenced only by the certificates representing such Exchangeable Securities. Special Voting Units will not be transferable separately from the Exchangeable Securities to which they are attached. Each Special Voting Unit will entitle the holder thereof to that number of votes at any meeting of Voting Unitholders that is equal to the number of Units that may be obtained upon the exchange (direct or indirect) of the Exchangeable Security to which it is attached. Upon the exchange, redemption or conversion of an Exchangeable Security for Units, the Special Voting Unit that is attached to such Exchangeable Security will immediately be cancelled without any further action of the Trustees, and the former holder of such Special Voting Unit will cease to have any rights with respect thereto.

## Purchases of Units

The Trust may from time to time purchase Units for cancellation in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies.

## Redemption Right

Each Unitholder is entitled to require the Trust to redeem at any time or from time to time at the demand of the Unitholder all or any part of the Units registered in the name of the Unitholder at the prices and in the form determined and payable in accordance with the conditions provided in the Declaration of Trust.

It is anticipated that the redemption right will not be the primary mechanism for holders of Units to liquidate their investments. The entitlement of Unitholders to receive cash upon the redemption of their Units will not be applicable to Units tendered for redemption if: (i) the total amount payable by the Trust in respect of such Units and all other Units tendered for redemption in the same calendar month exceeds \$50,000 (the “**Monthly Limit**”) (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 are not listed for trading or quoted on any stock exchange or market which the Trustees consider, in their sole discretion, provides fair market value prices for the Units; (iii) the trading of Units is suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the redemption date or for more than five trading days during the 10 day trading period prior to the redemption date; or (iv) the redemption of Units would result in the delisting of the Units on the principal stock exchange on which the Units are listed.

If a Unitholder is not entitled to receive cash upon the redemption of the Units as a result of the Monthly Limit, then the redemption price in respect of such redemption will, subject to all necessary regulatory approvals, be paid and satisfied by the Trust issuing redemption notes (“**Redemption Notes**”) in accordance with the terms of the Declaration of Trust. Redemption Notes 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. Redemption Notes so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans, deferred profit sharing plans, registered disability savings plans and tax-free savings accounts (each as defined in the Tax Act), depending upon the circumstances at the time. Regulatory approvals will be required in connection with the distribution of Redemption Notes in specie to holders of Units in connection with any redemption.

Because the Trust expects to make regular cash distributions, the Trust may have to rely on third-party sources of capital in order to satisfy its obligations in respect of any Redemption Notes that are issued in connection with a redemption. Such third-party sources of capital may or may not be available on favourable terms, if at all. The Trust’s access to third-party sources of capital depends on a number of things, including the current state of capital markets, the market’s perception of the Trust’s growth potential and its current and potential future earnings. If the Trust is unable to obtain third-party sources of capital, it may not be able to satisfy its obligations in respect of any Redemption Notes.

## Issuance of Units

Subject to the investment guidelines and operating policies of the Trust, the Trust may issue new Units and other securities of the Trust (including Special Voting Units issued in conjunction with the issuance of Exchangeable Securities) from time to

time, in such manner, for such consideration and to such person, persons or class of persons as the Trustees shall determine. Unitholders do not have any pre-emptive rights whereby securities proposed to be issued are first offered to existing Unitholders.

### **Limitation on Ownership**

A trust will not be considered a “mutual fund trust” under the Tax Act if, among other things, it is established or maintained primarily for the benefit of non-residents of Canada for purposes of the Tax Act unless all or substantially all of its property is property other than “taxable Canadian property” as defined in the Tax Act. Accordingly, the Declaration of Trust provides that the Trustees may require declarations as to the jurisdictions in which beneficial owners of Units are resident. The Trustees may require the Trust to refuse to accept a subscription for securities of the Trust from, or issue or register a transfer of securities of the Trust to, a person (defined in the Declaration of Trust to include a partnership) unless the person provides a declaration that the securities of the Trust to be issued or transferred to such person will not when issued or transferred be beneficially owned by a “Non-resident” (defined in the Declaration of Trust to mean a person who is a non-resident of Canada or a partnership that is not a Canadian partnership for purposes of the Tax Act). 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 period of not less than 60 days, unless otherwise specified by the Trustees. If the Unitholders receiving such notice have not sold the specified number of such Units or provided the Trustees with satisfactory evidence that such Units are not beneficially owned by Non-residents within such period, the Trustees may, on behalf of such registered Unitholder, sell such Units and, in the interim and to the extent applicable, suspend the voting and distribution rights attached to such Units of the Trust and make any distribution in respect of such securities by depositing such amount in a separate bank account in a Canadian chartered bank (net of any applicable taxes). The Trustees may delist any listed Units of the Trust from any non-Canadian stock exchange, and may take such other actions as the Trustees determine, in their sole discretion, are appropriate in the circumstances that will reduce or limit the number of securities of the Trust held by Non-residents. These restrictions may limit or remove the rights of certain Unitholders, including Non-residents. As a result, these restrictions may limit the demand for Units from certain Unitholders and thereby adversely affect the liquidity and market value of the Units.

### **Book-Based System**

Although the Trust may issue Units directly to Unitholders in registered certificate form, the Units held by most Unitholders will be represented in the form of one or more fully registered global unit certificates (the “**Global Unit Certificates**”) held by, or on behalf of, CDS, as depository for the participants of CDS, registered in the name of CDS or its nominee, and registration of ownership and transfers of such Units will be effected only through the book-based system administered by CDS. No holder of a beneficial interest in a Unit (a “**Beneficial Owner**”) represented by a Global Unit Certificate will be entitled to a certificate or other instrument from the Trust evidencing that holder’s ownership thereof, and no Beneficial Owner will be shown on the records maintained by CDS except through book-entry accounts of a participant of CDS acting on behalf of the Beneficial Owners. CDS will be responsible for establishing and maintaining book-entry accounts for its participants having interests in the Global Unit Certificates. Sales of interests in the Global Unit Certificates can only be completed through participants in the depository services of CDS.

The Trust has the option to terminate registration of the Units through the CDS book-based system, in which case certificates for the Units in fully registered form would be issued to beneficial owners of those Units or their nominees.

### **Information and Reports**

The Trust will furnish to Voting Unitholders such financial statements (including quarterly and annual financial statements) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Voting Unitholders’ tax returns under the Tax Act and equivalent provincial legislation. Prior to each annual or special meeting of Voting Unitholders, the Trustees will provide the Voting Unitholders (along with notice of such meeting) information similar to that required to be provided to shareholders of a public corporation governed by the OBCA. In preparing its management’s discussion and analysis of financial condition and results of operations, the Trust will provide, to the extent possible, comparative financial information.

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

The Declaration of Trust may be amended or altered from time to time. Certain amendments require approval by special resolution at a meeting of the Voting Unitholders called for such purpose. Other amendments to the Declaration of Trust require approval by a majority of the votes cast in respect of the amendment at a meeting of the Voting Unitholders called for

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

- (a) aimed at ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over (i) the Trustees or the Trust, (ii) the status of the Trust as a “mutual fund trust” under the Tax Act, or (iii) the distribution of Voting Units, and to the extent reasonably practicable, ensuring the Trust will not be a SIFT trust for the purposes of the SIFT Rules or any final legislation implementing the SIFT Rules (all as defined in “Canadian Federal Income Tax Considerations”);
- (b) which, in the opinion of the Trustees, provide additional protection or added benefits for the Voting Unitholders;
- (c) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Voting Unitholders;
- (d) which, in the opinion of the Trustees, are necessary or desirable to remove conflicts or inconsistencies between the Declaration of Trust and the disclosure in the management information circular dated April 3, 2007 in respect of the special meeting of shareholders held on May 3, 2007 to approve, among other things, the Arrangement;
- (e) which, in the opinion of the Trustees, are necessary or desirable as a result of changes in generally accepted accounting principles (including accounting guidelines) or taxation or other laws or the administration or enforcement thereof;
- (f) which, in the opinion of the Trustees, are necessary or desirable to enable the Trust to issue Units for which the purchase price is payable on an instalment basis; or
- (g) for any purpose (except one in respect of which a vote is specifically otherwise required) which, in the opinion of the Trustees, is not prejudicial to Voting Unitholders and is necessary or desirable.

#### **Term of the Trust**

The Trust has been established for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth II, alive on March 27, 2007. On a date selected by the Trustees that is not more than two years prior to the expiry of the term of the Trust, the Trustees are obligated to commence to wind-up the affairs of the Trust so that it will terminate on the expiration of the term. In addition, at any time prior to the expiry of the term of the Trust, the Voting Unitholders may, by special resolution, require the Trustees to commence the termination, liquidation or wind-up of the affairs of the Trust.

The Declaration of Trust provides that, upon being required to commence the termination, liquidation or winding-up of the affairs of the Trust, the Trustees will give notice thereof to the Voting Unitholders, which notice shall designate the time or times at which Voting Unitholders may surrender their Units and Special Voting Units for cancellation and the date at which the register of Units and Special Voting Units will be closed. After the date the register is closed, the Trustees will proceed to wind-up the affairs of the Trust as soon as may be reasonably practicable and for such purpose will, subject to any direction to the contrary in respect of a termination authorized by a resolution of the Voting Unitholders, cause the Trust to fulfill or discharge the contracts of the Trust, perform or cause the auditor of the Trust to perform any final audit of the Trust’s assets, cause the Trust to collect its assets, sell, convey, assign, exchange, transfer or otherwise dispose of all or any part of its remaining assets, to one or more persons in one transaction or a series of transactions at public or private sale for consideration that may consist in whole or in part of cash, securities or other property of any kind, discharge or pay its liabilities, and do all other acts appropriate to liquidate the Trust. After paying, retiring, discharging or making provision for payment, retirement or discharge of all known liabilities and obligations of the Trust and providing for indemnity against any other outstanding liabilities and obligations, the Trustees will distribute the remaining part of the proceeds of the sale of the assets comprising the Trust together with any cash forming part of the assets of the Trust among the Unitholders in accordance with their pro rata interests. If the Trustees are unable to sell all or any of the assets of the Trust by the date set for termination, the Trustees may distribute the remaining assets in specie directly to the Unitholders in accordance with their pro rata interests subject to obtaining all required regulatory approvals.

## Transfer and Exchange of Units

Transfers of beneficial ownership of Units represented by Global Unit Certificates will be effected through records maintained by the depository for such Global Unit Certificates or its nominees (with respect to interests of participants) and on the records of participants (with respect to interests of persons other than participants). Unless the Trust elects, in its sole discretion, to prepare and deliver definitive Unit certificates, Beneficial Owners who are not participants in the depository's book-entry system, but who desire to purchase, sell or otherwise transfer ownership of or other interest in Global Unit Certificates, may do so only through participants in the depository's system.

## Distribution Policy

The amount of the Trust's cash distributions is determined by, or in accordance with, guidelines established from time to time by the Trustees. It is the intention of the Trustees that the aggregate amount of cash distributions made in respect of a calendar year not be less than the amount necessary to ensure that the Trust will not be liable to pay income tax under Part I of the Tax Act for such year. Distributions are paid monthly. The Trustees of the Trust have discretion in declaring distributions and review these distributions on a regular basis. The monthly distributions declared by the Trust in each month during the fiscal years 2007, 2008, 2009 and 2010 (to date) are shown below. Distributions are paid in the month following declaration.

