



**ANNUAL INFORMATION FORM**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

Dated: March 9, 2007

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## GLOSSARY

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

**“2006 Proposed Tax Changes”** means the draft amendments to the Tax Act released by the Minister of Finance (Canada) on December 21, 2006 to implement the changes announced as part of its “Tax Fairness Plan” proposed on October 31, 2006, modifying the tax treatment of “specified investment flow-throughs”, including publicly traded income trusts and limited partnerships, and of their unitholders;

**“4.51% Debentures”** means the Series A senior unsecured debentures of the Trust due September 22, 2010 bearing interest at an annual rate of 4.51% per annum;

**“5.37% Debentures”** means the Series B senior unsecured debentures of the Trust due October 12, 2016 bearing interest at an annual rate of 5.37% per annum;

**“6% Convertible Debentures”** means the convertible unsecured subordinated debentures of the Trust due June 30, 2014 bearing interest at an annual rate of 6% per annum;

**“Acquisition 1 Properties”** means the 9 properties acquired from SmartCentres in October 2003;

**“Acquisition 2 Properties”** means the 12 properties acquired from the Partnership in February 2004;

**“Acquisition 3 Properties”** means the 12 properties acquired from the Partnership in May 2004;

**“Acquisition 4A Properties”** means the 6 properties acquired from the Partnership in November 2004;

**“Acquisition 4B Properties”** means the 8 properties acquired from the Co-ownership in March 2005;

**“Acquisition 5 Properties”** means the 45 properties acquired from SmartCentres, Wal-Mart Canada Realty Inc. and other vendors in July 2005;

**“Acquisition 6 Properties”** means the 4 properties acquired from SmartCentres in April 2006;

**“Acquisition 7 Properties”** means the 14 properties acquired from SmartCentres and other vendors in December 2006;

**“Adjusted Funds From Operations”** means the net income of the Trust plus non cash items including, but not limited to, amortization of building, deferred costs, intangible assets, and gains on dispositions less sustaining capital and leasing expenditures;

**“Adjusted Unitholders’ Equity”** means, at any time, the aggregates of the amount of Unitholders’ equity and the amount of accumulated depreciation recorded in the books and records of Calloway in respect of its properties, calculated in accordance with generally accepted accounting principles;

**“Backgrounder”** means the background paper on the 2006 Proposed Tax Changes issued by the Minister of Finance (Canada) at the time of the announcement of the 2006 Proposed Tax Changes;

**“Business Day”** means any day other than a Saturday, Sunday or a day on which the principal chartered banks located at Calgary, Alberta are not open for business during normal banking hours;

“**Calloway**” or the “**Trust**” means Calloway Real Estate Investment Trust, an unincorporated open-end trust established under the Declaration of Trust and governed by the laws of the Province of Alberta and, where the context requires, includes its subsidiaries;

“**Calloway GP**” means Calloway GP Inc., a corporation incorporated under the *Business Corporations Act* (Alberta) and the general partner of Calloway LP;

“**Calloway LP**” means Calloway Limited Partnership, a limited partnership formed under the laws of the Province of Alberta;

“**Calloway LP II**” means Calloway Limited Partnership II, a limited partnership formed under the laws of the Province of Alberta;

“**Calloway LP II Inc.**” means Calloway LP II Inc., a corporation incorporated under the *Business Corporations Act* (Alberta) and the general partner of Calloway LP II;

“**Calloway LP Agreement**” means the limited partnership agreement governing Calloway LP dated as of June 15, 2005, as amended on December 8, 2006;

“**Calloway LP II Agreement**” means the limited partnership agreement governing Calloway LP II dated as of February 3, 2006;

“**Canada Yield Price**” means a price equal to the price of the 4.51% Debentures or the 5.37% Debentures, as applicable, calculated to provide a yield to maturity, compounded semi-annually and calculated in accordance with generally accepted financial practice, equal to the Government of Canada Yield calculated at 10:00 a.m. (Toronto time) on the date on which Calloway gives notice of redemption of the 4.51% Debentures or 5.37% Debentures, as applicable, pursuant to the trust indenture governing the 4.51% Debentures and the 5.37% Debentures plus 0.26% in the case of the 4.51% Debentures and plus 0.34% in the case of the 5.37% Debentures;

“**Co-ownership**” means the Wal-Mart-SmartCentres Co-ownership;

“**CPI**” means Calloway Properties Inc.;

“**Debentures**” means, collectively, the 6% Convertible Debentures, the 4.51% Debentures, and the 5.37% Debentures;

“**Declaration of Trust**” means the declaration of trust dated December 4, 2001, as amended and restated as of October 24, 2002, October 31, 2003, January 16, 2004, July 7, 2005 and May 16, 2006;

“**Deferred Unit Plan**” means the incentive deferred unit plan adopted by the Trustees; and

“**Development Agreements**” means, collectively, the Development Agreements 1, Development Agreements 2, Development Agreements 3, Development Agreements 4A, Development Agreements 4B and Development Agreements 6;

“**Development Agreements 1**” means the development agreements dated October 31, 2003 between Calloway and SmartCentres respecting future developments on the Acquisition 1 Properties;

“**Development Agreements 2**” means the development agreements between Calloway and the Partnership dated February 16, 2004 respecting future developments on the Acquisition 2 Properties;

“**Development Agreements 3**” means the development agreements between Calloway and the Partnership dated May 14, 2004 respecting future developments on the Acquisition 3 Properties;

“**Development Agreements 4A**” means the development agreements between Calloway and the Partnership dated November 30, 2004 respecting future developments on the Acquisition 4A Properties;

**“Development Agreements 4B”** means the development agreements dated March 10, 2005 between Calloway and the Partnership II respecting future developments on the Acquisition 4B Properties;

**“Development Agreements 6”** means the development agreements dated April 12, 2006 between Calloway and Smartcentres respecting future developments on the Acquisition 6 Properties;

**“Distribution Date”** means, with respect to a distribution by the Trust, a Business Day determined by the Trustees for any calendar month to be on or about the 15<sup>th</sup> day of the following month;

**“Distribution Reinvestment Plan”** means the distribution reinvestment plan adopted by the Trustees;

**“Exchange Agreement 5”** means the exchange, option and support agreement dated July 8, 2005, as amended on December 8, 2006, between Calloway and the vendors of the Acquisition 5 Properties respecting, among other matters, future developments on the Acquisition 5 Properties and the exchange of the LP Class B Series 1 Units for Units of Calloway;

**“Exchange Agreement 7”** means the exchange, option and support agreement dated December 8, 2006 between Calloway and the vendors of the Acquisition 7 Properties respecting, among other matters, future developments on the Acquisition 7 Properties and the exchange of the LP Class B Series 2 Units and LP Class D Series 2 Units for Units of Calloway;

**“Exchange Agreements”** means, collectively, the Exchange Agreement 5 and the Exchange Agreement 7;

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

**“Existing Trust”** means a SIFT trust the units of which were publicly traded on October 31, 2006;

**“Fair Market Value”** means at any time, at the option of the Trustees of the Trust either: (i) the fair market value assets of the Trust at such time, as determined by the Trustees of the Trust; or (ii) the fair market value of the Trust calculated as the aggregate outstanding indebtedness of the Trust at such time plus the value obtained when the aggregate number of Units and Exchangeable Securities outstanding at such time is multiplied by the weighted average trading price of the Units on the Toronto Stock Exchange, or such other exchange upon which the Units of the Trust may be listed for trading, for the ten trading days immediately preceding such time;

**“GAAP”** means Canadian generally accepted accounting principles;

**“Government of Canada Yield”** on any date means the yield to maturity on such date, compounded semi-annually and calculated in accordance with generally accepted financial practice, which a non-callable Government of Canada bond would carry if issued, in Canadian dollars in Canada, at 100% of its principal amount on such date with a term to maturity equal to the remaining term to maturity of the Debentures, calculated as of the redemption date of the Debentures, such yield to maturity being the average of the yields provided by two major Canadian investment dealers selected by Calloway.

**“Gross Book Value”** means, at any time, the consolidated book value of the assets of the Trust, as shown on its then most recent consolidated balance sheet, plus the amount of accumulated amortization for buildings, tenant improvements, equipment, in place lease values, below and above market leases, and tenant relationship values shown thereon;

**“Guidelines”** means the various guidelines released by the Minister of Finance (Canada) with respect to the 2006 Proposed Tax Changes;

**“Holdings Trust”** means Calloway Holdings Trust, a trust established under the laws of Alberta;

**“Holdings Trust Declaration of Trust”** means the declaration of trust for Holdings Trust dated as of June 15, 2005;

“**Holdings Trust Unit**” means a unit of Holdings Trust, each such unit representing an equal undivided beneficial interest in Holdings Trust;

“**LP Class A Units**” means the Class A limited partnership units of Calloway LP;

“**LP Class B Series 1 Units**” means the Class B Series 1 limited partnership units of Calloway LP;

“**LP Class B Series 2 Units**” means the Class B Series 2 limited partnership units of Calloway LP;

“**LP Class C Series 1 Units**” means the Class C Series 1 limited partnership units of Calloway LP;

“**LP Class C Series 2 Units**” means the Class C Series 2 limited partnership units of Calloway LP;

“**LP Class D Series 1 Units**” means the Class D Series 1 limited partnership units of Calloway LP;

“**LP Class D Series 2 Units**” means the Class D Series 2 limited partnership units of Calloway LP;

“**LP Class E Series 1 Units**” means the Class E Series 1 limited partnership units of Calloway LP;

“**LP Class E Series 2 Units**” means the Class E Series 2 limited partnership units of Calloway LP;

“**LP Class F Units**” means the Class F limited partnership units of Calloway LP;

“**LP II Class A Units**” means the Class A limited partnership units of Calloway LP II;

“**LP II Class B Units**” means the Class B limited partnership units of Calloway LP;

“**Non-Resident**” means any person that is neither a Resident Canadian nor a Canadian partnership for the purposes of the *Income Tax Act* (Canada);

“**Outside Trustee**” means a Trustee that is not a member of management of Calloway or any of its subsidiaries;

“**Partnership**” means the Wal-Mart-SmartCentres Realty Partnership;

“**Partnership II**” means the Wal-Mart-SmartCentres Realty Partnership II;

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

“**Plans**” means trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans under the Tax Act;

“**Property Portfolio**” means, collectively, the retail and industrial rental properties owned by Calloway and its subsidiaries;

“**Real Property**” means property which in law is real property and includes, whether or not the same would in law be real property, leaseholds, mortgages, undivided joint interests in real property (whether by way of tenancy-in-common, joint tenancy, co-ownership, joint venture or otherwise), any interests in any of the foregoing and securities of corporations, trusts, limited partnerships or other legal entities whose sole or principal purpose and activity is to invest in, hold and deal in real property;

“**REIT Exception**” means the exception from the application of the new tax regime proposed under the 2006 Proposed Tax Changes which applies to real estate investment trusts that meet a series of conditions relating to the nature of their income and investments;

**“Resident Canadian”** means an individual who is a resident of Canada for purposes of the *Income Tax Act* (Canada);

**“SIFT”** means, in connection with announcements by the Minister of Finance (Canada) on the 2006 Proposed Tax Changes, “specified investment flow-throughs”;

**“SmartCentres”** means, collectively, Mitchell Goldhar, the SmartCentres Shopping Centres group of companies and related and affiliated parties;

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

**“Special Voting Unit”** means a special voting unit of the Trust which may be issued by the Trust from time to time which shall entitle the holder of an Exchangeable Security to such number of votes at meetings of Unitholders as is equal to the number of Units into which such Exchangeable Security (other than an Exchangeable Security owned by the Trust or any subsidiary of the Trust) is then exchangeable or convertible for, provided that the number of Special Voting Units issued to SmartCentres may be increased in certain circumstances. See “Declaration of Trust and Description of Units – Special Voting Units”;

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

**“Transfer Agent”** means Computershare Trust Company of Canada at its principal offices in Toronto, Ontario and Calgary, Alberta;

**“Trust”** or **“Calloway”** means Calloway Real Estate Investment Trust, an unincorporated open-end trust established under the Declaration of Trust and governed by the laws of the Province of Alberta and, where the context requires, includes its subsidiaries;

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

**“TSX”** means the Toronto Stock Exchange;

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

**“Unitholders”** means the holders from time to time of Units;

**“Voting Units”** means collectively, the Units and Special Voting Units; and

**“Voting Unitholders”** means collectively, the holders of Units and the holders of Special Voting Units.

In this annual information form, a person or company is considered to be an **“affiliate”** of another person or company if one is a subsidiary of the other, or if both are subsidiaries of the same person or company, or if each of them is controlled by the same person or company.

In this annual information form, the term **“associate”**, when used to indicate a relationship with a person or company, means:

- (a) an issuer of which the person or company beneficially owns or controls, directly or indirectly, voting securities entitling the person or company to more than 10% of the voting rights attached to outstanding securities of the issuer;
- (b) any partner of the person or company;
- (c) any trust or estate in which the person or company has a substantial beneficial interest or in respect of which a person or company serves as trustee or in a similar capacity;

- (d) in the case of a person, a relative of that person, including:
  - (i) the spouse or adult interdependent partner of that person; or
  - (ii) a relative of the person's spouse or adult interdependent partner if the relative has the same home as that person;

In this annual information form, a person or company is considered to be “**controlled**” by a person or company if:

- (a) in the case of a person or company:
  - (i) voting securities of the first-mentioned person or company carrying more than 50 percent of the votes for the election of directors or trustees are held, otherwise than by way of security only, by or for the benefit of the other person or company, and
  - (ii) the votes carried by the securities are entitled, if exercised, to elect a majority of the directors or trustees of the first-mentioned person or company;
- (b) in the case of a partnership that does not have directors, other than a limited partnership, the second-mentioned person or company holds more than 50 percent of the interests in the partnership; or
- (c) in the case of a limited partnership, the general partner is the second-mentioned person or company.

In this annual information form, a person or company is considered to be a “**subsidiary**” of another person or company if:

- (a) it is controlled by:
  - (i) that other, or
  - (ii) that other and one or more persons or companies each of which is controlled by that other, or
  - (iii) two or more persons or companies, each of which is controlled by that other; or
- (b) it is a subsidiary of a person or company that is the other's subsidiary.

Unless the context otherwise requires, any reference in this annual information form to any agreement, instrument, indenture, declaration or other document shall mean such agreement, instrument, indenture or other document, as amended, supplemented and restated at any time and from time to time prior to the date hereof or in the future.

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

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

#### **DATE OF INFORMATION**

Unless otherwise specified, information in this annual information form is presented as at December 31, 2006, being the last day of the most recently completed financial year of Calloway.

#### **FORWARD LOOKING STATEMENTS**

Certain statements in this annual information form are “forward looking statements” that reflect management’s expectations regarding Calloway’s future growth, results of operations, performance and business prospects and opportunities. All



statements other than statements of historical fact contained in this annual information form are forward looking statements including, without limitation, statements regarding the timing and amount of distributions and the future financial position, business strategy, proposed acquisitions, plans and objectives of the Trust or its subsidiaries. Such forward looking statements reflect management's current beliefs and are based on information currently available to management. Forward looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward looking statements including risks associated with real property ownership, debt financing, general uninsured losses, developments, future property acquisitions, competition for real property investments, environmental matters, land leases, potential conflicts of interest, capital requirements, reliance on key personnel, volatility of unit prices, cash distributions not being guaranteed, returns of capital, availability of cash flow, tax related matters, structural subordination of the Units, restrictions on redemptions of Units, distribution of securities on redemption of Units or termination of the Trust, Unitholder liability, the nature of the Units, potential dilution, the control of a significant number of the voting securities of the Trust by a significant Unitholder, credit ratings and stability ratings, structural subordination of the Debentures, market value fluctuations of the Debentures, trading markets for the Debentures and the availability of statutory remedies. Although the forward looking statements contained in this annual information form are based upon what management believes to be reasonable assumptions, Calloway cannot assure investors that actual results will be consistent with these forward looking statements. The forward looking statements contained herein are expressly qualified in their entirety by this cautionary statement. These forward looking statements are made as at the date of this annual information form and Calloway assumes no obligation to update or revise them to reflect new events or circumstances unless otherwise required by applicable securities legislation.

### **NON-GAAP MEASURES**

In this annual information form, there are references to "Adjusted Funds From Operations". See the definition of "Adjusted Funds From Operations" in the "Glossary".

Adjusted Funds From Operations is a measure sometimes used by Canadian income trusts as an indicator of financial performance. Management uses Adjusted Funds From Operations to analyze operating performance. As one of the factors that may be considered relevant by prospective investors is the cash distributed by Calloway relative to the price of the Units, management believes that Adjusted Funds From Operations of Calloway is a useful supplemental measure that may assist prospective investors in assessing an investment in Units.

Adjusted Funds From Operations is not a measure that is recognized by generally accepted accounting principles in Canada ("GAAP") and does not have a standardized meaning prescribed by GAAP. Therefore, Adjusted Funds From Operations may not be comparable to similar measures presented by other issuers. Adjusted Funds From Operations is not intended to represent operating profits for the period nor should it be viewed as an alternative to net income, cash flow from operating activities or other measures of financial performance calculated in accordance with GAAP.

### **CASH DISTRIBUTIONS**

A return on an investment in Units of Calloway is not comparable to the return on an investment in a fixed-income security. The recovery of an investment in Units is at risk, and any anticipated return on an investment in Units is based on many performance assumptions.

Although Calloway intends to make distributions of a significant percentage of its available cash to its Unitholders, these cash distributions are not assured and may be reduced or suspended. The ability of Calloway to make cash distributions and the actual amount distributed will be dependant upon, among other things, the financial performance of the properties in its Property Portfolio, its debt covenants and obligations, its working capital requirements and its future capital requirements. In addition, the market value of the Units may decline for a variety of reasons including if Calloway is unable to meet its cash distribution targets in the future, and that decline may be significant.

It is important for a person making an investment in Units of Calloway to consider the particular risk factors that may affect both Calloway and the real estate industry in which Calloway operates and which may therefore affect the stability of the cash distributions on the Units of Calloway. See the section of this annual information form entitled "Risk Factors" which describes Calloway's assessment of those risk factors, as well as the potential consequences to a Unitholder if a risk should occur. Also see the section of this annual information form entitled "Ratings on Securities".

The after-tax return from an investment in Units to Unitholders that is subject to Canadian income tax can be made up of both a “return on” and a “return of” capital. That composition may change over time, thus affecting a Unitholder’s after-tax return. Returns on capital are generally taxed as ordinary income, capital gains or as dividends in the hands of a Unitholder. Returns of capital are generally tax-deferred (and reduce the Unitholder’s cost base in the unit for tax purposes).

## **RATINGS ON SECURITIES**

Dominion Bond Rating Service Limited (“DBRS”) provides credit ratings of debt securities for commercial entities. A credit rating generally provides an indication of the risk that the borrower will not fulfill its full obligations in a timely manner with respect to both interest and principal commitments. Rating categories range from highest credit quality (generally AAA) to very highly speculative (generally C). DBRS has provided Calloway with a credit rating of BBB with a stable trend relating to all senior unsecured obligations of Calloway including the 4.51% Debentures and the 5.37% Debentures. A credit rating of BBB is generally an indication of adequate credit quality as defined by DBRS. The credit ratings accorded to Calloway’s debt securities are not recommendations to purchase, hold or sell such debt securities. There can be no assurance that any rating will remain in effect for any given period of time or that any rating will not be withdrawn or revised by a rating agency at any time.

DBRS also provides stability ratings for real estate investment trusts (“REITs”) and income trusts. A stability rating generally provides an indication of both the stability and sustainability of REITs’ and income trusts’ distributions to unitholders. DBRS’s rating categories range from highest stability and sustainability of distributions per unit (STA-1) to poor stability and sustainability of distributions per unit (STA-7). Calloway has a DBRS stability rating of STA-3 (high). This rating category reflects good stability and sustainability of distributions per unit. The stability rating accorded to Calloway is not a recommendation to purchase, hold or sell Calloway’s Units. There can be no assurance that any rating will remain in effect for any given period of time or that any rating will not be withdrawn or revised by a rating agency at any time.