Month	2007 (\$/unit)	2008 (\$/unit)	2009 (\$/unit)	2010 (\$/unit)
January	—	\$0.02587	\$0.01333	\$0.01333
February	—	\$0.02587	\$0.01333	\$0.01333
March	—	\$0.02587	\$0.01333	\$0.01333
April	—	\$0.02587	\$0.01333	\$0.01333
May	—	\$0.02587	\$0.01333	\$0.01333
June	—	\$0.02587	\$0.01333	\$0.01333
July	—	\$0.02587	\$0.01333	\$0.01333
August	\$0.02587	\$0.02587	\$0.01333	\$0.01333
September	\$0.02587	\$0.01333	\$0.01333	\$0.01333
October	\$0.02587	\$0.01333	\$0.01333	\$0.01333
November	\$0.02587	\$0.01333	\$0.01333	\$0.01333
December	\$0.02587	\$0.01333	\$0.01333	\$0.01333
TOTAL:	<b>\$0.12935</b>	<b>\$0.26028</b>	<b>\$0.15996</b>	<b>\$0.15996</b>

## PLAN OF DISTRIBUTION

Under the Underwriting Agreement, the Trust has agreed to sell and the Underwriters have agreed to purchase on or about December 30, 2010, or on such later date as the Trust and the Underwriters may agree, but in any event not later than January 6, 2011, an aggregate of 4,680,000 Units at a price of \$1.60 per Unit, payable in cash to the Trust against delivery, for total gross proceeds to the Trust of \$7,488,000. The obligations of the Underwriters under the Underwriting Agreement are conditional and may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Units if any of the Units are purchased under the Underwriting Agreement. The obligations of the

Underwriters to purchase the Units are joint (and not several or joint and several). The terms of the Offering and the prices of the Units have been determined by negotiation between the Trust and the Underwriters.

Under the Underwriting Agreement, the Trust has agreed to pay the Underwriters a fee of \$0.096 per Unit for an aggregate fee payable by the Trust of \$449,280 in consideration for their services in connection with the Offering. The Underwriters' fee in respect of the Units is payable on closing of the Offering. Subscriptions for Units will be received subject to rejection or allocation in whole or in part and the right is reserved to close the subscription books at any time without notice.

The Trust has granted the Underwriters an over-allotment option, exercisable in whole or in part for a period of 30 days from the date of the closing of the Offering, to purchase up to 468,000 additional Units on the same terms set forth above, to cover over-allotments, if any, and for market stabilization purposes. This short form prospectus also qualifies the granting of the Over-Allotment Option and the distribution of any Units issuable on the exercise of such option. A purchaser who acquires Units forming part of the Underwriters' over-allocation position acquires those Units under this short form prospectus, regardless of whether the Underwriters' over-allotment position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Underwriters exercise the Over-Allotment Option in full, the total price to the public relating to the Offering, the Underwriters' fee and the net proceeds to the Trust before deducting the expenses of the Offering will be \$8,236,800, \$494,208 and \$7,742,592, respectively.

The TSXV has conditionally approved the listing of the Units issuable pursuant to the Offering on the TSXV. Listing is subject to the Trust fulfilling all of the listing requirements of the TSXV within 15 days of the closing of the Offering.

Under the Underwriting Agreement, the Trust has agreed to indemnify and hold harmless the Underwriters and their respective officers, directors, employees, shareholders, partners, advisors and agents against certain liabilities, including civil liabilities under Canadian securities legislation, and to contribute to payments the Underwriters may be required to make in respect thereof.

Subject to certain exceptions, the Trust, its trustees and officers, IGW and their respective affiliates have agreed that they will not issue or sell any Units or other securities convertible into Units for a period of 180 days subsequent to the closing of the Offering without the consent of the Underwriters, which consent may not be unreasonably withheld.

This Offering is being made in each of the provinces and territories of Canada. The Units have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**") or any state securities laws. Accordingly, except in certain transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws, the Units may not be offered, sold or delivered within the United States, and each Underwriter has agreed that it will not offer, sell or deliver the Units within the United States except in certain transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. In addition, until 40 days after the commencement of this Offering of the Units, any offer or sale of the Units offered hereby within the United States by any dealer (whether or not participating in this Offering) may violate the registration requirements of the U.S. Securities Act.

Pursuant to policy statements of certain regulators, the Underwriters may not, throughout the period of distribution, bid for or purchase Units. The foregoing restriction is subject to exceptions, on the condition that the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, Units. These exceptions include a bid or purchase permitted under the bylaws and rules of the TSXV relating to market stabilization and passive market-making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Under the first-mentioned exception, in connection with the Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Units at levels other than those which might otherwise prevail in the open market. Those transactions, if commenced, may be discontinued at any time.

The Underwriters propose to offer the Units to the public initially at the offering price specified on the cover page of this short form prospectus. After the Underwriters have made a reasonable effort to sell all of the Units at the offering price specified on the cover page, the offering price for the Units may be decreased and may be further changed from time to time to amounts not greater than those set forth in the cover page, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers of the Units is less than the amount paid by the Underwriters to the Trust.

## **RISK FACTORS**

An investment in securities of the Trust involves risk. Any prospective investor should carefully consider the risk factors set forth below and in the information incorporated by reference herein, and all of the other information contained in this short form prospectus (including, without limitation, the documents incorporated by reference), before purchasing any of the securities distributed under this short form prospectus. The risks described herein and in the documents incorporated by reference are not the only risks facing the Trust. The business, financial condition, revenues or profitability of the Trust could be materially adversely affected by any of these risks. The trading price of the Units could decline due to any of these risks. Additional risks and uncertainties not currently known to the Trust, or that the Trust currently deems immaterial, may also materially and adversely affect its business.

### ***Risks Related to the Acquisition***

The Acquisition is subject to certain conditions. It is possible that the Acquisition will not close because one or more of these conditions cannot be met, or that the Acquisition will not close on the same terms as disclosed, including expected timing, because of a failure to satisfy conditions. In the event that all or any part of the Acquisition is not completed for any reason, the net proceeds from the Offering may be used for general trust purposes, which may include future property acquisitions. See “Use of Proceeds”. If the Acquisition closes, there can be no assurance that the current occupancy levels and rental rates will be maintained at the Wellington Plaza.

### ***Tax Risks Including Risks Related to Qualification as a “Mutual Fund Trust” and a “Real Estate Investment Trust”***

Management of the Trust believes that the Trust currently qualifies as a “mutual fund trust” for purposes of the Tax Act and will continuously so qualify at all material times. If the Trust were not to so qualify, the income tax consequences could be materially and adversely different, including, in this regard, that the Units may not be qualified investments for purposes of Registered Plans (as defined under “Eligibility for Investment” below).

Unless the REIT Exception applies to the Trust, the SIFT Rules (as defined, together with “REIT Exception”, under “Canadian Federal Income Tax Considerations” below) may have an adverse impact on the taxation of the Trust and on the taxation of distributions to Unitholders. Management of the Trust believes that the Trust, as currently structured, will be able to meet the requirements of the REIT Exception throughout 2010; however, there can be no assurance that the Trust will be able to qualify for the REIT Exception throughout 2010 or in future years.

In the event the SIFT Rules apply to the Trust, the impact to Unitholders will depend on the status of the Unitholder, and in part, on the amount of income distributed which would not be deductible by the Trust in computing its income in a particular year and what portions of the distributions constitute “non-portfolio earnings”, other income and returns of capital. Furthermore, the likely effect of the SIFT Rules on the market for the Units, and on the Trust’s ability to finance acquisitions through the issue of Units or other securities, is unclear. In the event that the SIFT Rules apply to the Trust, they may adversely affect the marketability of the Units, the amount of cash available for distributions and the portion of distributions that is treated as a non-taxable return of capital.

Interest on the subordinated debt of Charter Realty accrues at the Trust level for Canadian federal income tax purposes, whether or not actually paid. The Declaration of Trust generally provides that a sufficient amount of the Trust’s net income and net realizable capital gains will be distributed each year to Unitholders in cash or otherwise to eliminate the Trust’s liability for tax under Part I of the Tax Act. Where such amount of net income and net realized capital gains in a taxation year exceeds the cash available for distribution in the year, such excess net income and net realized capital gains will be generally 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 (excluding an amount corresponding to the non-taxable portion of any net realized capital gains) in their taxable income.

Real estate investment trust structures often involve significant amounts of debt. The structure of the Trust and its subsidiaries (including Charter Realty) may involve significant amounts of such debt. There can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted. If such a challenge were to succeed, it could adversely affect the amount of cash available to the Trust for distribution to Unitholders. On October 31, 2003 the Department of Finance released, for public comment, proposed amendments to the Tax Act that relate to the deductibility of interest and other expenses for income tax purposes for taxation years commencing after 2004. Under the October 31, 2003 proposal, a taxpayer would be considered to have a loss from a business or property for a taxation year only if, in that year, it is reasonable to assume that the taxpayer will realize cumulative profit from the business or property during the time that the

taxpayer has carried on, or can reasonably be expected to carry on, the business or has held, or can reasonably be expected to hold, the property. Profit, for this purpose, does not include capital gains or capital losses. Management believes that the proposed amendments would not have a material effect on its tax position. On February 23, 2005, the Minister of Finance announced that an alternative proposal would be released for comment which would address concerns that had been expressed during the consultation process on the “reasonable expectation of profit” test and the potential limitation on deductibility of ordinary commercial expenses. No such legislative proposal has been released to date.

Although Management is of the view that all expenses to be claimed by the Trust will be reasonable and that the cost amount and capital cost allowance claims of the Trust and the price at which non-arm’s length transfers of property have taken or will take place have been or will be correctly determined, 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 proceeds realized on a non-arm’s length transfer of property, the taxable income of the Trust (or its subsidiaries) and indirectly the Unitholders may increase or change. The extent to which distributions will be non-taxable in the future will depend in part on the extent to which the Trust is able to deduct capital cost allowance relating to its properties.

**For additional discussion of these and other risks, see “Certain Canadian Federal Income Tax Considerations”.**

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

The Trust and the Manager depend on the services of certain key personnel, including Adam Gant, Patrick Miniutti and Dionne Barnes. These individuals perform the management functions of the Manager of the Trust pursuant to the terms of the Management Agreement. The loss of the services of any of these key personnel (as a result of, among other things, resignation, termination of employment, or termination of the Management Agreement) could have an adverse effect on the Trust. In addition, each of these individuals does not currently devote his or her time exclusively to the affairs of the Trust.

### ***Risks Relating to Current Economic Conditions***

Canadian real estate investment trusts are subject to risks generally incident to the Canadian real estate, credit, capital and financial markets. The global recessionary economic conditions and the global financial liquidity crisis that existed in 2008 and 2009, have resulted in persistent interruptions in the credit and capital markets, devaluations of assets directly or indirectly linked to the Canadian real estate finance markets and the concurrent elimination of long and short-term liquidity from the capital markets. These conditions have had, and the Trust expects will continue to have, an adverse effect on the Trust as well as the assets the Trust has invested in. Sensitivity to the global economic conditions, and their impact in Canada, may negatively affect the income received from the Trust’s real property assets. Inherent illiquidity may limit the Trust’s ability to vary its portfolio in response to changes in the global, national and/or local economic conditions and may ultimately prevent the Trust from implementing its acquisition and investment strategies. Increased vacancy rates and difficulties re-leasing properties, commonly associated with recessionary economic conditions, may occur and may adversely affect the income received from the Trust’s real property assets. All of these conditions could have an adverse effect on the Trust including causing an event of default under any of the Trust’s mortgage indebtedness and/or credit facilities. Finally, the extent to which the Trust relies on debt or equity financing and the difficulty associated with obtaining such financing increases the likelihood the Trust will be unable to raise equity capital for its ongoing operations or its acquisition and investment strategies, refinance existing indebtedness or result in the Trust receiving less favourable terms than that of existing financing arrangements.

### ***Risks Relating to Real Property Ownership***

#### **General**

The Trust is subject to risks generally incident to the ownership of real property. The underlying value of its properties and the Trust’s income and ability to make distributions to Unitholders will depend on the ability of the Trust to maintain or increase revenues from its properties and to generate income in excess of operating expenses. Income from the Trust’s properties may be adversely affected by changes in national or local economic conditions, changes in interest rates and in the availability, cost and terms of mortgage financing, the impact of present or future environmental legislation and compliance with environmental laws, the ongoing need for capital improvements, particularly in older structures, changes in real estate assessed values and taxes payable on such values (including as a result of possible increased assessments caused by the acquisition of properties by the Trust) and other operating expenses, changes in governmental laws, regulations, rules and fiscal policies, changes in zoning laws, civil unrest, acts of God, including earthquakes and other natural disasters and acts of terrorism or war (which may result in uninsured losses). Certain significant expenditures, including property taxes,

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 income. In addition, almost all of the Méga Centre leases require payment by the tenant of operating costs at a fixed rate with annual adjustments for changes in the Consumer Price Index. Actual increases or decreases in operating costs may vary significantly from the amounts recoverable in respect thereof. When interest rates increase, the cost of acquiring, developing, expanding or renovating real property increases and real property values may decrease as the number of potential buyers decreases. Similarly, as financing becomes less available, it becomes more difficult to both acquire and to sell real property. Finally, governments can expropriate or take real property for less compensation than an owner believes a property is worth. Almost all of these factors are beyond the Trust's control.

### **Government Regulation and Environmental Matters**

The Trust is subject to federal, provincial and local environmental regulations that apply generally to the ownership of real property. If it fails to comply with those laws, the Trust could be subject to significant fines or other governmental sanctions. Under various federal, provincial and local laws, ordinances and regulations, an owner or operator of real estate may be required to investigate and clean up hazardous or toxic substances or petroleum product releases at a property and may be held liable to a governmental entity or to third parties for property damage and for investigation and clean up costs incurred by such parties in connection with contamination. Such liability may be imposed whether or not the owner or operator knew of, or was responsible for, the presence of these hazardous or toxic substances. The cost of investigation, remediation or removal of such substances may be substantial, and the presence of such substances, or the failure to properly remediate such substances, may adversely affect the owner's ability to sell or rent such property or to borrow using such property as collateral. In addition, in connection with the ownership, operation and management of real properties, the Trust could potentially be liable for property damage or injuries to persons and property.

In order to assess the potential for liabilities arising from the environmental condition at its properties, the Trust is required to obtain or examine environmental assessments prepared by environmental consulting firms. The environmental assessments received in respect of the Properties did not reveal, nor is the Trust aware of, any environmental liability that the Trust believes will have a material adverse effect on it. However, the Trust cannot assure Unitholders that any environmental assessments performed have identified or will identify all material environmental conditions, that any prior owner of any property did not create a material environmental condition not known to the Trust or that a material environmental condition does not or will not otherwise exist with respect to its Properties.

### **Illiquidity**

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

### **Uninsured Losses**

The Declaration of Trust requires that the Trust obtain and maintain at all times insurance coverage in respect of its potential liabilities and the accidental loss of value of its assets 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. There are, however, certain types of risks, generally of a catastrophic nature, such as wars, acts of terrorism or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or under-insured loss occur, the Trust could lose its investment in, and anticipated profits and cash flows from, the affected property, but the Trust would continue to be obliged to repay any recourse mortgage indebtedness on such property. There can be no assurance that a claim in excess of the insurance coverage or claims not covered by insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against the Trust not covered by, or in excess of, the insurance coverage could have a material adverse effect on the Trust's business, financial condition or results of operations and distributions.

### ***Risks Relating to the Business of the Trust***

#### **Investment Concentration**

The Properties account for 100% of the Trust's total real property assets. Méga Centre and the Cornwall Square Property account for approximately 54% of the Trust's base rental revenues on an annualized basis. As a result, the Trust is



particularly susceptible to adverse market conditions in the areas of greater Montréal, Québec (where Méga Centre is located) and Cornwall, Ontario (where the Cornwall Square Property is located), such as business layoffs or downsizing, industry slowdowns, relocations of businesses, changing demographics and other factors. Any adverse economic or real estate developments in the area of greater Montréal, Québec or Cornwall, Ontario, or in the future in any of the other markets in which the Trust operates, or any decrease in demand for commercial retail real estate space resulting from the local economic or business climate could adversely affect the Trust's rental revenues, which could impair its ability to satisfy its debt service obligations and generate stable positive cash flow from its operations. In addition, because the Trust's investments will consist mainly of commercial retail real estate interests, it will be subject to risks inherent in investments in a single industry and will not benefit from diversification by property type. Demand for commercial retail real estate space could be adversely affected by weakness in the national, regional and local economies, changes in supply of, or demand for, similar or competing properties in an area and the excess amount of commercial retail real estate space in a particular market. In addition, under certain circumstances, Sears and Loblaws (No Frills) in the Cornwall Square Property are permitted under the terms of their leases to cease business operations at the premises leased to them provided that they continue to pay the same rent for such premises. While such clauses are not uncommon in leases with key tenants of commercial retail properties, if any key tenant were to cease business operations at the premises leased to them, it could have a material adverse effect on the relevant property. To the extent that any of these conditions occur, they are likely to affect market rents for space, which could cause a decrease in the Trust's rental revenue from any of its properties at the expiry of the initial terms of any leases. Any such decrease could impair the Trust's ability to satisfy any debt service obligations and generate stable positive cash flow from its operations.

### **Competition**

The Trust competes with numerous developers, owners and operators in the commercial retail real estate industry, some of which own or may in the future own, facilities that compete directly with the Trust's properties, and some of which may have greater capital resources. If the Trust's competitors build new facilities that compete with the Trust's properties or offer space at rental rates below current market rates or below the rental rates the Trust charges its tenants, the Trust may lose existing and potential tenants and it may be pressured to discount its rental rates below those it would otherwise charge in order to retain tenants. As a result, the Trust's rental revenues may decrease, which could impair the Trust's ability to satisfy its debt service obligations and to pay distributions to Unitholders. In addition, increased competition for tenants may require the Trust to make capital improvements to facilities that it would not have otherwise made. Any unbudgeted capital improvement the Trust undertakes may reduce cash available for distributions to Unitholders.

### **Acquisition Strategy**

The Trust's business strategy involves expansion of its rental property asset base through acquisitions and, potentially in the future, development of projects for rental purposes. These activities require the Trust to identify acquisition or development candidates or investment opportunities that meet its criteria and are compatible with its growth strategy. The Trust may not be successful in identifying commercial retail real estate facilities that meet its acquisition or development criteria or in completing acquisitions, developments or investments on satisfactory terms. The Trust may also not be able to raise the funds necessary to complete an acquisition, development or investment. Failure to identify or complete acquisitions or developments will slow the Trust's growth. The Trust could also face significant competition for acquisitions and development opportunities. Some of the Trust's competitors have greater financial resources than the Trust and, accordingly, have a greater ability to borrow or raise funds to acquire properties. These competitors may also be willing and/or able to accept more risk than the Trust can prudently manage, including risks with respect to the geographic concentration of investments and the payment of higher prices to acquire properties. This competition for investments may reduce the number of suitable investment opportunities available to the Trust, may increase acquisition costs and may reduce demand for commercial retail real estate space in certain areas where the Trust's real estate properties are located and, as a result, may adversely affect the Trust's operating results. In addition, even if the Trust were successful in identifying suitable acquisitions or development projects, newly acquired real estate properties may fail to perform as expected and management of the Trust may underestimate the costs associated with the integration of the acquired facilities. In addition, any property expansions the Trust undertakes in the future are subject to a number of risks, including, but not limited to, construction delays or cost overruns that may increase project costs, financing risks, the failure to meet anticipated occupancy or rent levels, failure to receive required zoning, land use and other governmental permits and authorizations and changes in applicable zoning and land use laws. If any of these problems occur, expansion costs for a project will increase, and there may be significant costs incurred for projects that are not completed. In deciding whether to acquire or expand a particular property, the Trust will make certain assumptions regarding the expected future performance of that property. If the Trust's acquisition or expansion facilities fail to perform as expected or incur significant increases in projected costs, the Trust's rental revenues could be lower, and its operating expenses higher, than expected.

## **Integration of Additional Properties**

In addition to the acquisition of Wellington Plaza, the Trust intends to acquire additional properties in the future. The Trust cannot assure Unitholders that it will be able to successfully integrate these additional properties into its existing portfolio without operating disruptions or unanticipated costs. As the Trust acquires or develops additional properties, the Trust will be subject to risks associated with managing new properties, including tenant retention and mortgage default. In addition, acquisitions or developments may cause disruptions in the Trust's operations and divert management's attention away from day-to-day operations. Furthermore, the Trust's profitability may suffer because of acquisition related costs or amortization costs for acquired intangible assets. The Trust's failure to successfully integrate any future properties into its portfolio could have an adverse effect on the Trust's operating costs and its ability to generate stable positive cash flow from its operations.

## **Occupancy and Rental Rates**

Delays in re-leasing properties and/or units of properties as vacancies arise would reduce the Trust's revenues and could adversely affect its operating performance. In addition, lower than expected rental rates could adversely affect the Trust's rental revenues and impede its growth. At December 2, 2010, the Trust has vacancies of approximately 50,000 square feet. As well, the Trust has 33,000 square feet of lease expiries in the balance of 2010.

## **Dependence on and Relationship with the Manager**

The Manager provides management and administrative services to the Trust pursuant to the Management Agreement and the Trust depends on the Manager for all aspects of the day-to-day management of its business and the execution of its business plan. There can be no assurance that if the Manager stopped providing these services, a suitable replacement would be found in a timely manner or at all. The Manager will not be required to provide services exclusively to the Trust and may in some circumstances, subject to a non-competition agreement, manage real estate properties for others.

## **Debt Financing**

The Trust has incurred both unsecured debt and mortgage debt by obtaining loans secured by some or all of the Properties. In addition, the Trust may borrow funds if necessary to make distributions to Unitholders.

Future debt may harm its business and operating results by: (a) requiring the Trust to use a substantial portion of its cash flow from operations to pay principal and interest, which will reduce the amount available for distributions; (b) making the Trust more vulnerable to economic and industry downturns and reducing its flexibility in responding to changing business and economic conditions; and (c) limiting the Trust's ability to borrow more money for operating or capital needs or to finance acquisitions in the future.

In addition to the risks discussed above and those normally associated with debt financing, including the risk that the Trust's cash flow will be insufficient to meet required payments of principal and interest, the Trust will also be subject to the risk that it will not be able to refinance the existing indebtedness on its facilities and that the terms of any refinancing it could obtain would not be as favourable as the terms of its existing indebtedness. If the Trust is not successful in refinancing debt when it becomes due, it may be forced to dispose of facilities or assets on disadvantageous terms, which might adversely affect its ability to service other debt and to meet its other obligations.

## **Restrictive Covenants**

Mortgage indebtedness and/or other credit facilities obtained by the Trust will contain covenants, including limitations on the Trust's ability to incur secured and unsecured indebtedness, sell all or substantially all of its assets and engage in mergers and consolidations and various acquisitions. In addition, mortgage indebtedness and other credit facilities will contain limitations on the Trust's ability to transfer or encumber the mortgaged properties without lender consent. These provisions may restrict the Trust's ability to pursue business initiatives or acquisition transactions that may be in its best interests. They also may prevent the Trust from selling properties at times when, due to market conditions, it may be advantageous to do so. In addition, failure to meet any of the covenants could cause an event of default under and/or acceleration of some or all of the Trust's indebtedness, which would have an adverse effect on the Trust.

## **Potential Conflicts of Interest**

The Trust is subject to various potential conflicts of interest because of the fact that its officers and trustees are engaged in a wide range of business activities. See "Trustees & Officers – Potential Conflicts of Interest".

## **Litigation**

The Trust may become subject to disputes with tenants, or other commercial parties with whom it maintains relationships or other parties with whom it does business. Any such dispute could result in litigation between the Trust and the other parties. Whether or not any dispute actually proceeds to litigation, the Trust may be required to devote significant resources, including management time and attention, to its successful resolution (through litigation, settlement or otherwise), which would detract from management's ability to focus on the Trust's business. Any such resolution could involve the payment of damages or expenses by the Trust, which may be significant. In addition, any such resolution could involve the Trust's agreement to certain settlement terms that restrict the operation of its business.