## **CALLOWAY REAL ESTATE INVESTMENT TRUST**

### **Overview**

#### Declaration of Trust

Calloway Real Estate Investment Trust (“Calloway” or the “Trust”) is an unincorporated “open-end” trust constituted in accordance with the laws of the Province of Alberta pursuant to the Declaration of Trust. Calloway was created to invest in income-producing rental properties located in Canada. The principal and head office of Calloway is located at 700 Applewood Crescent, Suite 200, Vaughan, Ontario L4K 5X3.

The Trust was initially settled pursuant to the Declaration of Trust on December 4, 2001. The Declaration of Trust was amended and restated as of October 24, 2002 to, among other amendments: (i) amend certain definitions in the Declaration of Trust; (ii) amend the minimum and maximum number of trustees to be elected or appointed to the Board of Trustees of the Trust from time to time; and (iii) expand and clarify the investment guidelines and operating policies of the Trust.

The Declaration of Trust was then further amended and restated as of October 31, 2003 to, among other amendments, provide Mitchell Goldhar and the SmartCentres Shopping Centres group of companies and related and affiliated parties (“SmartCentres”) with the right to appoint certain numbers of trustees to the Board of Trustees, and to certain of the committees of the Board of Trustees, relative to the number of Units held by SmartCentres.

The Declaration of Trust was then further amended and restated as of February 16, 2004 to, among other amendments, include Wal-Mart Canada Corp. as an additional exception to the limitation contained in the Declaration of Trust that limits the ability of the Trust to lease premises to a single tenant where the value of such premises exceeds 20% of the Adjusted Unitholders’ Equity of the Trust.

The Declaration of Trust was then further amended and restated as of July 7, 2005 to, among other amendments: (i) amend certain definitions in the Declaration of Trust; (ii) change the Trust from a closed-end mutual fund trust to an open-end mutual fund trust primarily through the addition of redemption rights for the Units; (iii) add a provision allowing for the issuance of Special Voting Units; (iv) amend SmartCentres's right to appoint certain numbers of trustees to the Board of Trustees, and to certain of the committees of the Board of Trustees, relative to the number of Units held by SmartCentres; and (v) add a provision such that SmartCentres will have a right to obtain additional Special Voting Units to maintain its votes at meetings of the Unitholders of Calloway at particular levels. See "Declaration of Trust and Description of Units – Special Voting Units".

The Declaration of Trust was then further amended as of May 16, 2006 to, among other amendments: (i) amend certain definitions in the Declaration of Trust; (ii) amend the investment guidelines and operating policies of the Trust; and (iii) amend the distribution requirements of the Trust.

Although Calloway is a "mutual fund trust" as defined in the *Income Tax Act* (Canada), Calloway is not a "mutual fund" and is not subject to the requirements of Canadian mutual fund policies and regulations under Canadian securities legislation.

Calloway is not a trust company and, accordingly, is not registered under the *Trust and Loan Companies Act* (Canada) or the trust company legislation of any province as it does not carry on, nor does it intend to carry on, the business of a trust company.

### Objectives

Calloway's objectives are to provide Unitholders with stable and growing tax deferred cash distributions through the acquisition, development and operation of a portfolio of well-located, well-leased, primarily large format unenclosed retail centres in Canada; and to enhance the value of Calloway's assets and unit value through effective management, leasing and re-development of its assets; and through effective control of long-term cost of capital and operating costs.

Calloway intends to invest primarily in large format, unenclosed retail rental properties with strong tenant covenants, stable yields, low vacancy levels and growth potential and to build a geographically diversified portfolio of such properties. Calloway believes it will be able to implement an investment strategy of acquiring additional properties with these characteristics to provide additional cash flow and further enhance the long-term portfolio value. To the extent that opportunities exist, and to the extent that management and the board of trustees of Calloway believe such opportunities are beneficial to Unitholders, Calloway will continue to acquire well-anchored large format, unenclosed retail centres.

### **Acquisitions, Dispositions and Loans**

During the fall of 2001, the board of directors of Calloway Properties Inc. ("CPI") decided to proceed with the reorganization of CPI into an income trust. The reorganization was completed with an effective date of February 13, 2002. Upon completion of the arrangement between CPI and Calloway, the former shareholders of CPI became holders of Units of Calloway and Calloway became the owner of CPI's commercial rental properties. Calloway continued to carry on the business previously carried on by CPI (other than its construction and land development business).

Following completion of the arrangement described above, there were 6,072,692 Units issued and outstanding. On November 4, 2002, those Units were consolidated on an 11.229 for one basis so that there were 540,785 Units outstanding immediately prior to the issuance by Calloway of 5,080,000 Units for gross proceeds of \$50,800,000. The new Units were qualified for distribution by a prospectus dated October 24, 2002.

Prior to the closing of the prospectus offering of Units described in the preceding paragraph, Calloway owned four retail properties in Calgary, Alberta totalling 86,905 square feet. On closing of the public offering, Calloway acquired a portfolio of seven income properties located in Western Canada and the Province of Ontario for \$96,402,848. Calloway, through its wholly owned subsidiary, also advanced \$1,600,000 in mortgage financing for two development projects in Calgary. The balance of the acquisition cost of the income properties was financed by \$28,983,498 in mortgages assumed and \$21,974,647 of new mortgage financing. On December 31, 2002, the underwriters of that prospectus offering partially exercised their over-allotment option and a further 330,750 Units were issued for gross proceeds of \$3,307,500.

Effective November 15, 2002, Calloway acquired the 1558 Willson Place property in Winnipeg from an arm's length party for an aggregate purchase price, including transaction costs, of approximately \$4,769,307, payable as to approximately \$2.115 million in cash and an additional \$2.585 million from proceeds of a new mortgage on this property.

On March 31, 2003, Calloway acquired the Gesco Warehouse and the Ecco Building, each located in Calgary, from an arm's length party for \$4,629,845. The consideration paid consisted of assumption of mortgage financings of \$2,238,022, advances under the operating facility of \$2,175,353, and the remainder by available cash.

On April 30, 2003, Calloway acquired the 1300 Church Avenue property in Winnipeg from an arm's length party for \$1,139,240. The consideration paid consisted of advances under the operating facility of \$1,050,000 and the remainder by available cash.

Effective May 31, 2003, Calloway acquired the Namao Centre in Edmonton, Alberta from an arm's length party for \$6,177,295. The consideration paid consisted of assumption of mortgage financing of \$4,227,263, the issuance of 180,632 Units at \$10.05 per Unit, and the remainder by available cash.

On June 15, 2003, Calloway sold the Dover Village property in Calgary, Alberta to an arm's length party for \$3,380,000. The sale price was settled by the purchaser assuming a mortgage in the amount of \$1,929,207, Calloway providing a second mortgage in the amount of \$230,000, and the remainder in cash. The property had a carrying value of \$2,095,497 and a gain on sale of \$1,230,255 was recognized.

On September 30, 2003, Calloway sold the Richter Plaza property in Calgary, Alberta to an arm's length party for \$1,250,000. The sale price was settled by the purchaser assuming a mortgage in the amount of \$724,872 and the remainder in cash. The property had a carrying value of \$1,115,876 and a gain on sale of \$123,424 was recognized.

On October 16, 2003, Calloway issued 2,050,000 subscription receipts for gross proceeds of \$21,525,000, each subscription receipt being exchangeable for one Unit upon the completion of an acquisition of certain properties by Calloway from SmartCentres. Effective October 31, 2003, Calloway acquired nine properties (the "Acquisition 1 Properties") from SmartCentres for \$109,238,698 including acquisition costs and the subscription receipts were deemed to have been exchanged for an aggregate of 2,050,000 Units. The consideration paid consisted of assumption of mortgage financing of \$63,820,428, the issuance of 3,100,525 Units at \$10.00 per Unit to a nominee of SmartCentres, assumption of other adjustment items of \$2,375,101, and the remainder in cash. SmartCentres also received warrants to purchase an aggregate of up to 1,000,000 Units at a price of \$10.50 per Unit, such warrants being exercisable at any time on or before October 31, 2008.

Concurrently with the closing of the acquisition of the Acquisition 1 Properties, Calloway entered into development agreements with SmartCentres for the undeveloped lands on each of the Acquisition 1 Properties. See "Access to Development Projects – The Acquisition 1 Properties".

On February 16, 2004, Calloway issued 10,948,182 Units at \$13.75 per Unit for gross proceeds of \$150,537,502. An associate of Mitchell Goldhar, a significant unitholder of Calloway subscribed for 1,818,182 of these units. The Units were qualified for distribution by a prospectus dated January 27, 2004. Also on February 16, 2004, Calloway acquired 12 retail properties (the "Acquisition 2 Properties") from the Wal-Mart FirstPro Realty Partnership (the "Partnership"). The purchase price of the properties was \$312,604,214 including costs of acquisition. The purchase price, net of adjustments, was satisfied via new debt financing on ten of the properties totalling \$191,650,000, by the vendors providing non-interest bearing mortgages on two of the properties totalling \$12,912,723, and by the payment of the balance in cash. Excess funds from the equity and debt issues, net of issuance costs, were used to repay variable rate debt obligations. The 12 centres included in the Acquisition 2 Properties comprised approximately 2,402,329 square feet of leased area and included adjacent lands with the potential for future development of approximately 432,879 square feet of retail space, for a total potential area of 2,835,208 square feet. Upon closing of the transaction, Wal-Mart Canada Corp. ("Wal-Mart"), which leases space in all 12 of the centres, made up approximately 26% of Calloway's gross rental revenue. At the time of the transaction, First Professional Realty Inc., one of the partners of the Partnership, was controlled by Mitchell Goldhar, a significant unitholder of Calloway, and was affiliated with SmartCentres. First Professional Realty Inc. had a 40% interest in the Partnership while Wal-Mart Canada Realty Inc. had a 60% interest in the Partnership.

Concurrently with the closing of the acquisition of the Acquisition 2 Properties, Calloway entered into development agreements with the Partnership for the undeveloped lands on each of the Acquisition 2 Properties. See “Access to Development Projects – The Acquisition 2 Properties”.

On May 4, 2004, Calloway completed the acquisition of 50% and 49% undivided interests, respectively, in two retail properties pursuant to an assignment of purchase agreement between SmartCentres and the previous owner. The purchase price of this interest was \$52,375,529 including costs of acquisition. Under the terms of the assignment, Calloway loaned an additional \$9,400,000 at 9% per annum to SmartCentres to replace mezzanine loans payable by SmartCentres to one of the vendors of the properties. The purchase price (net of adjustments) was satisfied via bridge financing totalling \$33,500,000, by the assumption of existing mortgages totalling \$29,105,655, and by an allocation to working capital of the balance. These properties comprised approximately 338,548 square feet of leased area.

On May 14, 2004, Calloway issued 6,700,000 Units at \$15.00 per Unit for gross proceeds of \$100,500,000 and issued 6% convertible unsecured subordinated debentures for gross proceeds of \$55,000,000 (the “6% Convertible Debentures”). The Units and 6% Convertible Debentures were qualified for distribution by a prospectus dated April 30, 2004. Also on May 14, 2004, Calloway completed the acquisition of an additional 12 retail properties (the “Acquisition 3 Properties”) from the Partnership. The purchase price of the Acquisition 3 Properties was \$287,564,135 including costs of acquisition. The purchase price, net of adjustments, was satisfied via new debt financing on eight of the properties totalling \$140,315,000, by the vendors providing non-interest bearing mortgages on two of the properties totalling \$11,651,592 and an interest bearing mortgage on one of the properties for \$19,500,000, and by the payment of the balance in cash. Excess funds from the equity and debenture issues, net of issuance costs, were used to repay the bridge financing. The 12 additional centres included in the Acquisition 3 Properties comprised approximately 2,391,000 square feet of leased area and included adjacent lands with the potential future development of approximately 281,000 square feet of retail space, for a total potential area of 2,672,000 square feet. Upon closing of the transaction Wal-Mart, which leases space in all 12 of the centres, made up approximately 31.2% of Calloway’s gross rental revenue. At the time of the transaction, First Professional Realty Inc., one of the partners of the Partnership, was controlled by Mitchell Goldhar, a significant unitholder of Calloway, and was affiliated with SmartCentres. First Professional Realty Inc. had a 40% interest in the Partnership while Wal-Mart Canada Realty Inc. had a 60% interest in the Partnership.

Concurrently with the closing of the acquisition of the Acquisition 3 Properties, Calloway entered into development agreements with the Partnership for the undeveloped lands on each of the Acquisition 3 Properties. See “Access to Development Projects – The Acquisition 3 Properties”.

On October 13, 2004, Calloway entered into agreements to purchase interests in 14 additional retail properties (the “Acquisition 4 Properties”) from the Partnership and from the Wal-Mart-FirstPro Realty Co-ownership (the “Co-ownership”). On November 18, 2004, Calloway issued by private placement 2,320,000 units at \$17.25 per Unit for total proceeds of \$40,020,000. On November 30, 2004, Calloway completed the acquisition from the Partnership of 6 of the 14 properties (the “Acquisition 4A Properties”). The purchase price of the Acquisition 4A Properties was \$71,521,036 including costs of acquisition. The purchase price, net of adjustments, was satisfied via new debt financing totalling \$36,100,000, by the vendors providing a non-interest bearing mortgage totalling \$5,738,276, and by the payment of the balance in cash. The 6 centres included in the Acquisition 4A Properties comprised approximately 516,000 square feet of leased area and included adjacent lands with the potential future development of approximately 206,000 square feet of retail space, for a total potential area of 722,000 square feet. Upon closing of the transaction Wal-Mart, which leases space in 3 of the 6 centres, made up approximately 32.2% of Calloway’s gross rental revenue. At the time of the transaction, First Professional Realty Inc., one of the partners of the Partnership, was controlled by Mitchell Goldhar, a significant unitholder of Calloway, and was affiliated with SmartCentres. First Professional Realty Inc. had a 40% interest in the Partnership while Wal-Mart Canada Realty Inc. had a 60% interest in the Partnership.

Concurrently with the closing of the acquisition of the Acquisition 4A Properties, Calloway entered into development agreements with the Partnership for the undeveloped lands on each of the Acquisition 4A Properties. See “Access to Development Projects – The Acquisition 4A Properties”.

During 2004, Calloway completed the purchase of an additional 147,381 square feet of developed space from SmartCentres and the Partnership for \$24,369,235 (including land and existing improvements value of \$4,933,875) under

the terms of the Development Agreements (i.e. earn-outs). The consideration paid consisted of: the issuance to SmartCentres of 139,311 Units at a price of \$10.00 per Unit, 30,773 Units at a price of \$10.50 per Unit, 210,574 Units at a price of \$14.00 per Unit and 335,959 Units at a price of \$15.25 per Unit; assumption of development loans and accounts payable; and the balance in cash. In addition, Calloway repaid acquisition and development loans provided by the Partnership.

During 2004, Calloway entered into agreements with SmartCentres in which Calloway agreed to lend up to \$37.3 million for the purpose of acquiring and developing 6 properties in Ontario, Quebec and Newfoundland. These loans bear interest at 8.75% to 9.25% and are secured by first or second charges on property, assignments of rents and leases and general security agreements. Calloway was granted an option to acquire a 50% interest in the properties upon substantial completion at an agreed upon formula. As at December 31, 2004 mortgages receivables totalling \$21.5 million had been provided pursuant to these agreements.

On January 10, 2005, Calloway sold both its Holland Cross property, a 272,550 square foot office property in Ottawa, and its Century Park Place property, a 75,675 square foot office property in Calgary, to two separate vendors for aggregate proceeds of \$69,250,000. These dispositions were undertaken by Calloway to continue its focus on retail properties.

On January 20, 2005, Calloway completed the acquisition of a 42,431 square foot retail property in Montreal, Quebec. The purchase price of the property was \$9,397,870 including costs of acquisition. The purchase price was paid in cash.

On February 11, 2005, Calloway acquired a 74,701 square foot retail property in Sarnia, Ontario. The purchase price of the property was approximately \$13,350,000 including costs of acquisition. The purchase price was satisfied by assumption of existing mortgage of \$7,978,889 and by payment of the balance in cash.

On February 24, 2005, Calloway issued by private placement 3,101,000 units at \$19.35 per Unit for total proceeds of \$60,004,350.

On March 10, 2005, Calloway completed the acquisition from the Co-ownership of the remaining eight properties it agreed to purchase on October 13, 2004 (the "Acquisition 4B Properties"). The purchase price of the Acquisition 4B Properties was approximately \$230,000,000 including costs of acquisition. The purchase price, net of adjustments, was satisfied via new debt financing totalling \$155,210,000, by the vendors providing a non-interest bearing mortgage totalling \$5,996,523, and by the payment of the balance in cash. The 8 additional centres included in the Acquisition 4 Properties comprised approximately 1,498,046 square feet of leased area and included adjacent lands with the potential future development of approximately 177,682 square feet of retail space, for a total potential area of 1,675,728 square feet. Upon closing of the transaction Wal-Mart, which leases space in all 8 of the centres, made up approximately 34.2% of Calloway's gross rental revenue. At the time of the transaction, First Professional Realty Inc., one of the co-owners of the Co-ownership, was controlled by Mitchell Goldhar, a significant beneficial Unitholder in Calloway, and was affiliated with SmartCentres. First Professional Realty Inc. had a 40% interest in the Co-ownership Properties while Wal-Mart Canada Realty Inc. had a 60% interest in the Co-ownership Properties.

Concurrently with the closing of the acquisition of the Acquisition 4B Properties, Calloway entered into development agreements with the Wal-Mart-FirstPro Realty Partnership II (the "Partnership II") for the undeveloped lands on each of the Acquisition 4B Properties. See "Access to Development Projects – The Acquisition 4B Properties".

On April 15, 2005, Calloway completed the sale of Collingwood Plaza, a 7,210 square foot retail building in Calgary, for gross proceeds of \$1,275,000.

On May 18, 2005, Calloway completed the sale of the Lawson Crescent, Church Avenue and Waverley industrial buildings for gross proceeds of \$9,300,000. The purchaser assumed mortgages totalling \$5,269,000.

On May 20, 2005, Calloway completed the acquisition of a retail property in Abbotsford for a cost of \$16,500,000. The purchase price was satisfied by the assumption of an existing mortgage of \$11,979,000 and by the payment of the balance in cash.

On June 22, 2005, Calloway issued 11,336,000 subscription receipts at a price of \$19.85 per subscription receipt for gross proceeds of \$225,019,600, each subscription receipt being exchangeable for one Unit upon the completion of an acquisition of certain properties by Calloway from SmartCentres, Wal-Mart Canada Realty Inc. and other vendors.

On July 8, 2005, Calloway completed the acquisition of substantially all of the freehold and leasehold interests in 45 properties (the "Acquisition 5 Properties") from SmartCentres, Wal-Mart Canada Realty Inc. and other vendors. These interests included the co-ownership interests owned by SmartCentres in seven properties where Calloway owned the other co-ownership interests effectively giving Calloway a 100% ownership interest in these properties. A portion of the cash component for the acquisition was funded from the proceeds of the aforementioned private placement of subscription receipts closed by Calloway on June 22, 2005 which subscription receipts were converted into 11,336,000 Units of Calloway concurrently with the closing of the acquisition. The 45 properties comprised approximately 5,458,375 net square feet of leased area of which approximately 2,141,771 net square feet is leased to Wal-Mart, and included lands with the potential for future development of approximately 2,721,594 net square feet. The purchase price for the Acquisition 5 Properties was approximately \$1,168,703,000 (including costs of acquisition). Approximately \$190,017,000 of the purchase price relates to three properties in which Calloway acquired leasehold interests. The purchase price was satisfied as follows: (i) by assumption of existing mortgages of \$342,863,000; (ii) by obtaining first mortgage and unsecured bridge financing of approximately \$329,250,000; (iii) by the vendors providing non-interest bearing mortgages of approximately \$33,091,000; (iv) by way of vendors providing a credit with respect to a marked-to-market adjustment on mortgages assumed of \$22,386,000; (v) by SmartCentres and other vendors subscribing for 12,594,458 exchangeable Class B Series 1 units (the "LP Class B Series 1 Units") of Calloway Limited Partnership ("Calloway LP"), a subsidiary limited partnership of Calloway, at a price of \$19.85 per unit with each such unit carrying one vote at meetings of Unitholders of the Trust via the issuance of Special Voting Units of the Trust to the holders of such LP Class B Series 1 Units; (vi) by approval and issuance of development agreement options via 2,500,000 Units and 8,500,000 Class C Series 1 units (the "LP Class C Series 1 Units") of Calloway LP valued in aggregate at their estimated fair market value of \$10,675,000; and (vii) by payment of the balance in cash. The agreements also included: (i) an amendment to the Declaration of Trust to increase SmartCentres's ability to nominate trustees of Calloway; (ii) Calloway entering into long term development agreements and property management agreements on the properties acquired with SmartCentres; (iii) Calloway's head office being relocated to Toronto; and (iv) the appointment of new senior management for Calloway. SmartCentres is, and was at the time of the transaction, controlled by Mitchell Goldhar who is, and was at the time of the transaction, a significant Unitholder of Calloway.