## **Joint Venture Investments**

Although the Trust does not presently have any joint venture investments, it may in the future co-invest with third parties through joint ventures, including with the Manager and certain affiliates of the Manager if permitted or required by the terms of the non-competition agreement (as described above under "New Developments - New Management Agreement and Non-Competition Agreement"). In any such joint venture, the Trust may not be in a position to exercise sole decision making authority regarding the properties owned through joint ventures. Investments in joint ventures may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that joint venture partners might become bankrupt or fail to fund their share of required capital contributions. Joint venture partners may have business interests or goals that are inconsistent with the Trust's business interests or goals and may be in a position to take actions contrary to the Trust's policies or objectives. Such investments also have the potential risk of impasse on strategic decisions, such as a sale, because neither the Trust nor the joint venture partner would have full control over the joint venture. Any disputes that may arise between the Trust and its joint venture partners could result in litigation or arbitration that could increase the Trust's expenses and distract its officers and/or trustees from focusing their time and effort on the Trust's business. In addition, the Trust might in certain circumstances be liable for the actions of its joint venture partners.

## **Potential Undisclosed Liabilities Associated with Acquisitions**

The Trust expects to acquire properties that are subject to existing liabilities, some of which may be unknown at the time of the acquisition or which the Trust may fail to uncover in its due diligence. Unknown liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims by tenants, vendors or other persons dealing with the vendor or predecessor entities (that have not been asserted or threatened to date), tax liabilities, and accrued but unpaid liabilities incurred in the ordinary course of business. While in some instances the Trust may have the right to seek reimbursement against an insurer or another third party for certain of these liabilities, the Trust may not have recourse to the vendor of the properties for any of these liabilities.

## ***Risks Related to the Structure of the Trust***

### **Reliance on External Sources of Capital**

Because the Trust expects to make regular cash distributions, it may not be able to fund all of its future capital needs, including capital for acquisitions and property development, with income from operations. The Trust therefore will have to rely on third-party sources of capital, which may or may not be available on favourable terms, if at all. The Trust's access to third-party sources of capital depends on a number of things, including the current state of capital markets, the market's perception of the Trust's growth potential and its current and potential future earnings. If the Trust is unable to obtain third-party sources of capital, it may not be able to acquire or develop assets when strategic opportunities exist, satisfy its debt obligations or make regular distributions to Unitholders.

## **Cash Distributions Are Not Guaranteed and May Fluctuate with the Trust's Performance**

Although the Trust currently intends, to the extent possible, to make equal monthly cash distributions of income to the Unitholders, such cash distributions are not guaranteed and may fluctuate with its performance. The Trust will depend on revenue generated from its properties to make such distributions. There can be no assurance regarding the amount of revenue that will be generated by its properties. The amount of distributions may exceed actual cash available to the Trust from time to time and will depend upon numerous factors, including the profitability of its properties, funds used to fund the Trust's growth initiatives, fluctuations in working capital, interest rates, capital expenditures, principal repayments, redemption of Units, if any, and other factors which may be beyond the control of the Trust. The Trust may be required to borrow funds in order to accommodate any such items, including distributions. If the Trustees determine that it would be in the best interests of the Trust, they may reduce for any period the distributions to be made to the Unitholders.

## **Structural Subordination of Units**

In the event of a bankruptcy, liquidation or reorganization of the Trust or any of its subsidiaries, holders of certain of their indebtedness and certain trade creditors will generally be entitled to payment of their claims from the assets of the Trust and those subsidiaries before any assets are made available for distribution to the Unitholders. The Units will be effectively subordinated to most of the indebtedness and other liabilities of the Trust and its subsidiaries. Neither the Trust nor any of its subsidiaries will be limited in its ability to incur additional secured or unsecured indebtedness.

## **Unitholder Liability**

The Declaration of Trust provides that no Unitholder shall be subject to any liability whatsoever to any person in connection with a holding of Units. However, in certain jurisdictions, there remains a risk, which is considered by the Trust to be remote in the circumstances, that a Unitholder could be held personally liable, despite such statement in the Declaration of Trust to the contrary, for the obligations of the Trust to the extent that claims are not satisfied out of the assets of the Trust. The affairs of the Trust will be conducted to seek to minimize such risk wherever possible.

## **Nature of Investment**

A Unit is not a share of a body corporate. Holders of Units do 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 holders of Units will be based primarily on the Declaration of Trust. There is no statute governing the affairs of the Trust equivalent to the OBCA or the *Canada Business Corporations Act* which sets out the rights and entitlements of shareholders of corporations in various circumstances. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act*, nor are they insured under the provisions of that Act or any other legislation. Furthermore, the Trust 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.

## **Dilution**

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

## **Potential Volatility of Unit Price**

The market price of the Units may be volatile and could be subject to wide fluctuations due to a number of factors, including but not limited to: actual or anticipated fluctuations in the Trust's results of operations; changes in estimates of the Trust's future results of operations by management or securities analysts; and general industry changes. In addition, the financial markets have in the past experienced significant price and value fluctuations that have particularly affected the market prices of equity securities of many TSXV and real estate issuers and that sometimes have been unrelated to the operating performance of these companies. Broad market fluctuations, as well as economic conditions generally and in the real estate industry specifically, may adversely affect the market price of the Units.

## **Limited Prior Public Market**

The Trust cannot predict at what price the Units will trade and there can be no assurance that an active trading market will be maintained or, if maintained, that such a market will be sustained. A publicly traded trust will not necessarily trade at values determined solely by reference to the underlying value of its assets.

## **Restriction on Ownership of Units**

Pursuant to the terms of the Declaration of Trust, the Trust must not be established or maintained primarily for the benefit of Non-Residents (as defined in the Declaration of Trust). As a result, the Declaration of Trust contains provisions limiting the ownership of Units by Non-Residents. These restrictions may limit or remove the rights of certain Unitholders, including Non-Residents. As a result, these restrictions may limit the demand for Units from certain Unitholders and thereby adversely affect the liquidity and market value of the Units.

## **CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of McCarthy Tétrault LLP, counsel to the Trust, and Torys LLP, counsel to the Underwriters, the following is a summary as at the date of this short form prospectus of the principal Canadian federal income tax considerations generally applicable under the Tax Act to the acquisition, holding and disposition of Units to a holder that acquires such Units pursuant to this Offering. This summary is applicable to a holder who, for purposes of the Tax Act at all relevant times is resident in Canada, deals at arm's length and is not affiliated with the Trust, and holds Units as capital property. Generally, Units will be considered to be capital property to a holder provided that the holder does not hold the Units in the course of carrying on a business of buying and selling securities and has not acquired the Units in one or more transactions considered to be an adventure in the nature of trade.

Certain holders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have them and all other "Canadian securities", as defined in the Tax Act, owned or subsequently acquired by the holder, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Holders interested in making this election should consult their own tax advisors for advice as to whether the election is available and advisable, having regard to their own particular circumstances.

This summary is not applicable to a holder of Units: (i) that is a "financial institution" for purposes of the "mark-to-market" rules, (ii) that is a "specified financial institution", (iii) an interest in which is a "tax shelter investment", (iv) that has elected to report Canadian tax results in a currency other than Canadian dollars, or (v) that holds Units acquired upon the exercise of rights to acquire such Units received in respect of, in the course of, or by virtue employment with the Trust or any corporation or "mutual fund trust" not dealing at arm's length for purposes of the Tax Act with the Trust (all within the meaning of the Tax Act). Any such holders should consult their own tax advisors to determine the tax consequences to them of the acquisition, holding and disposition of Units.

This summary does not address the deductibility of interest by a holder who has borrowed money to acquire Units.

This summary is based on the facts set out in this prospectus and in a certificate provided to counsel by an officer of the Trust (the "**Officer's Certificate**"). This summary assumes that the representations made in the Officer's Certificate are true and correct, including the representations that (i) the Trust has at all times qualified and currently qualifies as a "mutual fund trust" and a "real estate investment trust" for purposes of the Tax Act, (ii) the Trust should continue to qualify as a "mutual fund trust" and a "real estate investment trust" under the provisions of the Tax Act while the Units remain outstanding, and (iii) the Trust has complied and will at all times comply with the Declaration of Trust.

This summary is also based upon the current provisions of the Tax Act and the regulations thereunder (the "**Regulations**"), taking into account proposed amendments to the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of this short form prospectus (the "**Tax Proposals**"), and counsel's understanding of the current administrative and assessing policies and practices published in writing by the Canada Revenue Agency (the "**CRA**") prior to the date hereof. There can be no assurance that the Tax Proposals will be implemented in their current form or at all.

The summary does not otherwise take into account or anticipate any changes of law or practice, whether by judicial, governmental or legislative decision or action or changes in the administrative and assessing policies and practices of the CRA. There can be no assurance that such changes, if made, might not be retroactive. Modifications or amendments of the Tax Act or Tax Proposals could significantly alter the tax status of the Trust and the tax consequences of investing in Units. This summary also does not take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from the legislation and considerations discussed herein.

**This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. The income and other tax consequences of acquiring, holding, or disposing of Units will vary depending on the particular circumstances of the holder thereof, including the province or provinces in which the holder resides or**

**carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective holder. Consequently, prospective holders should consult their own tax advisors for advice with respect to the tax consequences to them of an investment in Units based on their particular circumstances.**

In this summary, references to the Trust are to Partners Real Estate Investment Trust and not to any of its subsidiaries or other entities in which it holds an interest.

## **Status of the Trust**

### *Qualification as a “Mutual Fund Trust”*

This summary is based on the assumption that the Trust qualifies as a “mutual fund trust” as defined in the Tax Act and will continuously so qualify at all material times. If the Trust were to not qualify as a mutual fund trust at any time, the income tax considerations would, in some respects, be materially and adversely different.

Currently, a trust will not be considered to be a mutual fund trust if, among other things, it is established or maintained primarily for the benefit of non-residents of Canada unless all or substantially all of its property is property other than “taxable Canadian property” as defined in the Tax Act. This summary assumes that the Trust was not established and is not maintained primarily for the benefit of non-residents. Counsel is of the view that this assumption is reasonable in light of the restrictions on the ownership of Units by non-residents which are contained in the Declaration of Trust.

### *Qualification as a “Real Estate Investment Trust”*

## **SIFT Rules**

The Tax Act contains rules (the “**SIFT Rules**”), which tax certain publicly-traded or listed trusts and partnerships in a manner similar to corporations and which tax certain distributions from such trusts and partnerships as taxable dividends from a taxable Canadian corporation.

The SIFT Rules apply to any trust or partnership that is a “specified investment flow-through” (“**SIFT**”) and its investors. A SIFT includes a Canadian resident trust (a “**SIFT trust**”) where investments in the trust are listed or traded on a stock exchange or other public market, and the trust holds one or more “non-portfolio properties”. “Non-portfolio properties” include certain investments in real properties situated in Canada and certain investments in corporations and trusts resident in Canada and in partnerships with specified connections in Canada.

Pursuant to the SIFT Rules, a SIFT cannot deduct any part of the amounts payable to unitholders in respect of (i) aggregate net income from businesses it carries on in Canada; (ii) aggregate net income (other than taxable dividends received by the SIFT) from its non-portfolio properties; and (iii) aggregate net taxable capital gains from its disposition of non-portfolio properties. Distributions which a SIFT is unable to deduct will be taxed in the SIFT at rates of tax designed to emulate the combined federal and provincial corporate tax rates. Generally, distributions that are paid as returns of capital will not attract this tax.

Distributions of a SIFT’s income that are not deductible to the SIFT will be treated as dividends payable to unitholders from a taxable Canadian corporation. Such dividends deemed to be received by an individual (other than certain trusts) will be included in computing the individual’s income for tax purposes and will be subject to the enhanced gross-up and dividend tax credit rules normally applicable to eligible dividends received from taxable Canadian corporations. Such dividends deemed to be received by a holder that is a corporation generally will be deductible in computing the corporation’s taxable income. 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 33 1/3% on dividends received or deemed to be received to the extent that such dividends are deductible in computing taxable income.

The SIFT Rules do not apply to a trust that would have been a SIFT on October 31, 2006 until the trust’s 2011 taxation year, subject to acceleration in certain circumstances where the “normal growth” of the trust exceeds certain permitted limits. This transitional relief is not available in respect of the Trust since its Units were not listed or traded on October 31, 2006.

As discussed below, the SIFT Rules do not apply to a trust that qualifies as a “real estate investment trust” for the year (the “**REIT Exception**”). If the Trust does not satisfy the REIT Exception throughout the year, the SIFT Rules will apply to the Trust for that year.

## REIT Exception

Trusts that satisfy the REIT Exception are not subject to the SIFT Rules.

On December 16, 2010 the Department of Finance released, for public comment, proposed amendments to the Tax Act concerning the income tax treatment of real estate investment trusts and, in particular, the conditions which must be met in order for a trust to qualify for the REIT Exception (the “**December 16, 2010 Proposals**”). If enacted as proposed, the amendments, which are generally relieving in nature, will be effective for the 2011 and subsequent taxation years and, on an elective basis, for earlier taxation years.

Assuming that the December 16, 2010 Proposals are enacted as proposed, the following conditions must be met (in addition to the trust being resident in Canada throughout the taxation year) in order for a trust to qualify for the REIT Exception in a year subsequent to 2010, as well as prior to 2011 if the trust elects in the prescribed manner and within the prescribed time:

- (a) at each time in the taxation year, the total fair market value at that time of all non-portfolio properties that are “qualified REIT properties” (as described below) held by the trust must be at least 90% of the total fair market value at that time of all non-portfolio properties held by the trust;
- (b) not less than 90% of the trust’s “gross REIT revenue” (as described below) for the taxation year must be derived from one or more of the following: “rent from real or immovable properties” (as described below), interest, capital gains from the disposition of “real or immovable properties” (as described below), dividends, royalties and gains from dispositions of “eligible resale properties” (as described below);
- (c) not less than 75% of the trust’s gross REIT revenue for the taxation year must be from one or more of the following: rent from real or immovable properties, interest from mortgages or hypothecs on real or immovable properties, and capital gains from dispositions of real or immovable properties;
- (d) at no time in the taxation year can the total fair market value of, stated generally, properties comprised of real or immovable properties, cash, deposits in a bank or credit union, indebtedness of Canadian corporations represented by bankers’ acceptances and debt issued or guaranteed by governments in Canada be less than 75% of the “equity value” of the trust at that time; and
- (e) investments in the trust must be, at any time in the taxation year, listed or traded on a stock exchange or other public market.

Generally, the SIFT rules contain look-through rules under which a trust could qualify for the REIT Exception where it holds its real properties indirectly through intermediate entities.

Under the SIFT Rules (assuming that the December 16, 2010 Proposals are enacted as proposed):

- (a) “eligible resale property” means real or immovable property (other than capital property) of an entity, in which a trust the investments in which are listed or traded on a stock exchange or other public market holds a security, (i) that is contiguous to a particular real or immovable property that is capital property of the entity or of another entity in which the trust holds a security, and (ii) the holding of which is necessary, and incidental, to the holding of the particular real or immovable property;
- (b) “gross REIT revenue”, of an entity for a taxation year, means the total of all amounts each of which is (i) an amount received in the taxation year or receivable in the taxation year (depending on the method regularly followed by the entity in computing the entity’s income) by the entity otherwise than as or on account of capital, or (ii) a capital gain of the entity for the taxation year;
- (c) “qualified REIT property” of a trust at any time means, generally, a property held by the trust that is at that time:
  - (i) a real or immovable property that is capital property of the trust;
  - (ii) a security of a “subject entity” (as described below) all or substantially all of the gross REIT revenue of which (for the subject entity’s taxation year that ends in the trust’s taxation year that includes that time) is from maintaining, improving, leasing or managing real or immovable

properties that are capital properties of the trust or of an entity of which the trust holds a share or interest or that are eligible resale properties of each such subject entity (other than the trust);

- (iii) a security of a subject entity if the entity holds no property other than A. legal title to real or immovable properties of the trust or of another subject entity all of the securities of which are held by the trust and B. tangible personal property (or for civil law corporeal moveable property) ancillary to the earning by the trust of rents from, and capital gains from the dispositions of, real or immovable property; and
- (iv) tangible personal property (or for civil law corporeal moveable property) ancillary to the earning by the trust of rents from, and capital gains from the dispositions of, real or immovable property;
- (d) “real or immovable property” includes generally a security of a trust that satisfies (or of any other entity that would, if it were a trust, satisfy) the criteria in (a), (b), (c) and (d) required to qualify for the REIT Exception discussed above and an interest in certain real property or a real right in immovables, but excludes any depreciable property other than a depreciable property included (otherwise than by an election) in capital cost allowance (“CCA”) Class 1, 3 or 31, a property ancillary to the ownership or utilization of such depreciable property or a lease or leasehold interest in respect of land or such depreciable property;
- (e) “rent from real or immovable properties” includes rent or similar payments for the use of or right to use real or immovable properties, payment for services ancillary to the rental of real or immovable properties and customarily supplied or rendered in connection therewith, but does not include any other payments for services supplied or rendered, fees for managing or operating such properties, payment for the occupation, use or right to use a room in a hotel or other similar lodging facility, or rent based on profits; and
- (f) “subject entity” means (i) a corporation resident in Canada, (ii) a trust resident in Canada, (iii) a Canadian resident partnership or (iv) a non-resident person, or a partnership that is not a Canadian resident partnership, the principal source of income of which is one or more sources in Canada.

The REIT Exception (both as currently enacted and as amended if the December 16, 2010 Proposals are enacted as proposed) contains a number of technical tests and the determination as to whether the Trust qualifies for the REIT Exception in any particular taxation year can only be made at the end of the taxation year. Based on representations as to factual matters set out in the Officer’s Certificate, the Trust has informed counsel that it believes that it has satisfied the requirements under the REIT Exception (as currently enacted) throughout each taxation year since the Trust’s inception and that it intends to continue to operate in a manner so that the Trust should continue to qualify through 2010. The Trust has also informed counsel that it intends to continue to operate in a manner so that the Trust should qualify for the REIT Exception in each subsequent taxation year. Counsel cannot provide any assurance in this regard. The Trust has not obtained, nor sought, an advance tax ruling from the CRA in respect of the non-application to the Trust of the SIFT Rules, including the availability of the REIT Exception. There can be no assurance that subsequent investments or activities undertaken by the Trust will not result in the Trust failing to comply with the REIT Exception. The Declaration of Trust provides that the Trust shall use its reasonable best efforts not to be a SIFT trust. Counsel will not review the Trust’s compliance with the conditions for the REIT Exception.

The summary assumes that the Trust has and will continue to qualify for the REIT Exception at all times. Should the Trust cease to qualify under the REIT Exception for a taxation year, the income tax considerations could be materially different from those described in this summary – in particular, non-deductible distribution amounts, as previously described, could be taxable to the Trust (with the result that the amount of cash available for distribution by the Trust would be reduced) and could also be included in the income of Unitholders for purposes of the Tax Act as taxable dividends. The REIT Exception is applied on a taxation year basis. Accordingly, even if the Trust does not qualify for the REIT Exception in a particular taxation year, it may be able to do so in a subsequent taxation year.

### **Taxation of the Trust**

The taxation year of the Trust is the calendar year. The Trust will be subject to tax under Part I of the Tax Act on its income for the year, including net realized taxable capital gains, less the portion thereof that it deducts in respect of amounts paid or payable to Unitholders. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the year by the Trust or if the Unitholder is entitled in that year to enforce payment of the amount.



In computing its income for purposes of the Tax Act, the Trust may generally deduct reasonable administrative costs, interest and other expenses of a current nature incurred by it for the purpose of earning income. The Trust may also deduct on a five-year straight line basis (subject to pro-rata for short taxation years) reasonable expenses incurred by it in the course of issuing Units. Counsel has been advised that in computing its taxable income, except as the Trustees otherwise determine, the Trust shall claim the maximum of CCA and other discretionary deductions available to the Trust under the Tax Act.

Generally, under the Declaration of Trust, unless the Trustees otherwise determine, an amount equal to all of the net income (including taxable capital gains) of the Trust (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), together with the non-taxable portion of any net capital gains realized by the Trust, but excluding income and capital gains arising in connection with a distribution *in specie* on the redemption of Units which are designated by the Trust to redeeming Unitholders, and capital gains the tax on which may be offset by capital losses carried forward from prior years or is recoverable by the Trust, will be payable in the year to Unitholders by way of cash distributions, subject to the following exception. Where income of the Trust in a taxation year exceeds the total cash distributions for that year, such excess income may be distributed to Unitholders in the form of additional Units. Income of the Trust payable to Unitholders, whether in cash, additional Units or otherwise, will generally be deductible by the Trust in computing its income.

Losses incurred by the Trust cannot be allocated to Unitholders, but may be deducted by the Trust in future years in accordance with the Tax Act.

The Trust will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the "capital gains refund"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the Trust's tax liability for that taxation year arising in connection with the distribution of its property on the redemption of Units. The Declaration of Trust provides that all or a portion of any income (including taxable capital gains) realized by the Trust as a result of that redemption may, at the discretion of the Trustees, be treated as income paid or payable to the redeeming Unitholder, and will be deductible by the Trust in computing its income.

Counsel has been advised that the Trust intends to make sufficient distributions in each year of its net income for tax purposes and net realized capital gains so that the Trust generally should not be liable in that year for tax under Part I of the Tax Act.

## **Taxation of Unitholders**

### *Distributions*

A Unitholder will generally be required to include in computing income for a particular taxation year the portion of the net income for tax purposes of the Trust for a taxation year, including net realized taxable capital gains, that is paid or payable to the Unitholder in the particular taxation year, whether such portion is received in cash, additional Units or otherwise.

The after-tax return to Unitholders subject to Canadian federal income tax from an investment in Units will depend, in part, on the composition for tax purposes of distributions paid by the Trust, portions of which may be fully or partially taxable or may constitute non-taxable returns of capital. Returns of capital are not included in a Unitholder's income and reduce the adjusted cost base of the Units to the Unitholder, as described below. The composition for tax purposes of distributions by the Trust may change over time, thus affecting the after-tax return to such Unitholders.

Provided that appropriate designations are made by the Trust, such portion of the net taxable capital gains and taxable dividends received or deemed to be received on shares of taxable Canadian corporations as are paid or payable, or deemed to be paid or payable, to a Unitholder, will effectively retain their character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as having been paid to Unitholders out of the net taxable capital gains of the Trust, such designated amounts will be deemed for tax purposes to be received by Unitholders in the year as a taxable capital gain and will be subject to the general rules relating to the taxation of capital gains. To the extent that amounts are designated as having been paid to Unitholders out of taxable dividends received or deemed to be received on shares of taxable Canadian corporations, the normal (or in the case of eligible dividends, the enhanced) gross-up and dividend tax credit rules will apply to individuals, the deduction in computing taxable income will be available to corporations, and the refundable tax under Part IV of the Tax Act will be payable by Unitholders that are private corporations and certain other corporations controlled directly or indirectly by or for the benefit of an individual or a related group of individuals. Unitholders should consult their own tax advisors for advice with respect to the potential application of these provisions.

The non-taxable portion of any net realized capital gains of the Trust that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income of the Trust that is paid or payable to a Unitholder or deemed to be paid or payable to a Unitholder in that year will generally not be included in the Unitholder's income for the taxation year. However, where such an amount is paid or payable to a Unitholder (other than as proceeds of disposition or deemed disposition of Units or any part thereof), the Unitholder will generally be required to reduce the adjusted cost base of the Unitholder's Units by that amount (except to the extent it represents the Unitholder's share of the non-taxable portion of the net realized capital gains of the Trust for the year, the taxable portion of which was designated by the Trust in respect of the Unitholder). To the extent that the adjusted cost base of a Unit would otherwise be a negative amount, the negative amount will be deemed to be a capital gain realized by the Unitholder and the adjusted cost base of the Unit to the Unitholder will immediately thereafter be nil. See "Capital Gains and Capital Losses" below.

#### *Dispositions of Units*

On the disposition or deemed disposition of a Unit, whether on a redemption or otherwise, the Unitholder will realize a capital gain (or sustain a capital loss) equal to the amount by which the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the Trust that is otherwise required to be included in the Unitholder's income, including any capital gain or income realized by the Trust in connection with a redemption which has been designated by the Trust to the redeeming Unitholder. The taxation of capital gains and capital losses is described below.