Concurrently with the closing of the acquisition of the Acquisition 5 Properties, Calloway entered into development agreements and an exchange, option and support agreement with SmartCentres and other vendors of the properties with respect to future developments on such properties. See "Access to Development Projects – The Acquisition 5 Properties".

On September 22, 2005, Calloway issued \$200,000,000 Series A senior unsecured debentures with a maturity date of September 22, 2010 and a coupon rate of 4.51% (the "4.51% Debentures") for gross proceeds of \$199,956,000. The offering was made under Calloway's base shelf prospectus dated September 14, 2005 qualifying the issue of up to \$2,000,000,000 in debt or equity securities and a supplement to that prospectus dated September 15, 2005.

On December 1, 2005, the Trust completed the sale of two industrial properties located in Calgary, for gross proceeds of \$5,500,000. The purchaser assumed mortgages totaling \$2,600,000.

On December 6, 2005, Calloway issued 4,256,000 Units at a price of \$23.50 per Unit for gross proceeds of \$100,016,000. The issuance was made under Calloway's base shelf prospectus dated September 14, 2005 qualifying the issue of up to \$2,000,000,000 in debt or equity securities and a supplement to that prospectus dated November 28, 2005.

During 2005, Calloway completed the purchase of an additional 567,361 square feet of developed space from SmartCentres and the Partnership for \$111,887,000 (including land value of \$10,565,000) under the terms of the Development Agreements and the Exchange Agreements (i.e. earn-outs). The consideration paid consisted of: the issuance to SmartCentres of 47,476 Units at a price of \$10.00 per Unit, 661,206 Units at a price of \$10.50 per Unit, 429,514 Units at a price of \$14.00 per Unit, 683,527 Units at a price of \$15.25 per Unit, 165,359 Units at a price of \$17.80 per Unit, and 262,672 Units and 330,667 LP Class B Series 1 Units at a price of \$20.10 per Unit; assumption of development loans and accounts payable; and the balance in cash. In addition, Calloway repaid acquisition and development loans provided by the Partnership.

During 2005, Calloway entered into agreements with SmartCentres in which Calloway agreed to lend up to \$37.8 million for the purpose of acquiring and developing 3 properties in Ontario and Quebec. These loans bear interest at 7.5% to 7.85% and are secured by first or second charges on property, assignments of rents and leases and general security agreements. Calloway was granted an option to acquire a 50% interest in the properties upon substantial completion at an agreed upon formula. As at December 31, 2005 mortgages receivables totalling \$36.5 million had been provided pursuant to these and previous agreements with SmartCentres where Calloway agreed to lend a total of \$54.5 million for the purpose of acquiring and developing 6 properties in Ontario and Quebec. During 2005, \$22.5 million had been funded, offset by repayments of \$7.5 million.

On February 10, 2006, the Trust completed the acquisition from an arm's length party of a 51,060 square foot retail property in Calgary, Alberta for a purchase price of \$10,505,000. The purchase price was paid in cash, adjusted for other working capital amounts.

On February 20, 2006, the Trust completed the acquisition from an arm's length party of a 14.53-acre development property in Burlington, Ontario for a purchase price of \$11,264,000. The purchase price was paid in cash, adjusted for other working capital amounts.

On March 14, 2006, the Trust completed the acquisition from an arm's length party of an 186,016 square foot retail property in Kitchener, Ontario for a purchase price of \$30,112,000 paid for by assuming an existing mortgage of \$14,219,000 and the remainder in cash, adjusted for other working capital amounts.

On March 16, 2006, the Trust acquired from an arm's length party a 49.9% interest in a 50,095 square foot retail property in Hull, Quebec for a purchase price of \$5,139,000. The purchase price was paid in cash, adjusted for other working capital amounts. This property is subject to joint control and accordingly has been proportionately consolidated from the date of acquisition.

On March 30, 2006, the Trust completed the acquisition from an arm's length party of a 17.78-acre development property in London, Ontario for a purchase price of \$11,093,000. The purchase price was paid in cash, adjusted for other working capital amounts.

On April 12, 2006, the Trust acquired a 95% controlling interest in four retail properties (the "Acquisition 6 Properties") (152,404 square feet) from SmartCentres for total consideration of \$40,566,000 (including properties under development of \$1,455,000) in cash, adjusted for other working capital amounts. Included in the four properties, are two properties (50,659 square feet) where the Trust exercised its option to acquire the remaining 50% interest that the Trust did not already own at a purchase price of \$19,837,000. Concurrently with the closing of the acquisition of the Acquisition 6 Properties, Calloway entered into development agreements with SmartCentres with respect to future developments on such properties. See "Access to Development Projects – The Acquisition 6 Properties".

On April 13, 2006, Calloway issued 8,500,000 Units at a price of \$26.60 per Unit for gross proceeds of \$226,100,000. The issuance was made under Calloway's base shelf prospectus dated September 14, 2005 qualifying the issue of up to \$2,000,000,000 in debt or equity securities and a supplement to that prospectus dated April 4, 2006.

In May 2006, the Trust completed the sale of an industrial property located in Calgary, for gross proceeds of \$11,700,000. The purchaser assumed mortgages totaling \$4,020,000.

On May 24, 2006, the Trust completed the acquisition from an arm's length party of a 201,947 square foot retail property in Penticton, B.C. for a purchase price of \$30,067,000. The purchase price was paid in cash, adjusted for other working capital amounts.

On May 30, 2006, the Trust completed the acquisition from an arm's length party of a 144,377 square foot retail property in Toronto, Ontario for a purchase price of \$36,540,000, adjusted for other working capital amounts. The purchase price was satisfied by the assumption of an existing first mortgage totalling \$17,080,000, the issuance of 756,525 class B units ("LP II Class B Units") of Calloway Limited Partnership II ("Calloway LP II") with a value of \$17,778,000, and the balance in cash.



In June 2006, the Trust acquired a 44.4% joint venture interest in a 384,357 square foot income property in Toronto, Ontario for a purchase price of \$38,471,000, adjusted for other working capital amounts. The purchase price was satisfied by the assumption of an existing first mortgage totalling \$14,043,000, the issuance of 58,823 LP Class B Series 1 Units with a value of \$1,500,000, and the balance in cash. Of the 44.4% interest acquired, 5.55% of the income property was acquired from SmartCentres for a purchase price of \$4,724,000. This property is subject to joint control and accordingly has been proportionately consolidated from the date of acquisition.

On June 26, 2006, the Trust completed the acquisition from an arm's length party of a 237,949 square foot retail property in Vaughan, Ontario for a purchase price of \$41,298,000, adjusted for other working capital amounts. The purchase price was satisfied by the assumption of an existing first mortgage totalling \$17,249,000 and the balance in cash.

On July 28, 2006, the Trust completed the acquisition from an arm's length party of 50% joint venture interests in each of two income properties (275,750 square feet) in Toronto, Ontario at a combined purchase price of \$102,594,000 (includes property under development component of \$16,220,000), adjusted for other working capital amounts. The purchase price was satisfied by the assumption of an existing first mortgage and a construction loan totalling \$35,711,000 and the balance in cash. These properties are subject to joint control and accordingly have been proportionately consolidated from the date of acquisition.

On August 3, 2006, the Trust completed the acquisition from an arm's length party of a 2.5-acre development property in Woodstock, Ontario for a purchase price of \$1,237,000, adjusted for other working capital amounts. The purchase price was paid in cash.

On September 22, 2006, the Trust completed the acquisition from an arm's length party of a 257,840 square foot retail property in Montreal, Quebec for a purchase price of \$38,345,000, adjusted for other working capital amounts. The purchase price was paid in cash.

On October 12, 2006, the Trust completed the acquisition from an arm's length party of a 58,433 square foot retail property in Peterborough, Ontario for a purchase price of \$12,529,000, adjusted for other working capital amounts. The purchase price was paid in cash.

On October 12, 2006, Calloway issued \$250,000,000 million Series B senior unsecured debentures with a maturity date of October 12, 2016 and a coupon rate of 5.37% (the "5.37% Debentures") for gross proceeds of \$249,766,500. The offering was made under Calloway's base shelf prospectus dated September 14, 2005 qualifying the issue of up to \$2,000,000,000 in debt or equity securities and a supplement to that prospectus dated October 10, 2006.

On November 11, 2006, the Trust completed the acquisition from an arm's length party of a 3.7-acre development property in St. John's, Newfoundland for a purchase price of \$1,306,000, adjusted for other working capital amounts. The purchase price was paid in cash.

On November 15, 2006, the Trust completed the acquisition of a 3.1 acre development property in Fort Erie, Ontario from SmartCentres for a purchase price of \$1,519,000, adjusted for other working capital amounts. The purchase price was satisfied with the release from escrow of 26,160 LP Class B Series 1 Units with a value of \$519,000, and the remainder in cash of which \$303,000 was held in escrow.

On November 30, 2006, Calloway issued 7,680,000 Units at a price of \$29.30 per Unit for gross proceeds of \$225,024,000. The issuance was made under Calloway's base shelf prospectus dated September 14, 2005 qualifying the issue of up to \$2,000,000,000 in debt or equity securities and a supplement to that prospectus dated November 21, 2006.

On December 7, 2006, the Trust completed the acquisition from an arm's length party of an 87,421 square foot retail property in St. John's, Newfoundland for a purchase price of \$16,075,000, adjusted for other working capital amounts. The purchase price was satisfied by the assumption of an existing first mortgage totalling \$3,715,000 and the remainder in cash.

On December 11, 2006, Calloway completed the internalization of its property management business and completed the acquisition of freehold interests in 7 properties, leasehold interests in 2 properties and leasehold/freehold interests in 2 properties; and on December 19, 2006 Calloway completed the acquisition of freehold interests in 2 properties and the leasehold interest in one property (collectively the “Acquisition 7 Properties”) from SmartCentres and other vendors. Calloway paid a fee to SmartCentres of approximately \$14,410,000 to internalize the property management business. The 14 Acquisition 7 Properties comprised approximately 1.3 million net square feet of leased area of which approximately 427,000 net square feet is leased to Wal-Mart, and included lands with the potential for future development of approximately 1.6 million net square feet. The purchase price for the Acquisition 7 Properties was approximately \$383,415,000 (including properties under development of \$44,312,000), adjusted for costs of acquisition and working capital amounts. Approximately \$225,089,000 of the purchase price relates to 5 properties in which Calloway acquired leasehold interests. The purchase price was satisfied as follows: (i) by assumption of existing mortgages of \$173,369,000; (ii) by way of vendors providing a credit with respect to a marked-to-market adjustment on mortgages assumed of \$7,037,362; (iii) by SmartCentres and other vendors subscribing for 789,444 exchangeable Class B Series 2 units (the “LP Class B Series 2 Units”) and 34,130 Class D Series 2 units (the “LP Class D Series 2 Units”) of Calloway LP, a subsidiary limited partnership of Calloway, at a price of \$29.30 per unit with each such unit carrying one vote at meetings of Unitholders of the Trust via the issuance of Special Voting Units of the Trust to the holders of such LP Class B Series 2 Units or LP Class D Series 2 Units; (iv) by approval and issuance of development agreement options via 551,416 Units and 2,550,000 LP Class C Series 2 units (the “LP Class C Series 2 Units”) of Calloway LP valued in aggregate at their estimated fair market value of approximately \$5.3 million; and (v) by payment of the balance in cash. SmartCentres is, and was at the time of the transaction, controlled by Mitchell Goldhar who is, and was at the time of the transaction, a significant Unitholder of Calloway.

Concurrently with the closing of the acquisition of the Acquisition 7 Properties, Calloway entered into development agreements and an exchange, option and support agreement with SmartCentres and other vendors of the properties with respect to future developments on such properties. See “Access to Development Projects – The Acquisition 7 Properties”.

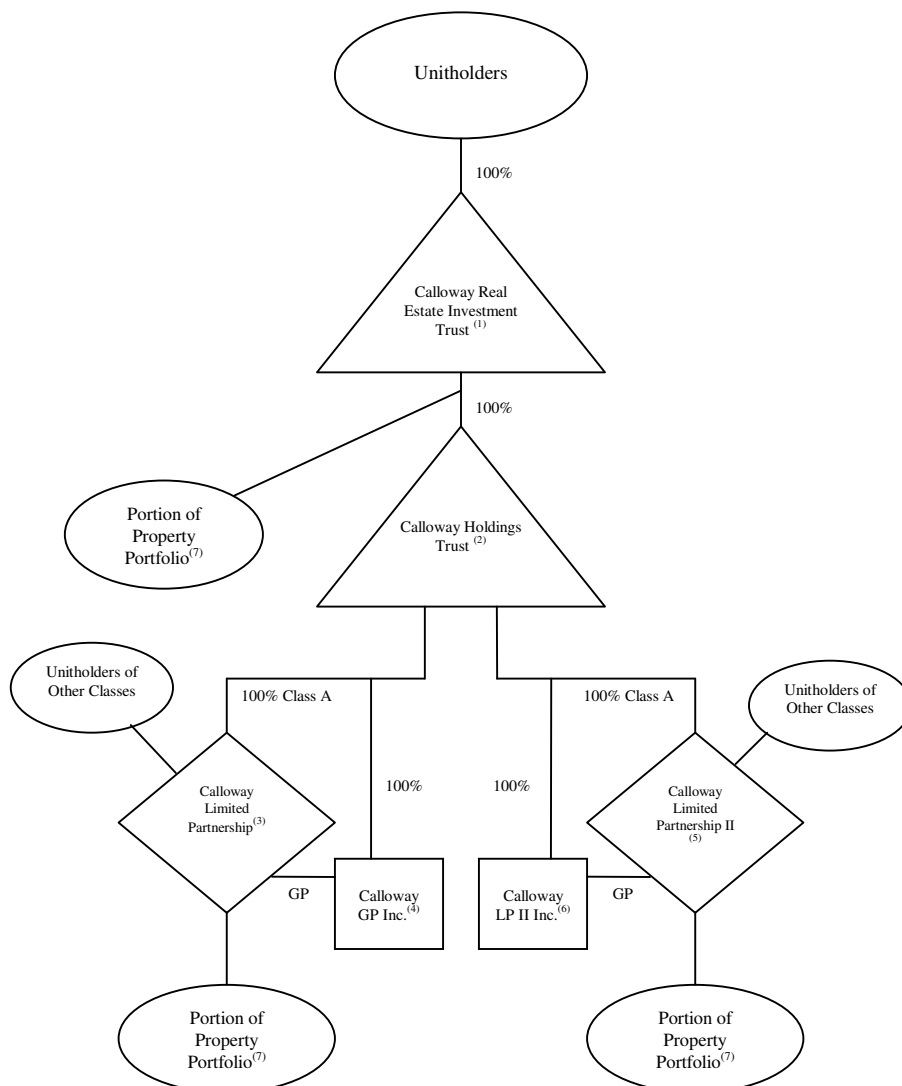
On December 14, 2006, the Trust completed the acquisition from an arm’s length party of a 10.4-acre development property in Toronto, Ontario for a purchase price of \$9,512,000, adjusted for other working capital amounts. The purchase price was paid in cash. As part of the purchase price, SmartCentres, as the assignor of the acquisition, received an additional sum of \$200,000 per acre, subject to certain conditions.

During 2006, Calloway completed the purchase of an additional 303,045 square feet of developed space from SmartCentres, the Partnership and the Partnership II for \$74,796,000 (including land value of \$12,026,000) under the terms of the Development Agreements and the Exchange Agreements (i.e. earn-outs). The consideration paid consisted of: the issuance to SmartCentres of 199,473 Units at a price of \$10.50 per Unit, 389,477 Units at a price of \$14 per Unit, 130,513 Units at a price of \$15.25 per Unit, 119,366 Units at a price of \$17.80 per Unit, 48,956 Units at a price of \$19.60 per Unit, 341,756 Units at a price of \$20.10 per Unit and 331,112 LP Class B Series 1 Units at a price of \$20.10 per LP Class B Series 1 Unit; assumption of development loans and accounts payable; and the balance in cash. In addition, Calloway repaid acquisition and development loans provided by the Partnership and Partnership II.

During 2006, Calloway entered into agreements with SmartCentres, and certain other affiliates, in which Calloway agreed to lend up to \$76.6 million for the purpose of acquiring and developing 5 properties in Ontario and Quebec. These loans bear interest at 7.0% to 8.0% and are secured by first or second charges on property, assignments of rents and leases and general security agreements. Calloway was granted an option to acquire a 50% interest in the properties upon substantial completion at an agreed upon formula. As at December 31, 2006 mortgages receivables totalling \$78.0 million had been provided pursuant to these and previous agreements with SmartCentres, and certain other affiliates, where Calloway agreed to lend a total of \$115.4 million for the purpose of acquiring and developing 6 properties in Ontario and Quebec. During 2006, \$56.3 million had been funded, offset by repayments of \$14.8 million.

### **Structure of Calloway**

The following diagram illustrates the simplified organizational structure of Calloway (excluding subsidiaries, other than Calloway LP II, the total assets or revenues of which collectively do not exceed 20%, and individually do not exceed 10%, of the assets or revenues, as applicable, of Calloway and its subsidiaries considered on a consolidated basis):



## Notes:

- (1) Calloway Real Estate Investment Trust is an unincorporated open-end real estate investment trust governed by the laws of the Province of Alberta.
- (2) Calloway Holdings Trust is an unincorporated open-end trust governed by the laws of the Province of Alberta.
- (3) Calloway Limited Partnership is a limited partnership created pursuant to the laws of the Province of Alberta.
- (4) Calloway GP Inc. is a corporation created under the laws of the Province of Alberta.
- (5) Calloway Limited Partnership II is a limited partnership created pursuant to the laws of the Province of Alberta.
- (6) Calloway LP II Inc. Inc. is a corporation created under the laws of the Province of Alberta.
- (7) Legal title to the assets in the Property Portfolio is held by a variety of nominee companies, all of which are 100% owned by Calloway Real Estate Investment Trust, Calloway Limited Partnership or Calloway Limited Partnership II. These nominees do not conduct any business other than the holding of legal title to the assets for the benefit of Calloway Real Estate Investment Trust, Calloway Limited Partnership or Calloway Limited Partnership II.

### Objectives and Strategy of Calloway

Calloway's objectives are to provide unit holders with stable and growing tax deferred cash distributions through the acquisition, development and operation of a portfolio of well-located, well leased, primarily large format unenclosed retail centres in Canada; and to enhance the value of Calloway's assets and unit value through effective management, leasing and re-development of its assets; and through effective control of long-term cost of capital and operating costs.

Calloway intends to invest primarily in large format, unenclosed retail rental properties with strong tenant covenants, stable yields, low vacancy levels and growth potential and to build a geographically diversified portfolio of such properties. Calloway believes it will be able to implement an investment strategy of acquiring additional properties with these characteristics to provide additional cash flow and further enhance the long-term portfolio value. To the extent that opportunities exist, and to the extent that management and the board of trustees of Calloway believe such opportunities are beneficial to Unitholders, Calloway will continue to acquire well-anchored large format, unenclosed retail centres.

Calloway's management has, in the aggregate, over 80 years of experience in the commercial real estate market, including real estate acquisitions, dispositions, financing and administration, property management, construction and renovation, and marketing. Management's goal will be to maximize cash flow and Unit value, while minimizing Unitholder risk. Management will undertake regular reviews of the Property Portfolio and, based on experience and market knowledge, will assess ongoing opportunities for the Property Portfolio. Where appropriate capital improvement projects, renovations and remarketing initiatives will be implemented.

Management is committed to maximizing income from Calloway's properties through sophisticated and prudent financial management. Management intends to optimize the leveraged returns from the Property Portfolio, while remaining within the overall debt limits set by the Declaration of Trust. Whenever possible, Calloway intends to utilize fixed rate debt financing with terms that are appropriate for the nature of the leases and the properties being financed. Management intends to stagger debt maturities to reduce refinancing risk and to provide a source of additional capital when refinanced, and make use of operating lines or acquisition facilities to generate interim capital.

Calloway plans to achieve its objectives by employing the following internal and external growth strategies:

#### *Growth Through Acquisitions*

Calloway intends to expand its asset base and increase Adjusted Funds From Operations by pursuing an external growth strategy. Calloway intends to actively seek accretive acquisitions in its existing and adjacent markets and in new Canadian markets that present opportunities for favourable returns.

Calloway believes it has certain competitive advantages that enhance its ability to identify and capitalize on acquisition opportunities. These advantages include: (i) management's extensive understanding of commercial real estate; (ii) Calloway's strategic relationships with SmartCentres and other developers; and (iii) Calloway's access to capital.

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

Calloway intends to focus on investing in additional large format unenclosed retail property interests in Canada to produce a geographically diversified portfolio with strong cash flows which, when coupled with experienced management, will provide future growth opportunities for Unitholders.

Calloway believes it will be able to implement an effective investment strategy by acquiring additional properties from several sources, including the following:

- (i) commercial properties made available generally in the property market;
- (ii) commercial properties made available through its relationships with SmartCentres and other developers; and
- (iii) institutional and other owners of commercial real estate.

### *Growth Through Development*

Part of Calloway's future growth will be achieved through the acquisition of undeveloped land suitable for the development of rental properties. In addition to Calloway's in-house development expertise, the Trust has established an ongoing relationship with SmartCentres and other developers. See "Access to Development Projects".

### *Growth Through Asset Management*

Calloway believes that opportunities exist to increase cash flow of the Property Portfolio through value-added asset management and leasing activity. Calloway develops a leasing strategy for each property that reflects the nature of the property, its position within the marketplace, as well as prevailing and forecast economic conditions. To assist in implementing this strategy, Calloway utilizes and coordinates with the brokerage leasing community and retains appropriate agents on a best-in-class basis for each of the assets. Management expects that this strategy will maximize expansion and renewal opportunities and will involve aggressive, proactive leasing programs.

Calloway recognizes that renewal of existing tenant leases, as opposed to tenant replacement, often provides the best operating results as renewals minimize transaction costs associated with marketing, leasing and tenant improvements and avoids costs of renovation and interruptions in rental income resulting from periods of vacancy. Where existing tenants choose not to renew their lease, Calloway's proactive leasing function is designed to quickly identify replacement tenants at the best available market terms and lowest possible transaction costs.

## **ACCESS TO DEVELOPMENT PROJECTS**

Calloway's relationship with SmartCentres and other developers will assist Calloway in avoiding the hurdles associated with property development, including locating and buying attractive development sites, securing construction financing, obtaining development approvals, marketing and leasing a building in advance of and during construction and earning no return during the construction period.

### **The Acquisition 1 Properties**

Concurrently with the closing of the acquisition of the Acquisition 1 Properties from SmartCentres in October 2003, Calloway entered into development agreements (the "Development Agreements 1") with SmartCentres for the development of additional retail space on the undeveloped lands on each of the Acquisition 1 Properties (the "Acquisition 1 Undeveloped Lands"). Pursuant to the Development Agreements 1, SmartCentres assumed responsibility for managing the development of additional retail space on the Acquisition 1 Undeveloped Lands and was granted the right for a period of five years from the date of the acquisition (i.e. until October 31, 2008), subject to SmartCentres's option to extend for a further five year term (the "Acquisition 1 Earn-Out Period"), to earn additional proceeds (the "Acquisition 1 Earn-Out Proceeds") from Calloway on the completion and rental of additional space on these lands (an "Acquisition 1 Earn-Out Event"). The formula used to calculate the Acquisition 1 Earn-Out Proceeds uses net rents from the new development less proposed management costs divided by a capitalization rate which in all cases exceeds the capitalization rate used to derive the portion of the purchase price allocated to the associated Acquisition 1 Property, with the result that in each instance the acquisition of a new development should be accretive to Calloway. Calloway provides financing to SmartCentres for the development costs of the additional developments. Calloway provided a second mortgage on a specific property in the amount of \$10,000,000 as security for payment of the additional proceeds.

SmartCentres has the right, at its option, to receive up to 40% of the Acquisition 1 Earn-Out Proceeds for any new developments in Units of Calloway at purchase prices of \$10.00 and \$10.50 per Unit (approximately 199,475 and 1,800,000 Units respectively). As at December 31, 2006, based on current projected rents and on potential buildable square feet on the Acquisition 1 Undeveloped Lands, the Acquisition 1 Earn-Out Proceeds could equal approximately \$33.2 million (less the amount already paid in respect of the Acquisition 1 Undeveloped Lands) and result in the issuance of up to 908,548 additional Units to SmartCentres. Calloway expects that it will raise the needed capital to finance the balance of any Acquisition 1 Earn-Out Proceeds by issuing equity, or issuing mortgages secured against its properties, or by way of advances under operating or acquisition facilities.

The Development Agreements 1 include the following terms:

- (a) in consideration of a lease by SmartCentres from Calloway of the Acquisition 1 Undeveloped Lands, SmartCentres will pay Calloway an amount equal to 9% per annum, payable monthly, of the aggregate Acquisition 1 Undeveloped Lands value, as reduced from time to time upon the occurrence of Acquisition 1 Earn-Out Events (the “Acquisition 1 Development Fee”);
- (b) Calloway has the option to cause SmartCentres to repurchase any Acquisition 1 Undeveloped Lands (or portion thereof) at the Acquisition 1 Undeveloped Lands value (or portion thereof), to the extent that such Acquisition 1 Undeveloped Lands (or portion thereof) have not been the subject of a Acquisition 1 Earn-Out Event as at the end of the Acquisition 1 Earn-Out Period; and
- (c) the obligation of SmartCentres to pay the Acquisition 1 Development Fee and to repurchase any remaining Acquisition 1 Undeveloped Lands at the end of the Acquisition 1 Earn-Out Period is secured by Units of Calloway owned by SmartCentres and having a value equivalent to the remaining Acquisition 1 Undeveloped Land value from time to time.

### **The Acquisition 2 Properties**

Concurrently with the closing of the acquisition of the Acquisition 2 Properties from the Partnership in February 2004, Calloway entered into development agreements (the “Development Agreements 2”) with the Partnership for the development of additional retail space on the undeveloped lands on each of the Acquisition 2 Properties (the “Acquisition 2 Undeveloped Lands”). Pursuant to the Development Agreements 2, the Partnership assumed responsibility for managing the development of additional retail space on the Acquisition 2 Undeveloped Lands and was granted the right for a period of five years from the date of the acquisition (i.e. until February 16, 2009), subject to the Partnership’s option to extend for a further five year term (the “Acquisition 2 Earn-Out Period”), to earn additional proceeds (the “Acquisition 2 Earn-Out Proceeds”) from Calloway on the completion and rental of additional space on these lands (an “Acquisition 2 Earn-Out Event”). The formula used to calculate the Acquisition 2 Earn-Out Proceeds for any new development uses net rents from the new development divided by a capitalization rate which in all cases exceeds the capitalization rate used to derive the portion of the purchase price allocated to the associated Acquisition 2 Property, with the result that in each instance the acquisition of a new development should be accretive to Calloway. The Partnership provides financing to Calloway for the development costs of the additional developments. Calloway provided a first mortgage, assignment of rents and leases, and a general security agreement on two properties acquired from the Partnership as security for the development loans.

SmartCentres, as one of the partners of the Partnership, has been provided the right, at its option, to receive up to 40% of the Acquisition 2 Earn-Out Proceeds for any new developments in Units of Calloway at a purchase price of \$14.00 per Unit (approximately 1,860,000 Units). As at December 31, 2006, based on current projected rents and on potential buildable square feet on the Acquisition 2 Undeveloped Lands, the Acquisition 2 Earn-Out Proceeds could equal approximately \$37.1 million and result in the issuance of up to approximately 830,435 additional Units to SmartCentres. Calloway expects that it will raise the needed capital to finance the balance of any Acquisition 2 Earn-Out Proceeds by issuing equity, or issuing mortgages secured against its properties, or by way of advances under operating or acquisition facilities.

### **The Acquisition 3 Properties**

Concurrently with the closing of the acquisition of the Acquisition 3 Properties from the Partnership in May 2004, Calloway entered into development agreements (the “Development Agreements 3”) with the Partnership for the development of additional retail space on the undeveloped lands on each of the Acquisition 3 Properties (the “Acquisition 3 Undeveloped Lands”). Pursuant to the Development Agreements 3, the Partnership assumed responsibility for managing the development of additional retail space on the Acquisition 3 Undeveloped Lands and was granted the right for a period of five years from the date of the acquisition (i.e. until May 14, 2009), subject to the Partnership’s option to extend for a further five year term (the “Acquisition 3 Earn-Out Period”), to earn additional proceeds (the “Acquisition 3 Earn-Out Proceeds”) from Calloway on the completion and rental of additional space on these lands (an “Acquisition 3 Earn-Out Event”). The formula used to calculate the Acquisition 3 Earn-Out Proceeds for any new development uses net

rents from the new development divided by a capitalization rate which in all cases exceeds the capitalization rate used to derive the portion of the purchase price allocated to the associated Acquisition 3 Property, with the result that in each instance the acquisition of a new development should be accretive to Calloway. The Partnership provides financing to Calloway for the development costs of the additional developments. Calloway provided a first mortgage, assignment of rents and leases, and a general security agreement on two properties acquired from the Partnership as security for the development loans.

SmartCentres, as one of the partners of the Partnership, has been provided the right, at its option, to receive up to 40% of the Acquisition 3 Earn-Out Proceeds for any new developments in Units of Calloway at a purchase price of \$15.25 per Unit (not to exceed 1,150,000 Units). As at December 31, 2006, based on current projected rents and on potential buildable square feet on the Acquisition 3 Undeveloped Lands, the Acquisition 3 Earn-Out Proceeds could equal approximately \$23.8 million and result in the issuance of up to approximately nil additional Units to SmartCentres. Calloway expects that it will raise the needed capital to finance the balance of any Acquisition 3 Earn-Out Proceeds by issuing equity, or issuing mortgages secured against its properties, or by way of advances under operating or acquisition facilities.

### **The Acquisition 4A Properties**

Concurrently with the closing of the acquisition of the Acquisition 4A Properties from the Partnership in November 2004, Calloway entered into development agreements (the "Development Agreements 4A") with the Partnership for the development of additional retail space on the undeveloped lands on each of the Acquisition 4A Properties (the "Acquisition 4A Undeveloped Lands"). Pursuant to the Development Agreements 4A, the Partnership assumed responsibility for managing the development of additional retail space on the Acquisition 4A Undeveloped Lands and was granted the right for a period of five years from the date of the acquisition (i.e. until November 30, 2009), subject to the Partnership's option to extend for a further five year term (the "Acquisition 4A Earn-Out Period"), to earn additional proceeds (the "Acquisition 4A Earn-Out Proceeds") from Calloway on the completion and rental of additional space on these lands (an "Acquisition 4A Earn-Out Event"). The formula used to calculate the Acquisition 4A Earn-Out Proceeds for any new development uses net rents from the new development divided by a capitalization rate which in all cases exceeds the capitalization rate used to derive the portion of the purchase price allocated to the associated Acquisition 4A Property, with the result that in each instance the acquisition of a new development should be accretive to Calloway. The Partnership provides financing to Calloway for the development costs of the additional developments. Calloway provided a first mortgage, assignment of rents and leases, and a general security agreement on two properties acquired from the Partnership as security for the development loans.

SmartCentres, as one of the partners of the Partnership, has been provided the right, at its option, to receive up to 40% of the Acquisition 4A Earn-Out Proceeds for any new developments in Units of Calloway at a purchase price of \$17.80 per Unit (not to exceed 345,000 Units). As at December 31, 2006, based on current projected rents and on potential buildable square feet on the Acquisition 4A Undeveloped Lands, the Acquisition 4A Earn-Out Proceeds could equal approximately \$12.7 million and result in the issuance of up to approximately 60,275 additional Units to SmartCentres. Calloway expects that it will raise the needed capital to finance the balance of any Acquisition 4A Earn-Out Proceeds by issuing equity, or issuing mortgages secured against its properties, or by way of advances under operating or acquisition facilities.

### **The Acquisition 4B Properties**

Concurrently with the closing of the acquisition of the Acquisition 4B Properties from the Partnership II in March 2005, Calloway entered into development agreements (the "Development Agreements 4B") with the Partnership II for the development of additional retail space on the undeveloped lands on each of the Acquisition 4B Properties (the "Acquisition 4B Undeveloped Lands"). Pursuant to the Development Agreements 4B, the Partnership II assumed responsibility for managing the development of additional retail space on the Acquisition 4B Undeveloped Lands and was granted the right for a period of five years from the date of the acquisition (i.e. until March 10, 2010), subject to the Partnership II's option to extend for a further five year term (the "Acquisition 4B Earn-Out Period"), to earn additional proceeds (the "Acquisition 4B Earn-Out Proceeds") from Calloway on the completion and rental of additional space on these lands (an "Acquisition 4B Earn-Out Event"). The formula used to calculate the Acquisition 4B Earn-Out Proceeds for any new development uses net rents from the new development divided by a capitalization rate which in all cases

exceeds the capitalization rate used to derive the portion of the purchase price allocated to the associated Acquisition 4B Property, with the result that in each instance the acquisition of a new development should be accretive to Calloway. The Partnership II provides financing to Calloway for the development costs of the additional developments. Calloway provided a first mortgage, assignment of rents and leases, and a general security agreement on one property acquired from the Partnership II as security for the development loans.

SmartCentres, as one of the partners of the Partnership II, has been provided the right, at its option, to receive up to 40% of the Acquisition 4B Earn-Out Proceeds for any new developments in Units of Calloway at a purchase price of \$19.60 per Unit (not to exceed 225,000 Units). As at December 31, 2006, based on current projected rents and on potential buildable square feet on the Acquisition 4B Undeveloped Lands, the Acquisition 4B Earn-Out Proceeds could equal approximately \$10.4 million and result in the issuance of up to approximately 176,044 additional Units to SmartCentres. Calloway expects that it will raise the needed capital to finance the balance of any Acquisition 4B Earn-Out Proceeds by issuing equity, or issuing mortgages secured against its properties, or by way of advances under operating or acquisition facilities.

### **The Acquisition 5 Properties**

Concurrently with the closing of the acquisition of the Acquisition 5 Properties from SmartCentres and other vendors in July 2005, Calloway entered into development agreements with SmartCentres and certain of the other vendors for the development of additional retail space on the undeveloped lands on certain of the Acquisition 5 Properties (the "Acquisition 5 Undeveloped Lands"). Pursuant to those development agreements, SmartCentres and certain of the other vendors assumed responsibility for managing the development of additional retail space on the Acquisition 5 Undeveloped Lands. At the same time, Calloway entered into an exchange, option and support agreement (the "Exchange Agreement 5") with SmartCentres and certain of the other vendors of the Acquisition 5 Properties. Pursuant to the Exchange Agreement 5, SmartCentres and certain of the other vendors have been granted the right for a period of five years from the date of acquisition of the Acquisition 5 Properties (i.e. until July 2010), subject to SmartCentre's option to extend for a further five year term (the "Acquisition 5 Earn-Out Period"), to earn additional proceeds (the "Acquisition 5 Earn-Out Proceeds") from Calloway on the completion and rental of additional space on the Acquisition 5 Undeveloped Lands. The formula used to calculate the Acquisition 5 Earn-Out Proceeds for any new development uses net rents from the new development divided by the capitalization rate used to derive the portion of the purchase price allocated to the associated Acquisition 5 Property plus 12.5 basis points. If an Acquisition 5 Earn-Out Event does not occur before the expiration of the Acquisition 5 Earn-Out Period with respect to a new building, Calloway will not be required to pay any Acquisition 5 Earn-Out Proceeds in connection with such new building and will be required to repay only 85% of the proceeds it borrowed from the vendors in relation to the acquisition and development of the centres attributable to such new building (including the amount owing under the mortgage, construction financing advances (if any) and interest thereon, all relative to the relevant Acquisition 5 Undeveloped Lands).

SmartCentres and certain of the other vendors have the right, at their option, to receive up to 40% of the gross proceeds for any new developments in up to 3,250,000 LP Class B Series 1 Units at a purchase price of \$20.10 per unit by exchanging a similar amount of LP Class C Series 1 Units, and up to 2,452,762 Units at a purchase price of \$20.10 per unit. Each LP Class B Series 1 Unit issued as a result of an Acquisition 5 Earn-Out Event shall result in the cancellation of one LP Class C Series 1 Unit and the issuance of an additional Special Voting Unit of Calloway. As at December 31, 2006, based on current projected rents and on potential buildable square feet on the Acquisition 5 Undeveloped Lands, the Acquisition 5 Earn-Out Proceeds could be up to approximately \$199.5 million and result in the issuance to SmartCentres and certain of the other vendors of up to an additional 1,848,334 Units and 2,588,221 LP Class B Series 1 Units (as well as additional Special Voting Units equivalent to the aggregate number of LP Class B Series 1 Units) at \$20.10 per Unit. Calloway expects that it will raise the needed capital to finance the balance of any Acquisition 5 Earn-Out Proceeds by issuing equity, or issuing mortgages secured against its properties, or by way of advances under operating or acquisition facilities.

With respect to certain of the Acquisition 5 Properties, Calloway will conduct the development process. SmartCentres and certain of the other vendors have been provided the right, at their option, on the completion of any development on such properties (an "Acquisition 5 Development Event"), to exchange LP Class C Series 1 Units together with a cash payment of \$20.10 per unit for LP Class B Series 1 Units (up to approximately 5,250,000 LP Class C Series 1 Units), and to acquire Units (up to approximately 47,238 Units) at a price of \$20.10 per unit, for an aggregate amount equal to up to



40% of the value of such development (“Acquisition 5 Development Proceeds”) where value will be determined in a manner similar to the determination of Acquisition 5 Earn-Out Proceeds. Each LP Class B Series 1 Unit issued as a result of an Acquisition 5 Development Event shall result in the cancellation of one LP Class C Series 1 Unit and the issuance of an additional Special Voting Unit. As at December 31, 2006, based on current projected rents and on potential buildable square feet on the applicable Acquisition 5 Properties under development by Calloway, the Acquisition 5 Development Proceeds could equal approximately \$211.2 million and result in the issuance to SmartCentres of up to 47,238 additional Units and 5,250,000 LP Class B Series 1 Units (as well as additional Special Voting Units equivalent to the aggregate number of LP Class B Series 1 Units issued) at \$20.10 per Unit or LP Class B Series 1 Unit. Calloway expects that it will raise the needed capital to finance the balance of any developments on the applicable Acquisition 5 Properties by issuing equity, or issuing mortgages secured against its properties, or by way of advances under operating or acquisition facilities.