The adjusted cost base of a Unit to a Unitholder will include all amounts paid by the Unitholder for the Unit, subject to certain adjustments. The cost to a Unitholder of additional Units received in lieu of a cash distribution of income (including net capital gains) will be the amount of income (together with the applicable non-taxable portion of net capital gains) distributed by the issue of those respective Units. For the purpose of determining the adjusted cost base to a Unitholder, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all of the Units owned by the Unitholder as capital property immediately before the acquisition. A consolidation of Units following a distribution paid in the form of additional Units will not be regarded as a disposition of Units. The aggregate adjusted cost base to a Unitholder of all the Unitholder's Units will not change as a result of a consolidation of Units; however, the adjusted cost base per Unit will increase.

Where Units are redeemed by the distribution by the Trust of notes or other property of the Trust, the proceeds of disposition to the redeeming Unitholder will be equal to the fair market value of the notes or other property of the Trust so distributed less any income or capital gain realized by the Trust in connection with such redemption which is paid or payable by the Trust to the redeeming Unitholder. Where income (including a taxable capital gain) is realized by the Trust upon or in connection with an *in specie* distribution of property on a redemption of Units and such income is paid or payable by the Trust to the redeeming Unitholder, the Unitholder will be required to include in the Unitholder's income such income as is paid or payable to the Unitholder. The cost of any property distributed *in specie* by the Trust to a Unitholder upon redemption of Units will be equal to the fair market value of that property at the time of the distribution. The Unitholder will thereafter be required to include in income interest or other income derived from the property, in accordance with the provisions of the Tax Act.

#### *Taxation of Capital Gains and Losses*

One-half of any capital gain (a "**taxable capital gain**") realized by a holder on a disposition of a Unit and the amount of any net taxable capital gains designated by the Trust in respect of a Unitholder will generally be included in the holder's income for the year. One-half of any capital loss (an "**allowable capital loss**") sustained by the holder on the disposition of a Unit may generally be deducted by such holder against taxable capital gains for the year. Any excess allowable capital losses over taxable capital gains of the holder for that year may be carried back up to three taxation years or forward indefinitely and deducted against net taxable capital gains in those other years, subject to the detailed provisions of the Tax Act.

Where a Unitholder that is a corporation or trust (other than a mutual fund trust) disposes of a Unit, the Unitholder's capital loss from the disposition may be reduced by the amount of dividends received by the Trust and previously designated by the Trust to the Unitholder, except to the extent that a loss on a previous disposition of a Unit has been reduced by those dividends. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units.

#### *Special Tax on Certain Corporations*

A Unitholder that is a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 2/3% on certain investment income, including taxable capital gains from designations by the Trust on income distributed by the Trust to Unitholders or from dispositions or deemed dispositions of Units by the Unitholder.

#### *Alternative Minimum Tax*

In general terms, capital gains realized on a disposition of Units and net income of the Trust paid or payable to a Unitholder who is an individual (other than certain trusts) that is designated as taxable dividends or as net taxable capital gains may increase the Unitholder’s liability for alternative minimum tax.

### **ELIGIBILITY FOR INVESTMENT**

In the opinion of McCarthy Tétrault LLP, counsel to the Trust, and Torys LLP, counsel to the Underwriters, based on the provisions of the Tax Act and the Regulations in effect on the date hereof, provided that the Trust at all relevant times qualifies as a “mutual fund trust” for purposes of the Tax Act and the Regulations, or the Units are listed on the TSXV (or other designated stock exchange), the Units will on the date of the closing of the Offering be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, registered disability savings plans, deferred profit sharing plans, tax-free savings accounts (“TFSA”) and registered education savings plans (collectively, “**Registered Plans**”).

Notwithstanding that Units may be qualified investments for a trust governed by a TFSA, the holder of a TFSA will be subject to a penalty tax if the Units are a “prohibited investment” for the TFSA. Units will generally be a “prohibited investment” if the holder of a TFSA does not deal at arm’s length (for purposes of the Tax Act) with the Trust or has a “significant interest” (within the meaning of the Tax Act) in the Trust or a corporation, partnership or trust with which the Trust does not deal at arm’s length for purposes of the Tax Act. A “significant interest” of a holder in a trust generally means the ownership by the holder, either alone or together with persons and partnerships with which the holder does not deal at arm’s length for purposes of the Tax Act, of interests as a beneficiary under the trust that have a fair market value of 10% or more of the fair market value of the interests of all beneficiaries under the trust. Prospective purchasers of Units who intend to hold Units in their TFSA should consult their own advisors regarding their particular circumstances.

### **INTERESTS OF EXPERTS**

Certain legal matters in connection with the issuance of the Units offered by this short form prospectus will be passed upon at the date of closing on behalf of the Trust by McCarthy Tétrault LLP and on behalf of the Underwriters by Torys LLP. Further, each of McCarthy Tétrault LLP and Torys LLP are named as having provided certain legal opinions included in this short form prospectus. As of the date hereof, the partners and associates of McCarthy Tétrault LLP, as a group, and Torys LLP, as a group, beneficially own, directly or indirectly, less than 1% of the outstanding Units.

### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

Deloitte & Touche LLP of Calgary, Canada are the Trust’s auditors.

Computershare Investor Services Inc. is the Trust’s transfer agent and registrar at its principal offices in Toronto, Ontario.

### **MATERIAL CONTRACTS**

Except for contracts entered into in the ordinary course of business, the only material contracts which the Trust has entered into since the beginning of the most recently completed financial year, or before the most recently completed financial year but still in effect, are as follows:

- (a) the Declaration of Trust;
- (b) the Management Agreement;
- (c) the Non-Competition Agreement;
- (d) the Standby Purchase Agreement;

- (e) the Acquisition Agreement;
- (f) the Credit Facilities;
- (g) the Cornwall Square Loan Agreement; and
- (h) the Underwriting Agreement.

#### **PURCHASERS' STATUTORY RIGHTS**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. You should refer to applicable provisions of the securities legislation of your province or territory for the particulars of these rights or consult with a legal advisor.

### **CONSENT OF DELOITTE & TOUCHE LLP**

We have read the short form prospectus of Partners Real Estate Investment Trust (the “Trust”, formerly Charter Real Estate Investment Trust) dated December 20, 2010 relating to the issue and sale of Units of the Trust. We have complied with Canadian generally accepted standards for an auditor’s involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the unitholders of the Trust on the consolidated balance sheets of the Trust as at December 31, 2009 and 2008 and the consolidated statements of operations and comprehensive loss, unitholders’ equity and cash flows for the years then ended. Our report is dated March 2, 2010.

*“DELOITTE & TOUCHE LLP”*

Chartered Accountants  
Calgary, Canada  
December 20, 2010

### **CONSENT OF KPMG LLP**

We have read the short form prospectus of Partners Real Estate Investment Trust (the “Trust”) dated December 20, 2010 relating to the issue and sale of Units of the Trust. We have complied with Canadian generally accepted standards for an auditor’s involvement with offering documents.

We consent to the inclusion in the above-mentioned short form prospectus of our report to the owners of Wellington Southdale Property on the balance sheets of Wellington Southdale Property as at December 31, 2009 and 2008 and the statements of operations and net equity and cash flows for each of the years in the two year period ended December 31, 2009. Our report is dated November 19, 2010.

*“KPMG LLP”*

Chartered Accountants, Licensed Public Accountants  
Toronto, Canada  
December 20, 2010

Financial Statements of

## **WELLINGTON SOUTHDALÉ PROPERTY**

Nine months ended September 30, 2010 (unaudited)  
and years ended December 31, 2009 and 2008

## AUDITORS' REPORT

To the Owners of Wellington Southdale Property

We have audited the balance sheets of Wellington Southdale Property as at December 31, 2009 and 2008 and the statements of operations and net equity and cash flows for the years then ended. These financial statements are the responsibility of the Property's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Property as at December 31, 2009 and 2008 and the results of its operations and net equity and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*“KPMG LLP”*

Chartered Accountants, Licensed Public Accountants

Toronto, Canada

November 19, 2010

# WELLINGTON SOUTHDALE PROPERTY

Balance Sheets

	September 30, 2010	December 31, 2009	December 31, 2008
	(Unaudited)		
Assets			
Revenue-producing property (note 3)	\$ 10,397,831	\$ 10,766,638	\$ 11,077,612
Accounts receivable	358,017	286,516	291,950
Prepaid expenses	3,703	5,833	2,350
	\$ 10,759,551	\$ 11,058,987	\$ 11,371,912
Liabilities and Net Equity			
Liabilities:			
Mortgage payable (note 5)	\$ 9,761,498	\$ 9,968,553	\$ 10,230,726
Accounts payable and accrued liabilities	280,078	237,527	221,042
Intangible liability (note 4)	7,695	10,304	18,252
Tenants' security deposits	22,045	4,721	15,134
	10,071,316	10,221,105	10,485,154
Net equity	688,235	837,882	886,758
	\$ 10,759,551	\$ 11,058,987	\$ 11,371,912

See accompanying notes to financial statements.



# WELLINGTON SOUTHDALÉ PROPERTY

## Statements of Operations and Net Equity

	Nine months ended September 30, 2010	Years ended December 31, 2009	2008
	(Unaudited)		
Revenue:			
Rental	\$ 1,246,163	\$ 1,580,874	\$ 1,626,342
Tenant operating recovery	546,831	717,707	776,165
Interest and other income	11,689	18,657	25,108
	1,804,683	2,317,238	2,427,615
Expenses:			
Recoverable operating costs	620,913	866,938	911,405
Non-recoverable operating costs	1,446	4,717	5,730
General and administrative	55,354	24,799	46,664
	677,713	896,454	963,799
Income before the undernoted items	1,126,970	1,420,784	1,463,816
Interest expense	437,999	597,968	613,092
Amortization	423,882	530,516	532,632
Net income	265,089	292,300	318,092
Net equity, beginning of period	837,882	886,758	956,187
Distributions	(414,736)	(341,176)	(387,521)
Net equity, end of period	\$ 688,235	\$ 837,882	\$ 886,758

See accompanying notes to financial statements.

# WELLINGTON SOUTHDALÉ PROPERTY

## Statements of Cash Flows

	Nine months ended September 30, 2010	Years ended December 31, 2009                      2008	
	(Unaudited)		
Cash provided by (used in):			
Operating activities:			
Net income	\$ 265,089	\$ 292,300	\$ 318,092
Amortization which does not involve cash	423,882	530,516	532,632
Change in non-cash operating items:			
Accounts receivable	(71,501)	5,434	(27,605)
Prepaid expenses	2,130	(3,483)	(117,001)
Accounts payable and accrued liabilities	42,551	16,485	53,775
Tenants' security deposits	17,324	(10,413)	11,436
	679,475	830,839	771,329
Financing activities:			
Repayment of mortgage payable	(207,055)	(262,173)	(247,123)
Distributions	(414,736)	(341,176)	(387,521)
	(621,791)	(603,349)	(634,644)
Investing activities:			
Additions to revenue-producing property	(57,684)	(227,490)	(136,685)
Increase in cash, beginning and end of period	\$ —	\$ —	\$ —
Supplemental cash flow information:			
Interest paid	\$ 439,022	\$ 599,263	\$ 614,313

See accompanying notes to financial statements.

# WELLINGTON SOUTHDALDE PROPERTY

## Notes to Financial Statements

Nine months ended September 30, 2010 (unaudited)  
and years ended December 31, 2009 and 2008

### 1. **Basis of presentation:**

Wellington Southdale Property (the "Property"), as presented in these financial statements, is not a legal entity. It represents only the Wellington Southdale Property Neighbourhood Centre located in London, Ontario, Canada. This revenue-producing property, together with its related assets and liabilities, is to be acquired (the "Acquisition") by Partners Real Estate Investment Trust ("Partners REIT") upon completion of a prospectus.

These financial statements present the financial position, results of operations and cash flows of the Property, had the Property been accounted for on a stand-alone basis, and include the Property's assets, liabilities, revenue and expenses that are expected to be included in Partners REIT.

These financial statements are not necessarily indicative of the results that would be attained if the Property had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results.