### **The Acquisition 6 Properties**

Concurrently with the closing of the acquisition of the Acquisition 6 Properties from SmartCentres in April 2006, Calloway entered into development agreements (the “Development Agreements 6”) with SmartCentres for the development of additional retail space on the undeveloped lands on each of the Acquisition 6 Properties (the “Acquisition 6 Undeveloped Lands”). Pursuant to the Development Agreements 6, SmartCentres assumed responsibility for managing the development of additional retail space on the Acquisition 6 Undeveloped Lands and was granted the right for a period of five years from the date of the acquisition (i.e. until April 2011), subject to SmartCentres’ option to extend for a further five year term (the “Acquisition 6 Earn-Out Period”), to earn additional proceeds (the “Acquisition 6 Earn-Out Proceeds”) from Calloway on the completion and rental of additional space on these lands (an “Acquisition 6 Earn-Out Event”). The formula used to calculate the Acquisition 6 Earn-Out Proceeds for any new development uses net rents from the new development divided by a capitalization rate which in all cases exceeds the capitalization rate used to derive the portion of the purchase price allocated to the associated Acquisition 6 Property, with the result that in each instance the acquisition of a new development should be accretive to Calloway. SmartCentres provides financing to Calloway for the development costs of the additional developments. As at December 31, 2006, based on current projected rents and on potential buildable square feet on the Acquisition 6 Undeveloped Lands, the Acquisition 6 Earn-Out Proceeds could equal approximately \$7.4 million.

### **The Acquisition 7 Properties**

Concurrently with the closing of the acquisition of the Acquisition 7 Properties from SmartCentres and other vendors in December 2006, Calloway entered into development agreements with SmartCentres and certain of the other vendors for the development of additional retail space on the undeveloped lands on certain of the Acquisition 7 Properties (the “Acquisition 7 Undeveloped Lands”). Pursuant to those development agreements, SmartCentres and certain of the other vendors assumed responsibility for managing the development of additional retail space on the Acquisition 7 Undeveloped Lands. At the same time, Calloway entered into an exchange, option and support agreement (the “Exchange Agreement 7”) with SmartCentres and certain of the other vendors of the Acquisition 7 Properties. Pursuant to the Exchange Agreement 7, SmartCentres and the other vendors have been granted the right for a period of ten years from the date of acquisition of the Acquisition 7 Properties (i.e. until December 31, 2016) (the “Acquisition 7 Earn-Out Period”), to earn additional proceeds (the “Acquisition 7 Earn-Out Proceeds”) from Calloway on the completion and rental of additional space on the Acquisition 7 Undeveloped Lands. The formula used to calculate the Acquisition 7 Earn-Out Proceeds for any new development uses net rents from the new development divided by pre-determined negotiated capitalization rates (based on the then prevailing Government of Canada bond yields plus a spread ranging from 2% to 3%, subject to certain maximum capitalization rates ranging from 6.9% to 8.3%). If an Acquisition 7 Earn-Out Event does not occur before the expiration of the Acquisition 7 Earn-Out Period with respect to a new building, Calloway is obligated to pay any amounts attributed to such undeveloped lands in excess of the initial land value of such undeveloped lands.

SmartCentres and certain of the other vendors have the right, at their option, to receive up to 30% of the gross proceeds for any new developments in up to 2,550,000 LP Class B Series 2 Units at purchase prices ranging from \$29.55 to \$33.00 per unit by exchanging a similar amount of LP Class C Series 2 Units, and up to 551,416 Units at purchase prices ranging from \$29.55 to \$33.00 per unit. Each LP Class B Series 2 Unit issued as a result of an Acquisition 7 Earn-Out Event shall

result in the cancellation of one LP Class C Series 2 Unit and the issuance of an additional Special Voting Unit of Calloway. As at December 31, 2006, based on current projected rents and on potential buildable square feet on the Acquisition 7 Undeveloped Lands, the Acquisition 7 Earn-Out Proceeds could be up to approximately \$331.7 million and result in the issuance to SmartCentres and certain of the other vendors of up to an additional 551,516 Units and 2,550,000 LP Class B Series 2 Units (as well as additional Special Voting Units equivalent to the aggregate number of LP Class B Series 1 Units) at purchase prices ranging from \$29.55 to \$33.00 per Unit. Calloway expects that it will raise the needed capital to finance the balance of any Acquisition 7 Earn-Out Proceeds by issuing equity, or issuing mortgages secured against its properties, or by way of advances under operating or acquisition facilities.

#### **Issuance of Securities on Earn-out Events**

In the event that SmartCentres or any other applicable vendors do not elect to take any portion of the aforementioned earn-out proceeds in Units or exchangeable Calloway LP units, Calloway expects that it will raise the needed capital to finance the balance of any applicable earn-out proceeds by issuing equity, or issuing mortgages secured against its properties, or by way of advances under operating or acquisition facilities.

#### **Other Opportunities With SmartCentres**

In addition to the acquisition of retail developments on the aforementioned undeveloped lands as these projects are completed, Calloway hopes to have the opportunity to acquire additional new format retail developments from SmartCentres. SmartCentres' equity and board positions in Calloway may provide Calloway with an enhanced opportunity to access SmartCentres divestures if and when they arise.

## **OVERVIEW OF PROPERTY PORTFOLIO**

### **General**

As of December 31, 2006, the Property Portfolio consisted of 122 properties located in all of the provinces of Canada including:

- a. 12 properties located in British Columbia;
- b. 9 properties located in Alberta;
- c. 2 properties located in Saskatchewan;
- d. 3 properties located in Manitoba;
- e. 65 properties located in Ontario;
- f. 18 properties located in Quebec;
- g. 2 property located in New Brunswick;
- h. 4 properties located in Nova Scotia;
- i. 1 property located in Prince Edward Island; and
- j. 6 properties located in Newfoundland and Labrador.

The Property Portfolio is divided into only two segments of the real estate market: (i) retail properties; and (ii) industrial properties. As at December 31, 2006, approximately 99.6% of rental revenue was derived from retail properties containing an aggregate of 18,242,181 square feet and approximately 0.4% of rental revenue was derived from industrial properties containing an aggregate of 111,484 square feet. The occupancy rate for the Property Portfolio as at December 31, 2006 was 99.3%.

Information in the charts below is given as of December 31, 2006.

The majority of the properties have been completed within the past 6 years. Each of the properties has been professionally managed and well maintained. The properties enjoy the benefits of strong locations and professional management and leasing practices, resulting in low vacancy, stable income and controlled expenses.

The following table summarizes the Property Portfolio as a whole as at December 31, 2006.

	<b><u>Total</u></b>
Number of Properties .....	122
Net Rentable Area (square feet) (excluding Undeveloped Lands).....	18,353,665
Occupancy .....	99.3%
Average Anchor Net Rent in Place .....	\$9.73
Average Non-Anchor Net Rent in Place .....	\$17.72
Average Net Rent in Place .....	\$13.23

### **Retail Properties**

The following table sets forth certain summary information as at December 31, 2006 with respect to the retail properties in the Property Portfolio:

<b><u>Property</u></b>	<b><u>Location</u></b>	<b><u>Ownership Interest</u></b>	<b><u>Net Rentable Area<sup>(1)</sup></u></b>	<b><u>Future Area<sup>(1)</sup></u></b>	<b><u>Occupancy</u></b>	<b><u>Year Built</u></b>	<b><u>Year Acquired</u></b>
Bakerview Power Centre	Abbotsford, BC	100%	91,171	7,500	97.47%	2002	2005
Courtenay SmartCentre	Courtenay, BC	100%	232,728	10,436	100.00%	2002	2004
Cranbrook SmartCentre	Cranbrook, BC	100%	135,540	6,126	97.41%	2002	2004
Kamloops SmartCentre	Kamloops, BC	100%	217,252	-	100.00%	2001	2004
Langley SmartCentre	Langley, BC	100%	327,177	2,870	100.00%	2002	2004
New Westminster SmartCentre	New Westminster, BC	100%	316,793	100,160	100.00%	2004	2005
Penticton Power Centre	Penticton, BC	100%	201,948	-	98.20%	1998	2006
Prince George SmartCentre	Prince George, BC	100%	187,045	117,405	98.38%	2004	2005
Vernon SmartCentre	Vernon, BC	100%	204,259	20,400	95.30%	2002	2004
Calgary Southeast SmartCentre	Calgary, AB	100%	215,301	3,819	100.00%	2005	2005
Calgary Sunridge Towne Centre	Calgary, AB	100%	51,060	-	100.00%	2002	2006
Crowchild Corner	Calgary, AB	100%	23,377	-	100.00%	1975	2000
Edmonton Northeast SmartCentre	Edmonton, AB	100%	227,059	15,616	100.00%	2002	2005
Namao Centre	Edmonton, AB	100%	33,581	-	100.00%	2000	2003
Lethbridge SmartCentre	Lethbridge, AB	100%	216,094	41,900	100.00%	2002	2004
Lloyd Mall	Lloydminster, AB	100%	204,187	-	98.95%	1975	2002

<u>Property</u>	<u>Location</u>	<u>Ownership Interest</u>	<u>Net Rentable Area<sup>(1)</sup></u>	<u>Future Area<sup>(1)</sup></u>	<u>Occupancy</u>	<u>Year Built</u>	<u>Year Acquired</u>
Spruce Grove SmartCentre	Spruce Grove, AB	100%	61,879	1,559	100.00%	2002	2003
St. Albert SmartCentre	St. Albert, AB	100%	174,052	28,315	100.00%	2003	2004
Regina East SmartCentre	Regina, SK	100%	370,735	4,058	100.00%	2000	2005
Regina North SmartCentre	Regina, SK	100%	221,894	12,000	100.00%	2004	2004
Winnipeg Central SmartCentre	Winnipeg, MB	100%	56,966	-	91.34%	2004	2004
Winnipeg Southwest SmartCentre	Winnipeg, MB	100%	480,576	10,428	100.00%	2000	2005
Winnipeg West SmartCentre	Winnipeg, MB	100%	286,534	59,599	100.00%	2002	2004
Ancaster SmartCentre	Ancaster, ON	100%	186,124	62,975	100.00%	1998	2003
Aurora SmartCentre	Aurora, ON	100%	50,463	-	100.00%	2000	2003
Barrie North SmartCentre	Barrie, ON	100%	201,612	-	100.00%	2000	2004
Barrie South SmartCentre	Barrie, ON	100%	369,608	-	98.94%	1996	2005
Bolton SmartCentre	Bolton, ON	100%	183,146	-	100.00%	2004	2005
Brampton East SmartCentre (I)	Brampton, ON	100%	35,777	-	100.00%	2002	2003
Brampton East SmartCentre (II)	Brampton, ON	100%	220,314	69,500	100.00%	1999	2005
Brampton North SmartCentre	Brampton, ON	100%	41,366	12,880	75.88%	2002	2003
Brockville SmartCentre	Brockville, ON	100%	34,398	-	100.00%	2005	2006
Burlington North SmartCentre	Burlington, ON	100%	46,853	22,804	100.00%	2004	2004
Burlington Staples SmartCentre	Burlington, ON	100%	114,188	28,000	100.00%	2002	2003
Cambridge SmartCentre (I)	Cambridge, ON	100%	517,878	148,026	100.00%	2002	2005
Cambridge SmartCentre (II)	Cambridge, ON	100%	15,952	31,583	100.00%	2006	2005
Chatham SmartCentre	Chatham, ON	50%	98,306	19,650	100.00%	2004	2005
Cobourg SmartCentre	Cobourg, ON	100%	128,429	-	100.00%	2003	2004
Etobicoke SmartCentre	Etobicoke, ON	100%	293,735	-	100.00%	2004	2005

<u>Property</u>	<u>Location</u>	<u>Ownership Interest</u>	<u>Net Rentable Area<sup>(1)</sup></u>	<u>Future Area<sup>(1)</sup></u>	<u>Occupancy</u>	<u>Year Built</u>	<u>Year Acquired</u>
Hanover SmartCentre	Hanover, ON	100%	19,874	5,692	100.00%	2005	2005
Huntsville SmartCentre	Huntsville, ON	100%	111,008	17,860	100.00%	2004	2005
Kapuskasing SmartCentre	Kapuskasing, ON	100%	65,592	54,405	100.00%	2000	2004
Kenora Wal-Mart Centre	Kenora, ON	100%	80,881	-	100.00%	2005	2005
Laurentian Power Centre	Kitchener, ON	100%	185,993	-	100.00%	2002	2006
London East Argyle Mall	London, ON	100%	354,767	79,735	96.57%	2000	2003
London North SmartCentre	London, ON	50%	143,278	85,277	100.00%	2002	2005
Markham Woodside SmartCentre (I)	Markham, ON	50%	162,806	-	100.00%	1996	2005
Markham Woodside SmartCentre (II)	Markham, ON	50%	6,750	10,000	100.00%	2005	2005
Midland SmartCentre	Midland, ON	100%	22,584	21,194	100.00%	2005	2005
Milton Wal-Mart Centre	Milton, ON	50%	64,464	52,875	100.00%	2005	2006
Mississauga (Erin Mills) SmartCentre	Mississauga, ON	100%	276,665	13,974	99.98%	2003	2005
Westgate SmartCentre	Mississauga, ON	100%	451,468	227,809	100.00%	2001	2006
Napanee SmartCentre	Napanee, ON	100%	109,383	63,600	100.00%	2006	2005
Oshawa North SmartCentre	Oshawa, ON	100%	406,113	151,667	100.00%	2000	2006
Ottawa South SmartCentre	Ottawa, ON	50%	243,064	-	100.00%	1998	2005
Owen Sound SmartCentre	Owen Sound, ON	100%	150,098	12,525	100.00%	2002	2004
Pembroke SmartCentre	Pembroke, ON	100%	11,247	-	100.00%	2003	2004
Peterborough Home Outfitters Centre	Peterborough, ON	100%	58,361	-	100.00%	2006	2006
Pickering SmartCentre	Pickering, ON	100%	527,976	-	100.00%	2005	2005
Renfrew SmartCentre	Renfrew, ON	100%	9,471	9,300	100.00%	2005	2005
Rexdale SmartCentre	Rexdale, ON	100%	34,865	-	100.00%	2004	2006
Sarnia Price Chopper Centre	Sarnia, ON	100%	79,743	-	100.00%	2002	2005

<b><u>Property</u></b>	<b><u>Location</u></b>	<b><u>Ownership Interest</u></b>	<b><u>Net Rentable Area<sup>(1)</sup></u></b>	<b><u>Future Area<sup>(1)</sup></u></b>	<b><u>Occupancy</u></b>	<b><u>Year Built</u></b>	<b><u>Year Acquired</u></b>
Scarborough East SmartCentre (I)	Scarborough, ON	100%	83,826	26,436	100.00%	2002	2003
Scarborough East SmartCentre (II)	Scarborough, ON	100%	232,020	-	100.00%	2003	2005
St. Catharines West SmartCentre (I)	St. Catharines, ON	100%	360,713	-	92.90%	2002	2004
St. Thomas SmartCentre	St. Thomas, ON	100%	166,133	19,433	100.00%	2002	2004
401 & Weston Power Centre	Toronto, ON	44%	169,873	-	95.84%	1994	2006
British Colonial Building	Toronto, ON	100%	17,833	-	93.04%	1985	2002
Leaside SmartCentre	Toronto, ON	100%	96,098	139,153	100.00%	2002	2006
Westside Mall	Toronto, ON	100%	144,377	-	100.00%	2001	2006
400 & 7 Power Centre	Vaughan, ON	100%	237,949	-	94.58%	1994	2006
Vaughan SmartCentre	Vaughan, ON	100%	260,755	383,252	100.00%	2004	2005
Welland SmartCentre	Welland, ON	100%	132,114	262,219	100.00%	2006	2005
Whitby North SmartCentre	Whitby, ON	100%	231,771	-	99.39%	2003	2005
Whitby Northeast SmartCentre	Whitby, ON	100%	20,847	37,526	100.00%	2006	2006
Windsor South SmartCentre	Windsor, ON	100%	199,988	33,830	99.00%	2003	2004
Woodbridge SmartCentre	Woodbridge, ON	50%	215,220	-	100.00%	1996	2005
Woodstock SmartCentre	Woodstock, ON	100%	216,281	23,888	100.00%	2003	2004
Anjou Home Outfitters Centre	Anjou, QC	100%	42,431	-	100.00%	2001	2005
Beauport SmartCentre	Beauport, QC	100%	174,271	-	94.27%	2003	2004
Drummondville SmartCentre	Drummondville, QC	100%	47,844	3,250	69.05%	2003	2005
Hull SmartCentre (I)	Hull, QC	50%	122,632	-	100.00%	2000	2005
Hull SmartCentre (II)	Hull, QC	50%	24,976	-	100.00%	2004	2006
Kirkland SmartCentre	Kirkland, QC	100%	207,216	-	100.00%	2003	2006
Laval West SmartCentre	Laval, QC	100%	549,362	-	100.00%	2001	2005

<u>Property</u>	<u>Location</u>	<u>Ownership Interest</u>	<u>Net Rentable Area<sup>(1)</sup></u>	<u>Future Area<sup>(1)</sup></u>	<u>Occupancy</u>	<u>Year Built</u>	<u>Year Acquired</u>
Mascouche SmartCentre	Mascouche, QC	100%	364,153	-	100.00%	2002	2004
Montreal (Decarie) SmartCentre	Montreal, QC	50%	112,383	14,565	100.00%	2001	2005
Montreal North SmartCentre	Montreal, QC	100%	247,054	41,446	100.00%	2004	2005
Place Bourassa Mall	Montreal, QC	100%	278,564	-	99.60%	1966	2006
Rimouski SmartCentre	Rimouski, QC	100%	167,648	102,400	100.00%	2002	2004
Saint-Constant SmartCentre	Saint-Constant, QC	100%	303,696	19,500	100.00%	2002	2005
Saint-Jean SmartCentre	Saint-Jean, QC	100%	172,888	38,883	100.00%	2002	2004
Saint-Jerome SmartCentre	Saint-Jerome, QC	100%	116,750	49,206	100.00%	2005	2005
Valleyfield SmartCentre	Valleyfield, QC	100%	161,236	-	100.00%	2002	2004
Saint John SmartCentre	Saint John, NB	100%	271,084	-	100.00%	2003	2004
Bridgewater SmartCentre	Bridgewater, NS	100%	30,820	107,357	100.00%	2005	2005
Halifax Bayers Lake Centre	Halifax, NS	100%	155,377	-	100.00%	1998	2005
New Minas SmartCentre	New Minas, NS	100%	45,487	-	100.00%	2002	2003
Truro SmartCentre	Truro, NS	100%	118,461	23,300	100.00%	2002	2004
Charlottetown SmartCentre	Charlottetown, PE	100%	188,924	36,500	100.00%	2002	2004
Corner Brook SmartCentre	Corner Brook, NL	100%	178,980	-	100.00%	2002	2004
Gander SmartCentre	Gander, NL	100%	23,156	65,034	100.00%	2006	2005
Mount Pearl SmartCentre	Mount Pearl, NL	100%	248,736	4,754	99.40%	2002	2004
St. John's Central SmartCentre	St. John's, NL	100%	90,284	19,551	100.00%	2005	2005
St. John's East SmartCentre (I)	St. John's, NL	100%	272,752	-	100.00%	2001	2005
St. John's East SmartCentre (II)	St. John's, NL	100%	87,411	-	100.00%	1995	2006
<b>Total Retail</b>			<b>18,242,181</b>	<b>3,095,005</b>	<b>99.27%</b>		

**Note:**

(1) Represents Calloway's interest in the net rentable area of the property.

### Industrial Properties

The following table sets forth certain summary information as at December 31, 2006 with respect to the industrial properties in the Property Portfolio:

<u>Property</u>	<u>Location</u>	<u>Ownership Interest</u>	<u>Net Rentable Area<sup>(1)</sup></u>	<u>Future Area<sup>(1)</sup></u>	<u>Occupancy</u>	<u>Year Built</u>	<u>Year Acquired</u>
Airtech Centre	Richmond, BC	100%	111,484	0	100.00%	1985	2002
<b>Total Industrial</b>			<b>111,484</b>	<b>0</b>	<b>100.00%</b>		

**Notes:**

(1) Represents Calloway's interest in the net rentable area of the property.

### Retail Development Lands

The following table sets forth certain summary information as at December 31, 2006 with respect to the retail development lands in the Property Portfolio:

<u>Retail Development Lands</u>	<u>Location</u>	<u>Ownership Interest</u>	<u>Area Upon Completion</u>	<u>Year Acquired</u>
Dawson Creek SmartCentre	Dawson Creek, BC	100%	63,000	2005
Quesnel SmartCentre	Quesnel, BC	100%	89,810	2005
Bramport SmartCentre	Brampton, ON	100%	280,235	2006
Burlington (Appleby) SmartCentre	Burlington, ON	100%	129,734	2006
Carleton Place SmartCentre	Carleton Place, ON	100%	281,537	2006
Dunnville SmartCentre	Dunnville, ON	100%	102,653	2005
Etobicoke (Index) SmartCentre	Etobicoke, ON	100%	139,000	2006
Fort Erie SmartCentre	Fort Erie, ON	100%	35,650	2005
London Northwest SmartCentre (I)	London, ON	100%	160,917	2005
London Northwest SmartCentre (II)	London, ON	100%	181,219	2006
Rockland SmartCentre	Rockland, ON	100%	176,436	2006
St. Catharines West SmartCentre (II)	St. Catharines, ON	100%	118,654	2005
Magog SmartCentre	Magog, QC	100%	256,110	2006
Victoriaville SmartCentre	Victoriaville, QC	100%	42,040	2006



<u>Retail Development Lands</u>	<u>Location</u>	<u>Ownership Interest</u>	<u>Area Upon Completion</u>	<u>Year Acquired</u>
Fredericton North SmartCentre	Fredericton, NB	100%	163,224	2006
<b>Total Retail Development Lands</b>			<b>2,220,219</b>	

**Note:**

(1) LP Class B Series 1 Units are held in escrow pending the closing of one the London Northwest SmartCentre (I) property.

**Tenant Mix**

The following table illustrates the top ten tenants for the Property Portfolio as at December 31, 2006 in terms of their percentage contribution to gross rental revenues of the Property Portfolio:

<u>Tenant</u>	<u>Percentage of Gross Rental Revenues</u>
Wal-Mart	26.0%
Canadian Tire / Mark's Work Wearhouse	4.2%
HBC	3.9%
Best Buy / Future Shop	3.7%
Reitmans Group of Companies	3.5%
Winners	3.1%
Sobeys	2.7%
Staples Business Depot	2.6%
Rona	2.0%
Cara Restaurants	1.8%
<b>TOTAL</b>	<b>53.4%</b>

**Occupancy Rates**

Overall, the Property Portfolio has experienced high occupancy rates. The occupancy rate for the Property Portfolio was 99.3% as at December 31, 2006.

The following table summarizes the lease maturities for the Property Portfolio as at December 31, 2006.

<u>Expiries by Year</u>	<u>Area</u>	<u>% of Total Area</u>
Month-to-month	80,799	0.4%
2007	269,152	1.5%
2008	413,780	2.3%
2009	504,633	2.7%
2010	725,192	4.0%
2011	1,052,716	5.7%
2012	801,256	4.4%
Beyond	14,373,212	78.3%
Vacant	132,924	0.7%
<b>TOTAL</b>	<b>18,353,665</b>	<b>100.0%</b>

## Financing

The following table summarizes the principal mortgage debt repayments (excluding capital lease obligations) on Calloway's portfolio of income producing properties (assuming debt is not renewed on maturity) as at December 31, 2006:

<b>Term Facilities</b>	<b>Payments of Principal (\$)</b>	<b>Debt Maturing During Year (\$)</b>	<b>Total (\$)</b>	<b>% of Total</b>	<b>Weighted Average Interest Rate</b>
2007	33,048,950	1,336,576	34,385,526	1.8%	6.17%
2008	34,835,161	-	34,835,161	1.8%	6.17%
2009	36,351,865	34,682,328	71,034,193	3.7%	5.91%
2010	37,862,384	24,070,477	61,932,861	3.2%	6.26%
2011	39,096,631	60,054,620	99,151,251	5.1%	6.52%
2012	38,690,158	33,827,700	72,517,858	3.8%	6.34%
2013	36,570,877	115,112,053	151,682,930	7.8%	6.44%
2014	35,553,811	80,521,950	116,075,761	6.0%	5.98%
2015	35,086,807	83,780,272	118,867,079	6.2%	6.06%
2016	34,661,826	76,654,730	111,316,556	5.8%	5.74%
2017	33,319,330	95,505,677	128,825,007	6.7%	5.80%
2018	23,704,102	87,986,825	111,690,927	5.8%	6.17%
2019	19,560,383	68,553,532	88,113,915	4.6%	5.90%
2020	14,372,751	72,999,681	87,372,431	4.5%	5.39%
2021	10,849,277	21,894,130	32,743,407	1.7%	5.40%
2022	10,250,345	13,475,272	23,725,617	1.2%	5.78%
Thereafter	14,317,756	53,947,280	68,265,036	3.5%	5.62%
<b>Development and Revolving Operating Facilities</b>	-	62,587,609	62,587,609	3.2%	2.46%
<b>Debentures</b>					
2010 (4.51% Debentures)	-	200,000,000	200,000,000	10.3%	4.51%
2014 (Convertible Debentures)	-	7,288,128	7,288,128	0.4%	6.01%
2016 (5.37% Debentures)	-	250,000,000	250,000,000	12.9%	5.37%
<b>Total</b>	<b>488,132,412</b>	<b>1,444,278,840</b>	<b>1,932,411,251</b>	<b>100.0%</b>	<b>5.66%</b>
<b>Mark-to-market adjustment</b>			<b>30,958,490</b>		
			<b>1,963,369,741</b>		
Debt (excluding Convertible Debentures) as a percentage of Gross Book Value					<b>51.9%</b>
Debt (including Convertible Debentures) as a percentage of Gross Book Value					<b>52.1%</b>
Weighted average interest rate (excluding adjustment for mark-to-market amortization of assumed term debt on acquisition development loans and Convertible Debentures)					<b>5.77%</b>
Weighted average interest rate (including adjustment for mark-to-market amortization of assumed term debt on acquisition, and excluding development loans and Convertible Debentures)					<b>5.68%</b>

### Note:

An income property was acquired under the terms of a 35 year lease. A single payment of \$39.0 million was made on October 31, 2003 and a payment of \$10.0 million is due at the end of the lease to exercise a purchase option. The net present value of the

purchase option payment (representing a capital lease obligation) is \$544,000 at an inherent interest rate of 9.18%, as at December 31, 2006.

### ASSETS OF CALLOWAY

A description of each of the properties in the Property Portfolio is set out below:

#### British Columbia

##### *Airtech Centre, 6020 Russ Baker Way, Richmond, British Columbia*

Airtech Centre is a 111,484 square foot office/warehouse building situated near Vancouver International Airport in Richmond, British Columbia. Calloway has acquired a crown lease for this property, which expires on December 31, 2011 and contains a 10 year renewal option. The property is leased to several prominent tenants. The centre is anchored by MTU Maintenance, which occupies 55,137 square feet. Other tenants include Amre Supply Co., William L. Rutherford Ltd., Banker's Dispatch, Standard Aero Ltd., Remax West Coast, and McDonald's.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
MTU Maintenance	55,137	49.46%	41.31%
Amre Supply Co.	10,958	9.83%	7.91%
William L. Rutherford Ltd.	10,823	9.71%	12.18%
Banker's Dispatch	9,396	8.43%	12.81%

##### *Bakerview Power Centre, 1425 Sumas Way, Abbotsford, British Columbia*

Bakerview Power Centre is a 91,171 square foot shopping centre that is situated on Sumas Way and Barron's Way in Abbotsford, British Columbia. A 43,088 square foot Sears Canada and a 31,930 square foot Home Outfitters anchor the site. Other tenants include Serta Sit N Sleep, Citifinancial and EB Games. An additional 7,500 square feet of development potential remain on the site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Sears Canada	43,088	47.26%	40.71%
Home Outfitters	31,930	35.02%	38.47%

##### *Courtenay SmartCentre, 3199 Cliffe Avenue, Courtenay, British Columbia*

Courtenay SmartCentre is a 232,728 square foot shopping centre that is situated on 23.47 acres at the northwest corner of Anfield Road and Cliffe Avenue in Courtenay, British Columbia. A 106,642 square foot Wal-Mart anchors the centre. Other national tenants include Winners, Staples, Future Shop, Petland, Sport Mart, Mark's Work Wearhouse, Reitmans, Sleep Country, and Penningtons. An additional 10,436 square feet of future development potential remain on undeveloped lands. The site can accommodate a 30,000 square foot expansion of the Wal-Mart store.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	106,642	45.82%	36.73%
Winners	27,441	11.79%	10.37%

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Staples	22,956	9.86%	9.92%
Future Shop	20,063	8.62%	9.82%

*Cranbrook SmartCentre, 2100 Willowbrook Drive, Cranbrook, British Columbia*

Cranbrook SmartCentre is a 135,540 square foot shopping centre that is situated on 15.85 acres at the southeast quadrant of 22<sup>nd</sup> Street North and Theatre Road in Cranbrook, British Columbia. The centre is anchored by a 107,158 square foot Wal-Mart. Shadow anchors include a 142,877 square foot Real Canadian Superstore (Loblaws) and a 42,679 square foot Home Hardware. Other national tenants include Tim Hortons, EB Games, Penningtons, Mark's Work Warehouse, and Payless Shoesource. An additional 6,126 square feet of future development potential remain on undeveloped lands. The site can accommodate a 40,000 square foot expansion of the Wal-Mart store.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	107,158	79.06%	61.46%
Mark's Work Warehouse	8,004	5.91%	10.65%

*Dawson Creek SmartCentre, Dawson Creek, British Columbia*

Dawson Creek SmartCentre is a development property that is situated on approximately 5.78 acres at the intersection of Highway 2 and 8<sup>th</sup> Street in Dawson Creek, British Columbia. A Wal-Mart is currently operating on lands adjacent to the centre. The site has been zoned for commercial uses and has 63,000 square feet of developable area.

*Kamloops SmartCentre, 1055 Hillside Drive, Kamloops, British Columbia*

Kamloops SmartCentre is a 217,252 square foot shopping centre that is situated on 20.54 acres at the southeast corner of McGill Road and Notre Dame Drive in Kamloops, British Columbia. A 128,609 square foot Wal-Mart anchors the centre. Other national tenants include Michaels, Pier 1 Imports, Reitmans, Sleep Country, and Montana's.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	128,609	59.20%	47.11%
Michaels	20,655	9.51%	10.05%
Lordco Auto Parts	20,383	9.38%	8.85%

*Langley SmartCentre, 20202 66<sup>th</sup> Avenue, Langley, British Columbia*

Langley SmartCentre is a 327,177 square foot shopping centre that is situated on 27.81 acres at the southwest corner of 66<sup>th</sup> Avenue and 203<sup>rd</sup> Street in Langley, British Columbia. The centre is anchored by a 129,311 square foot Wal-Mart, a 40,145 square foot Home Outfitters, a 37,595 square foot London Drugs, and a 30,535 square foot Best Buy. Other national tenants include Moores, Everything for a Dollar, Payless Shoesource, Reitmans, and Subway. The centre has an additional 2,870 square feet of future development potential remaining. The site can accommodate a 30,000 square foot expansion of the Wal-Mart store. Shadow anchors include a 130,000 square foot Home Depot and a 42,161 square foot Save on Foods store.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	129,311	39.52%	25.53%
Home Outfitters	40,145	12.27%	11.91%
London Drugs	37,595	11.49%	13.70%
Best Buy	30,535	9.33%	9.06%

*New Westminster SmartCentre, 800 Boyd Street, New Westminster, British Columbia*

New Westminster SmartCentre is a 316,793 square foot shopping centre that is situated on 35.06 acres at the intersection of Boyd Street and Queensborough Bridge in New Westminster, British Columbia. A 131,770 square foot Wal-Mart anchors the centre. Other national tenants include Home Outfitters, Best Buy, Payless Shoesource, Moores, and Petcetera. An additional 100,160 square feet of development potential remain on the site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	131,770	41.59%	25.06%
Home Outfitters	28,292	8.93%	8.59%
Best Buy	26,106	8.24%	7.57%

*Penticton Power Centre, 2210 Main Street, Penticton, British Columbia*

Penticton Power Centre is a 201,948 square foot shopping centre that is situated on Main Street and Dawson Avenue in Penticton, British Columbia. A 110,795 square foot Zellers anchors the centre. Other national tenants include Winners, Staples, Petcetera, Sleep Country, and TD Canada Trust.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Zellers	110,795	54.86%	43.84%
Staples	26,011	12.88%	13.95%
Winners	25,910	12.83%	14.82%

*Prince George SmartCentre, 6565 Southridge Avenue, Prince George, British Columbia*

Prince George SmartCentre is a 187,045 square foot shopping centre that is situated on 31.42 acres at the intersection of Yellowhead Highway 16 West and Domano Boulevard in Prince George, British Columbia. A 133,020 square foot Wal-Mart anchors the centre. Shadow anchors include a 96,076 square foot Canadian Tire and a 108,171 square foot Home Depot. Other national tenants include Mark's Work Wearhouse, EB Games, Tim Hortons and Reitmans. An additional 117,405 square feet of development potential remain and a 65,000 square foot expansion of the Wal-Mart store can be accommodated on the site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	133,020	71.12%	54.70%

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Mark's Work Wearhouse	12,650	6.76%	10.01%

*Quesnel SmartCentre, Quesnel, British Columbia*

Quesnel SmartCentre is a development property that is situated on approximately 8.29 acres at Cariboo Highway and Maple Drive in Quesnel, British Columbia. The site has been zoned for commercial uses and has 89,810 square feet of developable area. A Wal-Mart is currently in operation on lands immediately adjacent to the site.

*Vernon SmartCentre, 2200 58<sup>th</sup> Avenue, Vernon, British Columbia*

Vernon SmartCentre is a 204,259 square foot shopping centre that is situated on 24.14 acres on the southeast quadrant of Highway 97 and 27<sup>th</sup> Street in Vernon, British Columbia. A 107,655 square foot Wal-Mart anchors the centre. Other tenants include Future Shop, Value Village, Mark's Work Wearhouse, Reitmans, Sleep Country, and Tim Hortons. The centre has an additional 20,400 square feet of development potential remaining on undeveloped lands. The site can accommodate a 40,000 square foot expansion of the Wal-Mart store. Rona shadow anchors the centre, occupying a 50,300 square foot store adjacent to the site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	107,655	52.71%	42.38%
Future Shop	19,906	9.75%	12.13%
Value Village	18,855	9.23%	10.23%

**Alberta**

*Calgary Southeast SmartCentre, 4705 130<sup>th</sup> Avenue SE, Calgary, Alberta*

Calgary Southeast SmartCentre is a 215,301 square foot shopping centre that is situated on 19.94 acres at the intersection of Deerfoot Trail and 130<sup>th</sup> Avenue Southeast in Calgary, Alberta. A 130,032 square foot Wal-Mart store and a 39,047 square foot London Drugs anchor the centre. Other national tenants include EB Games, Mark's Work Wearhouse, Penningtons, Reitmans, and Payless Shoesource. An additional 3,819 square feet of development potential remain and the site can accommodate a 30,000 square foot expansion of the Wal-Mart store.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	130,032	60.40%	38.64%
London Drugs	39,047	18.14%	24.56%
Mark's Work Wearhouse	12,614	5.86%	8.90%

*Calgary Sunridge Towne Centre, 3319 26<sup>th</sup> Avenue NE, Calgary, Alberta*

Calgary Sunridge Towne Centre is a 51,060 square foot shopping centre that is situated on 26<sup>th</sup> Avenue and 32<sup>nd</sup> Street in Calgary, Alberta. National tenants include a 34,960 square foot Future Shop and a 16,100 square foot Petland. The centre is adjacent to Sunridge Mall, Calgary's largest shopping centre in northeast Calgary, with over 160 stores including Sport Chek, The Bay and Zellers.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Future Shop	34,960	68.47%	63.23%
Petland	16,100	31.53%	36.77%

*Crowchild Corner, 2439 54<sup>th</sup> Avenue SW, Calgary, Alberta*

Crowchild Corner is a 23,377 square foot shopping centre that is situated on Crowchild Trail in southwest Calgary, Alberta. This thoroughfare enjoys one of the city's highest traffic counts of 73,000 vehicles per day. The property consists of a single story "L" shaped building with 119 parking stalls and a good tenant mix including KFC, Mac's Convenience Store and Re/Max House of Real Estate.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Remax	8,175	34.97%	33.01%
Respiratory Homecare Solutions Inc.	2,495	10.67%	10.79%

*Edmonton Northeast SmartCentre, 13703 40<sup>th</sup> Street NW, Edmonton, Alberta*

Edmonton Northeast SmartCentre is a 227,059 square foot shopping centre that is situated on 23.35 acres at 137<sup>th</sup> Avenue and 40<sup>th</sup> Street Northwest in Edmonton, Alberta. A 130,718 square foot Wal-Mart store anchors the centre. Other national tenants include Michaels, Reitmans, Penningtons, Mark's Work Wearhouse, Payless Shoesource, and Blockbuster. An additional 15,616 square feet of development potential remain on the site. A 50,000 square foot expansion of the Wal-Mart store can be accommodated on the site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	130,718	57.57%	38.67%
Michaels	23,927	10.54%	12.32%
Mark's Work Wearhouse	12,500	5.51%	7.37%

*Namao Centre, 16504 95<sup>th</sup> Street NW, Edmonton, Alberta*

Namao Centre is a 33,581 square foot shopping centre that is situated on 167<sup>th</sup> Avenue and 95<sup>th</sup> Street Northwest in Edmonton, Alberta. National tenants include Shoppers Drug Mart, Blockbuster Video and Quiznos. Shadow anchors include an IGA and a Rona.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Shoppers Drug Mart	10,861	32.34%	28.05%
Blockbuster	5,038	15.00%	14.54%

*Lethbridge SmartCentre, 3700 Mayor Magrath Drive S, Lethbridge, Alberta*

Lethbridge SmartCentre is a 216,094 square foot shopping centre that is situated on 28.35 acres at the northwest corner of 28<sup>th</sup> Street South and Highway 5 in Lethbridge, Alberta. The centre is anchored by a 128,477 square foot Wal-Mart store and shadow-anchored by 95,000 square foot Home Depot. Other national tenants include Mark's Work Wearhouse, Sleep Country, Payless Shoesource, Reitmans, and Moores. An additional 41,900 square feet of future development potential remain on undeveloped lands. The site can accommodate a 70,000 square foot expansion of the Wal-Mart store.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	128,477	59.45%	40.71%
Linens n' Things	25,151	11.64%	13.68%
Mark's Work Wearhouse	12,813	5.93%	7.36%

*Lloyd Mall, 5211 44<sup>th</sup> Street, Lloydminster, Alberta*

Lloyd Mall is a 204,187 square foot enclosed shopping mall that is situated on 44<sup>th</sup> Street and 52<sup>nd</sup> Avenue in Lloydminster, Alberta. The mall is anchored by a 67,341 square foot Zellers, a 40,536 square foot Sears and a 31,791 square foot Canada Safeway. Other national tenants include Shoppers Drug Mart, Sport Chek and Peoples Jewellers.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Zellers	67,341	32.98%	12.39%
Sears Canada	40,536	19.85%	5.80%
Safeway	31,791	15.57%	2.87%

*Spruce Grove SmartCentre, 96 Campsite Road, Spruce Grove, Alberta*

Spruce Grove SmartCentre is a 61,879 square foot shopping centre that is situated at the southeast corner of Campsite Road and Highway 16 (Trans Canada Highway) in Spruce Grove, Alberta. National tenants include Mark's Work Wearhouse, Payless Shoesource, Dollar Giant, and East Side Mario's. An additional 1,559 square feet of future development potential remain. The centre is shadow-anchored by a 106,313 square foot Wal-Mart.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Mark's Work Wearhouse	11,153	18.02%	15.87%
Dollar Giant	9,633	15.57%	14.21%

*St. Albert SmartCentre, 700 St. Albert Road, St. Albert, Alberta*

St. Albert SmartCentre is a 174,052 square foot shopping centre that is situated on 21.28 acres at the northwest corner of St. Albert Road and Villeneuve Road in St. Albert, Alberta. The centre is surrounded by residential subdivisions to the south and to the west. It is anchored by a 128,159 square foot Wal-Mart. Other national tenants include Mark's Work Wearhouse, Tim Hortons, First Choice Haircutters, EB Games, Quiznos, and Extreme Pita. An additional 28,315 square feet of future development potential remain on undeveloped lands. The site can accommodate a 30,000 square foot



expansion of the Wal-Mart store. Shadow anchors include a 48,664 square foot Save on Foods store and a 43,073 square foot Totem Building Supplies.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	128,159	73.63%	50.39%
Mark's Work Wearhouse	14,200	8.16%	12.97%