The financial statements of the Property are prepared in accordance with Canadian generally accepted accounting principles. Management has extracted the information used to prepare these financial statements from the financial statements of the entity which owned the Property.

### 2. **Significant accounting policies:**

#### (a) Revenue-producing property:

Revenue-producing property is stated at cost less accumulated amortization. Cost includes the original cost of the Property, due diligence costs and other acquisition-related costs. If it is determined that the carrying amount of the revenue-producing property exceeds the undiscounted estimated future net cash flows expected to be received from the ongoing use and residual value of the Property, it is reduced to its estimated fair value.

The purchase price of a revenue-producing property is allocated to land, building and intangibles, such as lease origination costs, the value of above- and below-market rate leases, the value of in-place leases and tenant relationships, if any.

# WELLINGTON SOUTHDALE PROPERTY

## Notes to Financial Statements

Nine months ended September 30, 2010 (unaudited)  
and years ended December 31, 2009 and 2008

### 2. Significant accounting policies (continued):

The fair value of the remaining term of the above- and below-market rate leases is equal to the aggregate present value of the spread between the contract and the market rate of each of the in-place leases. The values of the above- and below-market leases are amortized to operating revenue over the remaining initial term of the related leases.

Lease origination costs are determined based on the estimates of the costs that would be incurred to put the existing in-place leases under the same terms and conditions. These costs included the lease commission, tenant inducements and other fees incurred to initiate leases, such as tenant coordination costs. The value allocated to lease origination costs is amortized over the remaining term of the respective lease.

The value of in-place leases is the present value of the estimated lost rental revenue from existing leases during the estimated hypothetical time period to replace the lease portfolio in place on acquisition. The value allocated to in-place leases is amortized over the remaining term of the respective leases.

The tenant relationship value is determined based on the costs avoided if the respective tenants were to renew their leases at the end of the existing term. The value of the relationship is calculated using an assumption of probability of the lease renewal and the estimated value of the lease. The allocated value to tenant relationships is amortized over the expected term of the relationship.

In the event a tenant terminates its leases, the unamortized portion of the related intangible values is expensed.

Amortization of building and improvements is recorded on a straight-line basis over the estimated useful lives to a maximum of 39 years. Leasing costs are deferred and amortized on a straight-line basis over the term of the respective leases.

#### (b) Revenue recognition:

Rental revenue is recognized on a straight-line basis based on the total amount or cash to be received over the term of the lease. In the case where a tenant pays a lump sum lease termination fee in order to be released from future lease obligations, this payment is recognized in rental revenue immediately. Percentage participation rent is recognized after the minimum sales level has been achieved in accordance with each lease.

# WELLINGTON SOUTHDALDE PROPERTY

## Notes to Financial Statements

Nine months ended September 30, 2010 (unaudited)  
and years ended December 31, 2009 and 2008

### 2. Significant accounting policies (continued):

#### (c) Financial instruments:

##### (i) Financial assets and financial liabilities:

Financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the Property's designation of such instruments. All financial assets and financial liabilities are classified as held-for-trading, held-to-maturity, available-for-sale, loans and receivables or other liabilities.

##### (ii) Classification of financial instruments:

The following summarizes the accounting model the Portfolio has elected to apply to each of its significant categories of financial instruments:

---

Accounts receivable	Loans and receivables
Mortgage payable	Other liabilities
Accounts payable and accrued liabilities	Other liabilities
Tenants' security deposits	Other liabilities

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##### (iii) Loans and receivables:

Loans and receivables are accounted for at amortized cost.

##### (iv) Other liabilities:

Other liabilities are recorded at amortized cost.

##### (v) Transaction costs:

Transaction costs related to loans and receivables and other liabilities are netted against the carrying value of the asset or liability and amortized over the expected life of the instrument using the effective interest method.

# WELLINGTON SOUTHDALDE PROPERTY

## Notes to Financial Statements

Nine months ended September 30, 2010 (unaudited)  
and years ended December 31, 2009 and 2008

### 2. Significant accounting policies (continued):

#### (vi) Determination of fair value:

The fair value of a financial instrument on initial recognition is generally the transaction price, which is the fair value of the consideration given or received.

#### (d) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

#### (e) Income taxes:

Provision has not been made for income taxes as the Property is owned by a partnership which is not a taxable entity. Income taxes, if any, are liabilities of the partners or co-tenants.

#### (f) Net equity:

Net equity represents the net assets of the Property, including related working capital balances excluding cash, and is net of the Property financing.

# WELLINGTON SOUTHDALÉ PROPERTY

## Notes to Financial Statements

Nine months ended September 30, 2010 (unaudited)  
and years ended December 31, 2009 and 2008

### 2. Significant accounting policies (continued):

#### (g) Changes in accounting policies:

The Canadian Institute of Chartered Accountants' ("CICA") issued the new accounting standard, CICA Handbook Section 3064, Goodwill and Intangible Assets, which clarifies that costs can be capitalized only when they relate to an item that meets the definition of an asset. Section 1000, Financial Statement Concepts, was also amended to provide consistency with this new standard. The new and amended standards were effective for the Property's 2009 fiscal year commencing January 1, 2009. Adoption of these standards, effective January 1, 2009, did not have any significant impact on the financial results.

In January 2009, the CICA issued Emerging Issues Committee Abstract No. 173, Credit Risk and the Fair Value of Financial Assets and Financial Liabilities, which requires the entity to consider its own credit risk as well as the credit risk of its counterparty when determining the fair value of financial assets and liabilities, including derivative instruments. The standard is effective for the Property's 2009 fiscal year commencing January 1, 2009 and is required to be applied retrospectively without restatement of prior periods. The adoption of this standard has been incorporated into management's fair value estimates but did not have any significant impact on the valuation of the Property's financial assets or liabilities.

#### (h) Future accounting changes:

The CICA has issued Section 1582, Business Combinations ("Section 1582"), which replaces CICA Handbook Section 1581, Business Combinations, CICA Handbook Section 1601, Consolidated Financial Statements ("Section 1601"), and CICA Handbook Section 1602, Non-controlling Interests ("Section 1602"), which together replace CICA Handbook Section 1600, Consolidated Financial Statements. Under Section 1582, the purchase price used in a business combination is based on the fair value of shares exchanged at their market price at the date of change in control. Furthermore, virtually all acquisition costs will be expensed, which currently are capitalized as part of the purchase price. Contingent liabilities, except for future contingent consideration that meet the definition of equity, are to be recognized at fair value at the acquisition date and will be remeasured at fair value through earnings for each period until settled. Sections 1601 and 1602 revise and enhance the standards for the preparation of consolidated financial statements subsequent to a business combination. All three sections come into effect for financial periods beginning January 1, 2011 with prospective application.

# WELLINGTON SOUTHDALDE PROPERTY

## Notes to Financial Statements

Nine months ended September 30, 2010 (unaudited)  
and years ended December 31, 2009 and 2008

### 2. Significant accounting policies (continued):

In February 2008, the Canadian Accounting Standards Board confirmed that Canadian public entities will have to adopt International Financial Reporting Standards effective for fiscal years beginning on or after January 1, 2011.

The future accounting changes discussed above do not have an impact on these financial statements, which are being prepared for the purpose of the Partners REIT's acquisition of the Property.

### 3. Revenue-producing property:

September 30, 2010	Cost (unaudited)	Accumulated amortization (unaudited)	Net book value
Land	\$ 3,463,687	\$ —	\$ 3,463,687
Building	6,436,034	1,043,644	5,392,390
Lease origination costs	793,397	499,246	294,151
Above-market rate leases	763	763	—
In-place leases	1,300,266	892,186	408,080
Tenant relationships	592,604	258,948	333,656
Leasing costs	758,592	252,725	505,867
	<b>\$ 13,345,343</b>	<b>\$ 2,947,512</b>	<b>\$ 10,397,831</b>

December 31, 2009	Cost	Accumulated amortization	Net book value
Land	\$ 3,463,687	\$ —	\$ 3,463,687
Building	6,436,034	919,875	5,516,159
Lease origination costs	793,397	440,028	353,369
Above-market rate leases	763	655	108
In-place leases	1,300,266	782,281	517,985
Tenant relationships	592,604	196,172	396,432
Leasing costs	700,908	182,010	518,898
	<b>\$ 13,287,659</b>	<b>\$ 2,521,021</b>	<b>\$ 10,766,638</b>



# WELLINGTON SOUTHDALDE PROPERTY

## Notes to Financial Statements

Nine months ended September 30, 2010 (unaudited)  
and years ended December 31, 2009 and 2008

### 3. Revenue-producing property (continued):

December 31, 2008	Cost	Accumulated amortization	Net book value
Land	\$ 3,463,687	\$ —	\$ 3,463,687
Building	6,436,034	754,848	5,681,186
Lease origination costs	800,409	367,188	433,221
Above-market rate leases	2,053	1,721	332
In-place leases	1,483,324	804,722	678,602
Tenant relationships	630,177	175,903	454,274
Leasing costs	487,682	121,372	366,310
	\$ 13,303,366	\$ 2,225,754	\$ 11,077,612

### 4. Intangible liability:

	September 30, 2010 (unaudited)	2009	December 31, 2008
Below-market rate leases	\$ 7,695	\$ 10,304	\$ 18,252

### 5. Mortgage payable:

The mortgage payable bears interest at 6% per annum, matures on July 1, 2016 and is secured by the revenue-producing property. Monthly payments of principal and interest are \$71,786.

Principal repayments required for the next five years and thereafter are as follows:

2010	\$ 71,084
2011	295,078
2012	313,047
2013	332,112
2014	352,338
Thereafter	8,397,839
	\$ 9,761,498

# WELLINGTON SOUTHDALDE PROPERTY

## Notes to Financial Statements

Nine months ended September 30, 2010 (unaudited)  
and years ended December 31, 2009 and 2008

### 6. Capital management:

The Property defines capital as the aggregate of cash and mortgage payable. The Property's objectives when managing capital are to meet its repayment obligations under its mortgage facility, to ensure that there are sufficient funds available to finance operations and to meet capital commitments.

In the short term, the Property utilizes cash to finance its operations and capital investments. In the long term, mortgage financing is put in place to finance the cumulative investment in the Property and ensure that the sources of financing better reflect the long-term useful life of the investment.

### 7. Related party transactions:

Under the terms of the Property Management Agreement, Centrecorp Management Services Limited, an affiliate of the legal entity which owns the Property, is entitled to receive property management fees of \$61,026 (year ended December 31, 2009 - \$77,413; year ended December 31, 2008 - \$79,919), equal to 5% of the aggregate minimum and percentage rents collected from the tenants of the Property annually, leasing fees of \$19,168 (year ended December 31, 2009 - \$14,737; year ended December 31, 2008 - \$34,933), administration fees of \$11,997 (year ended December 31, 2009 - \$16,330; year ended December 31, 2008 - \$14,328) and construction supervision fees of \$742 (year ended December 31, 2009 - \$9,639; year ended December 31, 2008 - \$1,347).

### 8. Financial instruments:

#### (a) Fair values of financial instruments:

The fair values of the financial assets and liabilities, representing working capital, approximate their recorded values due to their short-term nature.

The estimated fair value of the mortgage payable at September 30, 2010 is \$10,694,000. At December 31, 2009 and December 31, 2008, the mortgage payable approximated the estimated fair value.

# WELLINGTON SOUTHDALÉ PROPERTY

## Notes to Financial Statements

Nine months ended September 30, 2010 (unaudited)  
and years ended December 31, 2009 and 2008

### 8. Financial instruments (continued):

#### (b) Risk management:

##### (i) Liquidity risk:

Liquidity risk is the risk that the Property may encounter difficulties in accessing capital and refinancing its financial obligations as they come due. To mitigate the risk associated with the refinancing of maturing debt, the Property has entered into long-term debt.

##### (ii) Credit risk:

In the normal course of its business, the Property is exposed to credit risk that can affect its operating performance. Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to fulfill their lease commitments. The Property mitigates the risk of credit loss by ensuring that its tenant mix is diversified and by limiting its exposure to any one tenant. Thorough credit assessments are conducted in respect of all new leasing.