### Saskatchewan

*Regina East SmartCentre, 2150 Prince of Wales Drive, Regina, Saskatchewan*

Regina East SmartCentre is a 370,735 square foot shopping centre that is situated on 31.33 acres at the intersection of Quance Street and Prince of Wales Drive in Regina, Saskatchewan. A 129,094 square foot Wal-Mart store, a 53,864 square foot Winners, a 39,831 square foot London Drugs, and a 33,171 square foot Home Outfitters anchor the centre. Other national tenants include Penningtons, Reitmans, Pier 1 Imports, and East Side Mario's. An additional 4,058 square feet of development potential remain on the site. The centre can accommodate a 30,000 square foot expansion of the Wal-Mart store. Shadow anchors include a 130,000 square foot Real Canadian Superstore as well as an 88,681 square foot Rona Home and Garden.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	129,094	34.82%	20.01%
Winners	53,864	14.53%	15.24%
London Drugs	39,831	10.74%	13.77%
Home Outfitters	33,171	8.95%	10.42%
Best Buy	25,668	6.92%	8.07%
Michaels	23,597	6.36%	6.92%

*Regina North SmartCentre, 3939 Rochdale Boulevard, Regina, Saskatchewan*

Regina North SmartCentre is a 221,894 square foot shopping centre that is situated on 23.21 acres at the southeast corner of Rochdale Boulevard and Pasqua Road in Regina, Saskatchewan. The centre is anchored by a 127,862 square foot Wal-Mart and a 42,636 square foot IGA. An additional 12,000 square feet of future development potential remain on undeveloped lands. Other national tenants include Mark's Work Wearhouse, Reitmans, EB Games, and TD Canada Trust. The site can accommodate a 30,000 square foot expansion of the Wal-Mart store.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	127,862	57.62%	34.25%
IGA	42,636	19.21%	25.83%
Mark's Work Wearhouse	12,522	5.64%	9.61%

## Manitoba

### *Winnipeg Central SmartCentre, 1001 Empress Street, Winnipeg, Manitoba*

Winnipeg Central SmartCentre is a 56,966 square foot shopping centre that is situated on 14.01 acres at the intersection of Empress Street and Ellice Avenue in Winnipeg, Manitoba. National tenants include Golf Town, Petcetera, Bulk Barn, EB Games, Magicuts, and CIBC. The site is shadow-anchored by a 124,410 square foot Wal-Mart store on lands adjacent to the site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Golf Town	17,035	29.90%	25.19%
CIBC	16,869	29.61%	40.65%
Petcetera	11,130	19.54%	19.81%

### *Winnipeg Southwest SmartCentre, 1665 Kenaston Boulevard, Winnipeg, Manitoba*

Winnipeg Southwest SmartCentre is a 480,576 square foot shopping centre that is situated on 49.91 acres at the intersection of Kenaston Boulevard and McGillvray Boulevard in Winnipeg, Manitoba. A 129,298 square foot Wal-Mart store, an 83,845 square foot Safeway, and a 39,429 square foot Home Outfitters anchor the centre along with a 95,000 square foot Home Depot that shadow-anchors the centre. Other national tenants include Winners, Danier, Roots, Payless Shoesource, and Reitmans. An additional 10,428 square feet of development potential remain and a 65,000 square foot expansion of the Wal-Mart store can be accommodated on the site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	129,298	26.90%	14.95%
Safeway	83,845	17.45%	10.77%
Home Outfitters	39,429	8.20%	8.31%
HomeSense	25,997	5.41%	5.48%

### *Winnipeg West SmartCentre, 3655 Portage Avenue, Winnipeg, Manitoba*

Winnipeg West SmartCentre is a 286,534 square foot shopping centre that is situated on 33.37 acres on the northeast corner of Portage Avenue and Knox Boulevard in Winnipeg, Manitoba. The centre is anchored by a 128,104 square foot Wal-Mart and a 43,042 square foot IGA. Other national tenants include Winners, Mark's Work Wearhouse, Shoppers Drug Mart, Reitmans, EB Games, and First Choice Haircutters. An additional 59,599 square feet of future development potential remain on undeveloped lands. A 75,240 square foot Canadian Tire shadow-anchors the centre.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	128,104	44.71%	31.09%
IGA	43,042	15.02%	18.51%
Winners	27,927	9.75%	8.96%

**Ontario***Ancaster SmartCentre, 1051 Garner Road W, Ancaster, Ontario*

Ancaster SmartCentre is a 186,124 square foot shopping centre that is situated on 31.3 acres at the northwest corner of Highway 53 and Shaver Road in the City of Hamilton, Ontario. The centre is anchored by a 163,794 square foot Wal-Mart Supercentre and shadow-anchored by a 50,000 square foot Canadian Tire. Other national tenants include Telus Mobility, Pet Valu, Everything for a Dollar, and Payless Shoesource. An additional 62,975 square feet remain to be developed. The site can accommodate an expansion of the Canadian Tire stores by approximately 22,000 square feet.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	163,794	88.00%	70.42%

*Aurora SmartCentre, 14760 Yonge Street, Aurora, Ontario*

Aurora SmartCentre is a 50,463 square foot shopping centre that is situated at the southwest corner of Yonge Street and Murray Drive in Aurora, Ontario. National tenants include Winners, Bank of Nova Scotia, Second Cup, Mr. Submarine, and Blockbuster Video. A 63,500 square foot Canadian Tire shadow-anchors the centre.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Winners	27,492	54.48%	40.47%

*Barrie North SmartCentre, 450 Bayfield Street, Barrie, Ontario*

Barrie North SmartCentre is a 201,612 square foot shopping centre that is situated on 19.86 acres at the northwest corner of Livingstone Street West and Bayfield Street North in Barrie, Ontario. The centre is anchored by a 128,548 square foot Wal-Mart store and shadow-anchored by an 81,373 square foot Zehrs. Other national tenants include Reitmans, Old Navy, Payless Shoesource, Kelsey's, First Choice Haircutters, Bonnie Togs, and McDonald's. The site can accommodate a 30,000 square foot expansion of the Wal-Mart store.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	128,548	63.76%	37.68%
Old Navy	22,030	10.93%	15.36%
Bonnie Togs	10,017	4.97%	8.46%

*Barrie South SmartCentre, 35 Molson Park Drive, Barrie, Ontario*

Barrie South SmartCentre is a 369,608 square foot shopping centre that is situated on 32.77 acres at Highway 400 and Molson Park Drive in Barrie, Ontario. A 126,165 square foot Wal-Mart and a 58,562 square foot Sobeys anchor the centre. Other national tenants include Winners, Michaels, Petsmart, and Mark's Work Wearhouse. A 30,000 square foot expansion of the Wal-Mart store can be accommodated.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	126,165	34.13%	21.58%
Sobeys	58,562	15.84%	16.36%
Winners	31,516	8.53%	7.79%
Michaels	20,053	5.43%	6.03%

*Bolton SmartCentre, 150 McEwan Drive E, Bolton, Ontario*

Bolton SmartCentre is a 183,146 square foot shopping centre that is situated on 18.87 acres at Highway 50 (Queen Street) and McEwan Drive East in Bolton, Ontario. A 109,639 square foot Wal-Mart store anchors Bolton SmartCentre. Other national tenants include Mark's Work Warehouse, Reitmans, Kelsey's, and Swiss Chalet. The site can accommodate a 50,000 square foot expansion of the Wal-Mart store. A 160,000 square foot Real Canadian Superstore store will shadow-anchor the centre.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	109,639	59.86%	42.70%
LCBO	8,542	4.66%	6.55%

*Bramport SmartCentre, Brampton, Ontario*

Bramport SmartCentre is a development property that is situated on approximately 5.78 acres at the intersection of Bovaird Drive and Airport Road in Brampton, Ontario. Anchored by The Real Canadian Superstore, Bramport SmartCentre will also offer customers a selection of national and local retail and services including Rogers Video, Bank of Montreal, Dollarama, LCBO, Bulk Barn, KFC/Taco Bell and Swiss Chalet/ Harvey's. The site has been zoned for commercial uses and has 280,235 square feet of developable area.

*Brampton East SmartCentre (I), 2870 Queen Street E, Brampton, Ontario*

Brampton East SmartCentre (I) is a 35,777 square foot shopping centre that is situated at the northwest corner of Highway 7 and Airport Road in Brampton, Ontario. National tenants include The Source by Circuit City, Telus Mobility, EB Games, and Kelsey's. A 127,065 square foot Rona Home Improvement and a 91,267 square foot Canadian Tire store on lands adjacent to the site shadow-anchor the shopping centre.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
The Beer Store	5,693	15.91%	14.84%
Kelsey's	5,407	15.11%	16.51%

*Brampton East SmartCentre (II), 30 Coventry Road, Brampton, Ontario*

Brampton East SmartCentre (II) is a 220,314 square foot shopping centre that is situated on 32.74 acres at the intersection of Queen Street (Highway 7) and Airport Road in Brampton, Ontario. A 130,702 square foot Wal-Mart store anchors the centre. Other national tenants include Winners, Staples, Mark's Work Warehouse, Sleep Country, and Payless Shoesource. An additional 69,500 square feet of development potential remain on the site. The centre can accommodate a 65,000 square foot expansion of the Wal-Mart store.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	130,702	59.33%	44.07%
Winners	28,500	12.94%	12.10%
Staples	27,469	12.47%	13.12%

*Brampton North SmartCentre, 55 Mountainash Road, Brampton, Ontario*

Brampton North SmartCentre is a 41,366 square foot shopping centre that is situated at the northeast corner of Bovaird Road and Mountainash Road in Brampton, Ontario. The centre is shadow-anchored by a 62,496 square foot Fortinos. The centre currently includes national tenants such as Shoppers Drug Mart and Telus Mobility. An additional 12,880 square feet of development potential remain on the site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Shoppers Drug Mart	10,244	24.76%	28.39%

*Brockville SmartCentre, 2057 Parkedale Avenue W, Brockville, Ontario*

Brockville SmartCentre is a 34,398 square foot shopping centre that is situated on Parkedale Avenue West and North Augusta Road in Brockville, Ontario. The centre is shadow-anchored by a 131,621 square foot Wal-Mart, a 105,000 square foot Real Canadian Superstore and an 85,430 square foot Home Depot. National tenants include Mark's Work Warehouse, Boston Pizza, Quiznos, EB Games, First Choice Haircutters, and Payless Shoesource.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Mark's Work Warehouse	10,000	29.07%	28.49%
Sports Experts	9,950	28.93%	25.01%

*Burlington (Appleby) SmartCentre, Burlington, Ontario*

Burlington (Appleby) SmartCentre is a development property that is situated at the intersection of Appleby Line and Dundas Street in Burlington, Ontario. The site has been zoned for commercial uses and has 129,734 square feet of developable area.

*Burlington North SmartCentre, 4515 Dundas Street, Burlington, Ontario*

Burlington North SmartCentre is a 46,853 square foot shopping centre that is situated on 25.83 acres at Appleby Line and Highway 5 in Burlington, Ontario. National tenants include Reitmans, Boston Pizza, Kelsey's, Payless Shoesource, EB Games, First Choice Haircutters, and Moores. An additional 22,804 square feet of development potential remain on the site. The centre is shadow-anchored by a 129,663 square foot Wal-Mart store.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Reitmans	6,002	12.81%	10.23%
Boston Pizza	5,789	12.36%	8.02%

*Burlington Staples SmartCentre, 3050 Davidson Court, Burlington, Ontario*

Burlington Staples SmartCentre is a 114,188 square foot shopping centre that is situated on 23 acres at the corner of Guelph Line and Davidson Court, directly off the QEW interchange in Burlington, Ontario. National tenants include Future Shop, Staples, Sears, and Montana's. An additional 28,000 square feet of development potential remain on the site. A 133,060 square foot Home Depot shadow-anchors the centre.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Future Shop	30,323	26.56%	27.82%
Staples	25,519	22.35%	21.07%
Lee Valley Tools	18,263	15.99%	8.77%

*Cambridge SmartCentre (I), 22 Pinebush Road, Cambridge, Ontario*

Cambridge SmartCentre (I) is a 517,878 square foot shopping centre that is situated at the intersection of Highway 401 and Hespeler Road (Highway 24) in Cambridge, Ontario. A 105,315 square foot Wal-Mart store and a 125,077 square foot Rona anchor the site. Other national tenants include Staples, Future Shop, Old Navy, Linens n' Things, Reitmans, Mark's Work Warehouse, and Moores. An additional 148,026 square feet of development potential remain on the site. A 30,000 square foot expansion of the Wal-Mart store can be accommodated. Immediately adjacent to the site is a 39,720 square foot Canadian Tire.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Rona	125,077	24.15%	20.32%
Wal-Mart	105,315	20.34%	12.29%
Linens n' Things	35,700	6.89%	8.46%
Staples	25,645	4.95%	4.34%
Michaels	23,991	4.63%	4.55%
Future Shop	23,731	4.58%	4.66%

*Cambridge SmartCentre (II), Cambridge, Ontario*

Cambridge SmartCentre (II) is a 15,952 square foot shopping centre that is situated on 4.73 acres at the intersection of Hespeler Road and Pinebush Road (south side) in Cambridge, Ontario. Directly across Pinebush Road, on the north side, is Calloway's 517,878 square foot Cambridge SmartCentre (I). Shadow anchors include a 129,695 square foot Sam's Club and a 95,000 square foot Home Depot. National tenants include Telus Mobility, EB Games, Henry's Photography, and The Source by Circuit City. An additional 31,583 square feet of development potential remain on the site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
2001 Audio Video	4,503	28.23%	25.16%
Henry's Photography	3,601	22.57%	21.43%

*Carleton Place SmartCentre, Carleton Place, Ontario*

Carleton Place SmartCentre is a development property that is situated at the intersection of Highway 7 and McNeely Avenue in Carleton Place, Ontario. The site has been zoned for commercial uses and has 281,537 square feet of developable area.

*Chatham SmartCentre, 801 St. Clair Street, Chatham, Ontario*

Chatham SmartCentre is a 196,611 square foot shopping centre that is situated at the intersection of St. Clair Street and Pioneer Line. A 132,805 square foot Wal-Mart store anchors the site. Other national tenants include Winners, Dollarama, The Source by Circuit City, Payless Shoesource, and Bank of Montreal. An additional 39,300 square feet of development potential remain on the site. A 50,000 square foot expansion of the Wal-Mart store can be accommodated. An 89,000 square foot Zehr's shadow-anchors the site. Calloway owns a 50% interest in this property.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	132,805	67.55%	61.01%
Winners	22,000	11.19%	8.14%

*Cobourg SmartCentre, 73 Strathy Road, Cobourg, Ontario*

Cobourg SmartCentre is a 128,429 square foot shopping centre that is situated at Highway 2 and Strathy Road in Cobourg, Ontario. A 110,520 square foot Wal-Mart store anchors the site. Other national tenants include Swiss Chalet, East Side Mario's, Everything for a Dollar, and EB Games. The site can accommodate a 50,000 square foot expansion of the Wal-Mart store. An 80,000 square foot Loblaws is expected to be built on lands adjacent to the site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	110,520	86.06%	68.96%

*Dunnville SmartCentre, Dunnville, Ontario*

Dunnville SmartCentre is a development property that is situated on approximately 15.64 acres at Taylor Road between the intersection of Main Street and Forkes Road in Dunnville, Ontario. The site has 102,653 square feet of developable area. A major anchor has given its approval for the potential purchase of a parcel covering approximately 11.41 acres.

*Etobicoke (Index) SmartCentre, Etobicoke, Ontario*

Etobicoke (Index) SmartCentre is a development property that is situated at the intersection of Index Road and Queen Street in Etobicoke, Ontario. The site has 139,000 square feet of developable area.

*Etobicoke SmartCentre, 165 North Queen Street, Etobicoke, Ontario*

Etobicoke SmartCentre is a 293,735 square foot shopping centre that is situated at North Queen Street and The Queensway. A 131,730 square foot Wal-Mart and a 35,327 square foot Best Buy anchor the site. National tenants include Linens 'n Things, Sport Mart, Reitmans, Payless Shoesource, Old Navy, and Mark's Work Wearhouse. A Home Depot that is approximately 135,000 square feet operates on lands adjacent to the site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	131,730	44.85%	27.08%
Best Buy	35,327	12.03%	16.19%
Linens n' Things	32,534	11.08%	13.80%

*Fort Erie SmartCentre, Fort Erie, Ontario*

Fort Erie SmartCentre is a development property that is situated on approximately 1.68 acres at the intersection of Garrison Road and Thompson Road in Fort Erie, Ontario. The site has been zoned for commercial uses and has 35,650 square feet of developable area. Both Wal-Mart and No-Frills (Loblaws) are currently operating on lands immediately adjacent to the site. The Wal-Mart store site can accommodate 30,000 square feet of expansion.

*Hanover SmartCentre, 1100 10<sup>th</sup> Street, RR 1, Hanover, Ontario*

Hanover SmartCentre is a 19,874 square foot shopping centre that is situated at Highway 4 and Highway 28 in Hanover, Ontario. Mark's Work Wearhouse currently operates both a 5,002 square foot store and a 5,120 square foot store at the Hanover SmartCentre. A 78,738 square foot Loblaws location is scheduled for construction on lands immediately adjacent to the site in 2006 and a 78,114 Wal-Mart store is currently operating on adjacent lands. An additional 5,692 square feet of development potential remain on the site. A 30,000 square foot expansion of the Wal-Mart store can be accommodated.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Mark's Work Wearhouse	10,122	50.93%	50.32%

*Huntsville SmartCentre, 111 Howland Drive, Huntsville, Ontario*

Huntsville SmartCentre is a 111,008 square foot shopping centre that is situated at the intersection of Highway 11 and Highway 60. An 84,861 square foot Wal-Mart store anchors the site. Other national tenants include East Side Mario's, Kelsey's, Bulk Barn, and Mark's Work Wearhouse. An additional 17,860 square feet of development potential remain on the site. Adjacent to the site is a 68,837 square foot Your Independent Grocer (a Loblaws-owned grocery chain).