### 9. Economic dependence:

There are two tenants that account for 46% (year ended December 31, 2009 - 48%; year ended December 31, 2008 - 47%) of the revenue for the nine months ended September 30, 2010. The amount receivable from the tenants at September 30, 2010 is \$(4,686) (December 31, 2009 - \$12,634; December 31, 2008 - \$5,353)

### 10. Comparative figures:

Certain December 31, 2009 and 2008 comparative figures have been reclassified to conform with the financial statement presentation adopted in the current period.

*Pro Forma Consolidated Financial Statements of the Trust*

**PARTNERS REAL ESTATE  
INVESTMENT TRUST**

(Formerly Charter Real Estate Investment Trust)

(unaudited)

# PARTNERS REAL ESTATE INVESTMENT TRUST

(Formerly Charter Real Estate Investment Trust)

## Pro Forma Consolidated Balance Sheet

(unaudited)

	Partners REIT As at September 30, 2010	Wellington Plaza As at September 30, 2010	Pro Forma Adjustments	Note 3	Pro Forma
<b>ASSETS</b>					
Cash	\$ 1,621,091	\$ -	\$ 6,288,720	a	\$ 7,909,811
Accounts receivable	561,106	358,017	(358,017)	b	561,106
Income producing properties	119,969,955	10,397,831	8,802,319	a, d	139,170,105
Intangible assets	8,266,394	-	2,500,000	a, d	10,766,394
Deferred costs	445,174	-			445,174
Other assets	1,328,286	3,703	(3,703)	b	1,328,286
	\$ 132,192,006	\$ 10,759,551	\$ 17,229,319		\$ 160,180,876
<b>LIABILITIES</b>					
Secured debt	\$ 70,922,437	\$ 9,761,498	\$ 3,114,066	a	\$ 83,798,001
Credit facility	14,400,000	-	8,824,586	a	23,224,586
Accounts payable and other liabilities	3,855,313	302,123	(280,078)	b	3,877,358
Intangible liabilities	222,833	7,695	(7,695)	b	222,833
	89,400,583	10,071,316	11,650,879		111,122,778
<b>UNITHOLDERS' EQUITY</b>					
	42,791,423	688,235	5,578,440	a	49,058,098
	\$ 132,192,006	\$ 10,759,551	\$ 17,229,319		\$ 160,180,876

The accompanying notes are an integral part of these pro forma consolidated financial statements.

# PARTNERS REAL ESTATE INVESTMENT TRUST

(Formerly Charter Real Estate Investment Trust)

## Pro Forma Consolidated Statements of Operations and Comprehensive Loss

For the nine months ended September 30, 2010

(unaudited)

	Partners REIT Nine months ended September 30, 2010	Wellington Plaza Nine months ended September 30, 2010	Pro Forma Adjustments	Note 3	Pro Forma
REVENUE					
Revenues from income producing properties	\$ 12,299,842	\$ 1,792,994			\$ 14,092,836
Interest income	6,150	11,689			17,839
	12,305,992	1,804,683	-		14,110,675
EXPENSES					
Operating costs from income producing properties	4,929,432	622,359			5,551,791
Interest expense on long-term secured debt and credit facility	3,644,502	437,999	278,355	c	4,360,856
Interest expense on short-term secured debt and credit facility	398,038	-			398,038
General and administrative expenses	773,792	55,354			829,146
Depreciation and amortization of income producing properties	2,832,077	423,882	295,371	c	3,551,330
Amortization of deferred costs	182,664	-			182,664
Amortization of intangible assets	1,472,543	-			1,472,543
Corporate transaction costs	865,556	-			865,556
	15,098,604	1,539,594	573,726		17,211,924
NET LOSS AND COMPREHENSIVE LOSS	\$ (2,792,612)	\$ 265,089	\$ (573,726)		\$ (3,101,249)

The accompanying notes are an integral part of these pro forma consolidated financial statements.

# PARTNERS REAL ESTATE INVESTMENT TRUST

(Formerly Charter Real Estate Investment Trust)

## Pro Forma Consolidated Statements of Operations and Comprehensive Loss

For the year ended December 31, 2009

(unaudited)

	Partners REIT Year ended December 31, 2009	Wellington Plaza Year ended December 31, 2009	Pro Forma Adjustments	Note 3	Pro Forma
REVENUE					
Revenues from income producing properties	\$ 17,118,069	\$ 2,298,581	\$ -		\$ 19,416,650
Interest income	21,675	18,657			40,332
	17,139,744	2,317,238	-		19,456,982
EXPENSES					
Operating costs from income producing properties	6,377,991	871,655			7,249,646
Interest expense on long-term secured debt and credit facility	4,964,427	597,968	366,949	c	5,929,344
Interest expense on short-term secured debt and credit facility	254,330	-			254,330
General and administrative expenses	1,145,361	24,799			1,170,160
Depreciation and amortization of income producing properties	3,713,160	530,516	428,489	c	4,672,165
Amortization of deferred costs	214,945	-			214,945
Amortization of intangible assets	2,213,302	-			2,213,302
Incentive unit option compensation	28,625	-			28,625
	18,912,141	2,024,938	795,438		21,732,517
NET LOSS AND COMPREHENSIVE LOSS	\$ (1,772,397)	\$ 292,300	\$ (795,438)		\$ (2,275,535)

The accompanying notes are an integral part of these pro forma consolidated financial statements.

## **1. BASIS OF PRESENTATION**

These unaudited pro-forma consolidated financial statements give effect to the acquisition by Partners Real Estate Investment Trust (“Partners REIT” or the “REIT”) of the Wellington Southdale Plaza (“Wellington Plaza”) in London, Ontario and the issuance of Units pursuant a public offering (the “Offering”) by way of a short form prospectus. These statements have been prepared by Partners REIT’s management for inclusion in the prospectus related to the Offering. The unaudited pro-forma consolidated balance sheet has been prepared to reflect the acquisition by the REIT of Wellington Plaza and the issuance of new Units as of September 30, 2010. The unaudited pro-forma consolidated statements of operations and comprehensive loss combine the results of the REIT and Wellington Plaza (to be acquired by the REIT in December 2010) and the issuance of new Units as if the acquisition and issuance of new Units occurred on January 1, 2009. These unaudited pro-forma consolidated financial statements should be read in conjunction with the historical financials and notes thereto of Partners REIT and Wellington Plaza included elsewhere in this Offering.

Effective November 3, 2010, the name of Charter Real Estate Investment Trust was changed to Partners Real Estate Investment Trust. All references to “Partners Real Estate Investment Trust,” Partners REIT,” the “REIT” and similar references in these financial statements refer to Charter Real Estate Investment Trust prior to the name change. Partners Real Estate Investment Trust is an unincorporated open-ended real estate investment trust and was formed pursuant to a Declaration of Trust dated March 27, 2007. On May 10, 2007, under a Plan of Arrangement (the “Arrangement”), Charter Realty Holdings Ltd. (the “Company”) completed its conversion to a trust structure. The Arrangement resulted in the shareholders of the Company transferring their shares to the REIT, in consideration for units of the REIT. Pursuant to the Arrangement, the Company is a wholly-owned subsidiary of the REIT.

The units of the REIT trade under the symbol “PAR.UN”, which very recently was changed from “CRH.UN”.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies used in the preparation of the pro forma statements are in accordance with those disclosed in the REIT’s audited consolidated financial statements for the year ended December 31, 2009. These pro forma statements do not include all of the information and disclosures required by Canadian generally accepted accounting principles (“GAAP”) for annual financial statements and therefore should be read in conjunction with the December 31, 2009 consolidated financial statements of the REIT.

## **3. PRO FORMA ADJUSTMENTS AND ASSUMPTIONS**

The pro forma adjustments to the pro forma consolidated financial statements have been prepared to account for the impact of the acquisition transaction and the Offering contemplated by the prospectus as described below:

### **a. Acquisition of Wellington Plaza and Issuance of Equity**

Partners REIT entered into an underwriting agreement whereby Partners REIT assumes it will raise gross proceeds of \$7,488,000 (\$6,288,720 net of estimated underwriters’ fees and offering costs of \$1,199,280) pursuant to the Offering.



### 3. PRO FORMA ADJUSTMENTS AND ASSUMPTIONS (continued)

It is assumed that Partners REIT will:

- i) acquire the Wellington Plaza for a purchase price of \$20,265,000 plus other acquisition costs estimated at \$550,000;
- ii) assume the current outstanding mortgage on the Wellington Plaza in the amount of \$9,690,414 following expected principal payments of \$71,084 prior to closing. The mortgage carries an interest rate of 6.0%;
- iii) obtain a second mortgage with the current lender on Wellington Plaza in the amount of \$2,300,000 on the same amortization terms and maturity of the current outstanding mortgage with an interest rate estimated to be approximately 4.2%, and
- iv) the remainder will be funded from operations or borrowings.

Net assets acquired:

Wellington Plaza acquired	\$20,265,000
Adjustment for above market interest on assumed mortgage	885,150
Other acquisition costs	<u>550,000</u>
	21,700,150
Outstanding mortgage assumed	(9,690,414)
Second mortgage	(2,300,000)
Above market interest adjustment on assumed mortgage	<u>(885,150)</u>
	<u>\$ 8,824,586</u>

The fair value of the assets acquired is the fair value of the Wellington Plaza acquired, a fair value adjustment of the long-term debt in the amount of \$885,150 due to above market interest rate, and other acquisition costs. Total debt increased by the outstanding mortgage assumed, the new second mortgage and the incremental borrowings required to acquire Wellington Plaza. Total equity is expected to increase by \$5,578,440 due to the net proceeds from the Offering, excluding the exercise of the over-allotment option, less the net historical book equity of the assets acquired.

#### b. Working capital adjustments

Pursuant to the purchase agreement, no working capital is assumed to be acquired by Partners REIT from the owners of the Wellington Plaza, with the exception of the tenant security deposits in the amount of \$22,045.

## PRO FORMA ADJUSTMENTS AND ASSUMPTIONS (continued)

### c. Net income adjustments

#### i) Interest expense

Pro forma interest expense of Wellington Plaza has been decreased by \$131,400 (2009: \$179,390), the net effect of the reduction of the mortgage interest rate from 6.0% to 4.2%. Interest expense is increased by \$330,922 (2009: \$441,229) related to the pro forma interest assuming use of borrowed funds to fund the acquisition and \$78,833 (2009: \$105,110) related to the pro forma interest on the new \$2,300,000 second mortgage.

#### ii) Depreciation and amortization of income producing properties:

Pro forma amortization expense has been increased by a total of \$295,371 (2009: \$428,489) to reflect amortization of the excess of the purchase price over the historical cost balances of the Wellington Plaza.

### d. Purchase price allocation

The acquisition cost of Wellington Plaza in the amount of \$21,700,150 has been allocated to land, building and intangible assets in the amounts of \$4,053,000, \$15,147,150 and \$2,500,000, respectively.

## CERTIFICATE OF THE TRUST

December 20, 2010

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

(signed) “*Adam Gant*”  
Chief Executive Officer

(signed) “*Dionne Barnes*”  
Chief Financial Officer

On behalf of the Trustees  
of the Trust

(signed) “*Patrick Miniutti*”  
Trustee

(signed) “*Louis Maroun*”  
Trustee

## CERTIFICATE OF THE UNDERWRITERS

December 20, 2010

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of each of the provinces and territories of Canada.

TD SECURITIES INC.

By: (signed)

*“Andrew Phillips”*

CIBC WORLD MARKETS INC.

By: (signed)

*“Mark Johnson”*

NATIONAL BANK FINANCIAL INC.

By: (signed)

*“Craig J. Shannon”*

SCOTIA CAPITAL INC.

By: (signed)

*“Bryce Stewart”*

CANACCORD GENUITY CORP.

By: (signed)

*“Mark Edwards”*

DUNDEE SECURITIES CORPORATION

By: (signed)

*“Onorio Lucchese”*

MACQUARIE CAPITAL MARKETS CANADA LTD.

By: (signed)

*“John Bartkiw”*