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	84,861	76.45%	59.52%
Mark's Work Wearhouse	8,035	7.24%	10.60%



*Kapuskasing SmartCentre, 350 Government Road, Kapuskasing, Ontario*

Kapuskasing SmartCentre is a 65,592 square foot shopping centre that is situated at Highway 11 and Caron Street in Kapuskasing, Ontario. A 61,087 square foot Wal-Mart anchors the site. An additional 54,405 square feet of future development potential remain on undeveloped lands. The site can accommodate a 20,000 square foot expansion of the Wal-Mart store.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	61,087	93.13%	87.79%

*Kenora Wal-Mart Centre, 1305 Miikana Way, Kenora, Ontario*

Kenora Wal-Mart Centre is an 80,881 square foot centre that is situated on Miikana Way and Highway 17 in Kenora, Ontario. An 80,881 square foot Wal-Mart anchors the centre. The site can accommodate a 30,000 square foot Wal-Mart expansion. A 58,496 square foot Canadian Tire operates on lands adjacent to the site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	80,881	100.00%	100.00%

*Laurentian Power Centre, 245 Strasburg Road, Kitchener, Ontario*

Laurentian Power Centre is an 185,993 square foot centre that is situated on Strasburg Road and Ottawa Street in Kitchener, Ontario. A 116,770 square foot Zellers and a 34,023 square foot Home Outfitters anchor the centre. Other national tenants include Staples, CIBC and EB Games. Shadow anchors include a 105,978 square foot Rona and a 115,000 square foot Zehrs located on adjoining lands.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Zellers	116,770	62.78%	47.11%
Home Outfitters	34,023	18.29%	22.43%
Staples	25,727	13.83%	18.29%

*London East Argyle Mall, 1925 Dundas Street, London, Ontario*

London East Argyle Mall is a 354,767 square foot shopping centre that is situated on the southeast corner of Clarke Road and Dundas Street in London, Ontario. Formerly an enclosed shopping centre, the centre has been partially converted into new format retail space anchored by a 128,638 square foot Wal-Mart store and a 33,463 square foot No Frills (Loblaws). Other national tenants include Staples, Sport Chek, Winners, Bouclair, Moores, and Mark's Work Warehouse. An additional 79,735 square feet of future development potential remain. London East Argyle Mall is the dominant shopping centre in southeast London.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	128,638	36.26%	25.24%
No Frills	33,463	9.43%	9.12%
Winners	28,639	8.07%	7.01%
Staples	26,810	7.56%	8.30%

*London North SmartCentre, 1280 Fanshawe Park Road W, London, Ontario*

London North SmartCentre is a 286,556 square foot shopping centre that is situated at the intersection of Hyde Park Road and Fanshawe Park Road in London, Ontario. A 130,589 square foot Wal-Mart anchors the centre. Other national tenants include Winners, Linen n' Things, Reitmans, Old Navy, Petcetera, and Golf Town. An additional 170,554 square feet of development potential remain on the site. The site can accommodate a 65,000 square foot expansion of the Wal-Mart store. Calloway owns a 50% interest in this property.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	130,589	45.57%	25.53%
Winners	30,009	10.47%	11.07%
Linens n' Things	27,992	9.77%	13.00%

*London Northwest SmartCentre(I), London, Ontario*

London Northwest SmartCentre (I) is a development property that is situated on approximately 15.60 acres at the northeast corner of Hyde Park Road and Fanshawe Park Road (north side) in London, Ontario. The site has been zoned for commercial uses and has 160,917 square feet of developable area. Early demand for space in the centre has resulted in executed deals having already been put in place with such national tenants as Kelsey's, East Side Mario's and Montana's. This property is located across from the London North SmartCentre which is 50% owned by Calloway. A Sam's Club is currently operating on lands immediately adjacent to the site.

*London Northwest SmartCentre(II), London, Ontario*

London Northwest SmartCentre (II) is a development property that is situated at the northwest corner of Hyde Park Road and Fanshawe Park Road in London, Ontario. The site has been zoned for commercial uses and has 181,219 square feet of developable area. This property is located across from the London Northwest SmartCentre (I) development property.

*Markham Woodside SmartCentre (I), 3155 Highway 7 E, Markham, Ontario*

Markham Woodside SmartCentre (I) is a 325,611 square foot shopping centre that is situated at the intersection of Woodbine Avenue and Highway 7 East in Markham, Ontario. A 130,393 square foot Home Depot anchors the centre. Other national tenants include Petsmart, Winners, Chapters, Michaels, and Staples. Calloway owns a 50% interest in this property.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Home Depot	130,393	40.05%	34.85%
Winners	30,376	9.33%	8.50%

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Staples	27,675	8.50%	10.17%
Chapters	26,366	8.10%	7.93%
Petsmart	22,452	6.90%	8.13%
Michaels	20,064	6.16%	5.70%

*Markham Woodside SmartCentre (II), 3075 Highway 7 E, Markham, Ontario*

Markham Woodside SmartCentre (II) is a 13,500 square foot shopping centre that is situated at the intersection of Woodbine Avenue and Highway 7 East in Markham, Ontario. The centre is adjacent to Markham Woodside SmartCentre (I). An LCBO store is currently operating on the site and an additional 20,000 square feet of development potential remain. A 38,000 square foot Longo's location is operating on lands immediately adjacent to the site. Calloway owns a 50% interest in this property.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
LCBO	13,500	100.00%	100.00%

*Midland SmartCentre, 16845 Highway 12, Midland, Ontario*

Midland SmartCentre is a 22,584 square foot shopping centre that is situated on approximately 12.70 acres at Highway 12 and King Street in Midland, Ontario. The Midland Wal-Mart site currently houses a Boston Pizza. An additional 21,194 square feet of development potential remain on the site. The property is shadow-anchored by a 108,528 square foot Wal-Mart.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Mark's Work Wearhouse	10,008	44.31%	52.55%
Boston Pizza	5,789	25.63%	15.44%

*Milton Wal-Mart Centre, 1280 Steeles Avenue East, Milton, Ontario*

Milton Wal-Mart Centre is a 128,928 square foot shopping centre that is situated at the intersection of Highway 401 & James Snow Parkway in Milton, Ontario. A 14,997 square foot Staples store anchors the site. Other national tenants include Absolute Dollar, Mark's Work Wearhouse, Bouclair, La Senza, and Royal Bank of Canada. An additional 105,750 square feet of development potential remain on the site. Calloway owns a 50% interest in this property.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Staples	14,997	11.63%	7.03%
Absolute Dollar	11,437	8.87%	7.57%
Mark's Work Wearhouse	10,100	7.83%	7.64%

*Mississauga (Erin Mills) SmartCentre, 2150 Burnamthorpe Road W, Mississauga, Ontario*

Mississauga (Erin Mills) SmartCentre is a 276,665 square foot development (including enclosed mall area) that is situated on approximately 23.95 acres at Burnamthorpe Road and Erin Mills Parkway in Mississauga, Ontario. A 129,186 square foot Wal-Mart store and a 42,787 square foot No Frills (Loblaws) anchor the site. Other national tenants include Shoppers Drug Mart, Bank of Montreal, TD Canada Trust, Rogers Wireless, and EB Games. The centre contains an enclosed mall area that is occupied by national tenants such as Carlton Cards and Pet Valu. An additional 13,974 square feet of development potential remain on the site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	129,186	46.69%	38.99%
No Frills	42,787	15.47%	13.15%
Goodlife Fitness	23,440	8.47%	5.56%

*Westgate SmartCentre, 3155 Argentia Road, Mississauga, Ontario*

Westgate Shopping Centre is a 451,468 square foot shopping centre that is situated on Winston Churchill Boulevard and Highway 401 in Mississauga, Ontario. A 129,376 square foot Wal-Mart, 125,040 square foot Rona and a 40,293 square foot Home Outfitters anchor the site. A 115,000 square foot Real Canadian Superstore shadow-anchors the site. Other national tenants include Staples, Winners, Sport Mart, Pier 1 Imports, Mark's Work Wearhouse, Michaels, and a Super Pet. An additional 227,809 square feet of development potential remain on the site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	129,376	28.66%	16.86%
Rona	125,040	27.70%	26.42%
Home Outfitters	40,293	8.92%	10.03%
Winners	30,068	6.66%	5.67%
Staples	24,636	5.46%	5.95%

*Napanee SmartCentre, 89 Jim Kimmitt Boulevard, Napanee, Ontario*

Napanee SmartCentre is a 109,383 square foot shopping centre that is situated on 22.30 acres at the intersection of Jim Kimmitt Boulevard and Mcpherson Drive in Napanee, Ontario. The centre is anchored by an 88,649 square foot Wal-Mart store. An additional 63,600 square feet of development potential remain on the site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	88,649	81.04%	75.98%
Dollarama	8,365	7.65%	7.74%

*Oshawa North SmartCentre, 1471 Harmony Road North, Oshawa, Ontario*

Oshawa North SmartCentre is currently a 406,113 square foot shopping centre that is situated at the intersection of Taunton Road East and Harmony Road North in Oshawa, Ontario. A 127,941 square foot Wal-Mart store and a 118,331 square foot Loblaws store anchor the Oshawa North SmartCentre site. Other national tenants include Future Shop,

Michaels, Mark's Work Wearhouse, Pier 1 Imports, LCBO, and Bank of Nova Scotia. The site can accommodate a 30,000 square foot expansion of the Wal-Mart store. An additional 151,667 square feet of development potential remain on the site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	127,941	31.50%	18.63%
Loblaws	118,331	29.14%	27.62%
Future Shop	25,731	6.34%	7.03%
Michaels	24,124	5.94%	6.37%

*Ottawa South SmartCentre, 2210 Bank Street, Ottawa, Ontario*

Ottawa South SmartCentre is currently a 486,127 square foot shopping centre that is situated on approximately 56 acres at the intersection of Bank Street and Hunt Club Road in Ottawa, Ontario. A 128,987 square foot Wal-Mart store, a 77,728 square foot Loblaws store, a 38,994 square foot Cineplex Odeon, and a 35,815 square foot Future Shop anchor the Ottawa Wal-Mart site. Other national tenants include Staples, Chapters, Winners, Michaels, Moores, Reitmans, and Mark's Work Wearhouse. The site can accommodate a 30,000 square foot expansion of the Wal-Mart store. Calloway owns a 50% interest in this property.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	128,987	26.53%	18.38%
Loblaws	77,728	15.99%	13.83%
Cineplex Odeon	38,994	8.02%	10.06%
Future Shop	35,815	7.37%	6.75%
Winners	26,706	5.49%	4.86%
Staples	26,270	5.40%	5.46%

*Owen Sound SmartCentre, 1555 18<sup>th</sup> Avenue E, Owen Sound, Ontario*

Owen Sound SmartCentre is a 150,098 square foot shopping centre that is situated on 20.59 acres on the southeast corner of Highway 26 and 18th Avenue East in Owen Sound, Ontario. The centre is anchored by a 105,963 square foot Wal-Mart and is shadow-anchored by a 131,000 square foot Home Depot. Other national tenants include EB Games, Quiznos, Radio Shack, Dollarama, Reitmans, and Montana's. An additional 12,525 square feet of future development potential remain on undeveloped lands. The site can accommodate a 30,000 square foot expansion of the Wal-Mart store.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	105,963	70.60%	51.22%
Urban Planet	9,632	6.42%	0.00%
Dollarama	9,088	6.05%	10.45%

*Pembroke SmartCentre, 1108 Pembroke Street E, Pembroke, Ontario*

Pembroke SmartCentre is currently an 11,247 square foot shopping centre that is situated on 15.06 acres at the intersection of Highway 148 and Angus Campbell Drive in Pembroke, Ontario. Boston Pizza and Reitmans represent the national tenants currently operating on the site. The centre is shadow-anchored by a 105,042 square foot Wal-Mart and an 82,649 square foot Canadian Tire.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Boston Pizza	6,183	54.97%	41.69%
Reitmans	5,064	45.03%	58.31%

*Peterborough Home Outfitters Centre, 821-841 Rye Street, Peterborough, Ontario*

Peterborough Home Outfitters Centre is currently a 58,361 square foot shopping centre that is at the intersection of Lansdowne Street and Rye Street in Peterborough, Ontario. A 32,927 square foot Home Outfitters store anchors the site. Other national tenants include Jysk Linen 'N Furniture, Boston Pizza, and Starbucks.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Home Outfitters	32,927	56.42%	54.27%
Jysk Linen 'N Furniture	17,865	30.61%	29.95%

*Pickering SmartCentre, 1899 Brock Road, Pickering, Ontario*

Pickering SmartCentre is currently a 527,976 square foot shopping centre that is situated on 48.34 acres at Highway 401 and Brock Road in Pickering, Ontario. A 127,945 square foot Wal-Mart store, a 129,881 square foot Sam's Club, a 48,608 square foot Sobeys, and a 40,084 square foot Toys R Us anchor the site. Other national tenants include Winners, Petsmart, Reitmans, and Mark's Work Warehouse. The site can accommodate a 30,000 square foot expansion of the Wal-Mart. An 82,000 square foot Canadian Tire operates on lands immediately adjacent to the site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart o/a Sam's Club	129,881	24.60%	23.91%
Wal-Mart	127,945	24.23%	14.95%
Sobeys	48,608	9.21%	9.45%
Toys R Us	40,084	7.59%	8.05%
Winners	30,126	5.71%	6.25%

*Renfrew SmartCentre, O'Brien Road, Renfrew, Ontario*

Renfrew SmartCentre is a 9,471 square foot shopping centre that is situated on 2.01 acres at O'Brien Road and Wrangler Road in Renfrew, Ontario. National tenants include Mark's Work Warehouse, Payless Shoesource and First Choice Haircutters. An additional 9,300 square feet of development potential remain on the site. The site is shadow-anchored by an 84,996 square foot Wal-Mart and a 35,500 square foot Canadian Tire. The site can accommodate a 45,000 square foot expansion of the Wal-Mart store.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Mark's Work Wearhouse	5,997	63.32%	62.97%
Payless Shoesource	2,533	26.74%	26.60%

*Rexdale SmartCentre, 2267 Islington Avenue, Rexdale, Ontario*

Rexdale SmartCentre is a 34,865 square foot shopping centre that is situated on at Islington Avenue in Rexdale, Ontario. The site is shadow-anchored by a 126,083 square foot Wal-Mart. National tenants include Dollarama, Bank of Nova Scotia, Pet Valu, EB Games, First Choice Haircutters, and Payless Shoesource.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Dollarama	10,124	29.04%	17.14%
Bank of Nova Scotia	6,982	20.03%	24.55%

*Rockland SmartCentre, Rockland, Ontario*

Rockland SmartCentre is a development property that is situated at the intersection of Highway 17 and Poupart Road in Rockland, Ontario. The site has 176,436 square feet of developable area. A 115,886 square foot Wal-Mart store will anchor the site.

*Sarnia Price Chopper Centre, 1330 Exmouth Street, Sarnia, Ontario*

Sarnia Price Chopper Centre is a 79,743 square foot shopping centre that is situated at the intersection of Exmouth Street and Lambton Mall Road in Sarnia, Ontario. A 49,152 square foot Price Chopper (Sobeys), and a 10,051 square foot LCBO anchor the site. Other national tenants include McDonald's, Moores, Sleep Country, and Pet Valu.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Price Chopper	49,152	61.64%	54.18%
LCBO	10,051	12.60%	14.45%

*Scarborough East SmartCentre (I), 850 Milner Avenue, Scarborough, Ontario*

Scarborough East SmartCentre (I) is an 83,826 square foot shopping centre that is situated at the northeast corner of Highway 401 and Morningside Avenue in Scarborough, Ontario. National tenants include Staples, Mark's Work Wearhouse, Swiss Chalet, and Sears. Future development potential includes an additional 26,436 square feet on the residual lands. The centre is shadow-anchored by a 112,000 square foot Home Depot store.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Staples	25,722	30.68%	23.75%
Sears Canada	13,198	15.74%	13.49%

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Mark's Work Wearhouse	12,033	14.35%	13.77%

*Scarborough East SmartCentre (II), 799 Milner Ave. Scarborough, Ontario*

Scarborough East SmartCentre (II) is a 232,020 square foot shopping centre that is situated on 18.73 acres at Morningside Avenue and Highway 401 in Scarborough, Ontario. A 131,847 square foot Wal-Mart store and a 44,340 square foot Cineplex Odeon anchor the site. Other national tenants include Reitmans, Payless Shoesource, Sleep Country, Kelsey's, and Boston Pizza.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	131,847	56.83%	40.77%
Cineplex Odeon	44,340	19.11%	25.13%
LCBO	10,523	4.54%	5.25%

*St. Catharines West SmartCentre (I), 420 Vansickle Road, St. Catharines, Ontario*

St. Catharines West SmartCentre (I) is a 360,713 square foot shopping centre that is situated on 44.24 acres on the southeast corner of Fourth Avenue and Vansickle Road in St. Catharines, Ontario. The centre is anchored by a 127,791 square foot Wal-Mart as well as being shadow-anchored by a 75,240 square foot Canadian Tire and a 106,892 square foot Real Canadian Superstore. Other national tenants include Designer Depot, Home Outfitters, Sleep Country, Best Buy, Reitmans, Moores, and Payless Shoesource. The site can accommodate a 30,000 square foot expansion of the Wal-Mart store.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	127,791	35.43%	16.28%
Designer Depot	32,022	8.88%	11.39%
Home Outfitters	31,890	8.84%	11.35%
Best Buy	30,577	8.48%	10.88%

*St. Catharines West SmartCentre (II), St. Catharines, Ontario*

St. Catharines West SmartCentre (II) is a development property that is situated on approximately 11.14 acres at the intersection of Fourth Avenue (north side) and Louth Street in St. Catharines, Ontario. The site has been zoned for commercial uses and has 118,654 square feet of developable area. Directly across Fourth Avenue (on the south side) is St. Catharines West SmartCentre (I).

*St. Thomas SmartCentre, 1063 Talbot Street, St. Thomas, Ontario*

St. Thomas SmartCentre is a 166,133 square foot shopping centre that is situated on 48.46 acres at the intersection of First Avenue and Talbot Street in St. Thomas, Ontario. A 106,624 square foot Wal-Mart store anchors the site. Other national tenants include Mark's Work Wearhouse, The Source by Circuit City, EB Games, and East Side Mario's. An additional 19,433 square feet of development potential remain. The site can accommodate a 60,000 square foot expansion of the Wal-Mart store. Shadow anchors include a 117,220 square foot Real Canadian Superstore and a 72,032 square foot Canadian Tire.



<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	106,624	64.18%	49.75%
Dollar Giant	10,709	6.45%	8.91%

*401 & Weston Power Centre, 2625A Weston Road, Toronto, Ontario*

401 & Weston Power Centre is a 382,215 square foot shopping centre that is situated on Highway 401 and Weston Road in Toronto, Ontario. A 58,818 square foot Canadian Tire, a 40,001 square foot The Brick, a 37,044 square foot Home Outfitters, and a 35,763 square foot LCBO anchor the site along with a 180,000 square foot Real Canadian Superstore as a shadow anchor. Other national tenants include Staples, Future Shop, Sport Mart, CIBC, Mark's Work Warehouse, and Reitmans. Calloway owns a 44.4% interest in this property.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Canadian Tire	58,818	15.39%	11.29%
The Brick	40,001	10.47%	9.51%
Home Outfitters	37,044	9.69%	9.15%
LCBO	35,763	9.36%	10.51%
Future Shop	31,461	8.23%	8.84%
Staples	24,992	6.54%	7.87%

*British Colonial Building, 8 Wellington Street E, Toronto, Ontario*

British Colonial Building is a 17,833 square foot office retail property prominently that is situated at the intersection of Wellington Street East and Yonge Street in downtown Toronto, Ontario. The property is a heritage building, originally constructed in 1875 and most recently renovated in 1997. Tenants include Irish Embassy Pubs, Solaris Capital Advisors and Navigator Limited.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Navigator Limited	9,004	50.49%	48.10%
Irish Embassy Pubs Inc.	4,248	23.82%	31.17%

*Leaside SmartCentre, 147 Laird Drive, Toronto, Ontario*

Leaside SmartCentre is a 96,098 square foot centre that is situated on Laird Drive and Eglinton Avenue East in Toronto, Ontario. A 32,000 square foot Linens n' Things and a 30,410 square foot Best Buy anchor the centre. Other national tenants include LCBO, HVM, Starbucks, Urban Barn, and Sony. A 131,000 square foot Home Depot shadow-anchors the site. An additional 139,153 square feet of development potential remain on the site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Linens n' Things	32,000	33.30%	31.15%
Best Buy	30,410	31.64%	29.60%
LCBO	10,658	11.09%	10.37%

*Westside Mall, 2400 Eglinton Avenue W, Toronto, Ontario*

Westside Mall is a 144,377 square foot shopping centre that is situated on Eglinton Avenue West in Toronto, Ontario. A 75,000 square foot Canadian Tire and a 35,019 square foot Price Chopper anchor the site. Other national tenants include Shoppers Drug Mart, Rogers Video and CIBC.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Canadian Tire	75,000	51.95%	47.58%
Price Chopper	35,019	24.26%	18.27%
Shoppers Drug Mart	10,015	6.94%	8.20%

*400 & 7 Power Centre, 101 Northview Boulevard, Vaughan, Ontario*

400 & 7 Power Centre is a 237,949 square foot shopping centre that is situated on Highway 400 and Highway 7 in Vaughan, Ontario. A 110,620 square foot The Brick anchors the site. Other national tenants include Staples, Bouclair and Petsmart.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
The Brick	110,620	46.49%	39.40%
Staples	27,444	11.53%	14.86%
Petsmart	20,082	8.44%	12.29%

*Vaughan SmartCentre, 101 Edgeley Boulevard, Vaughan, Ontario*

Vaughan SmartCentre is a 260,755 square foot shopping centre that is situated on 47.59 acres at Highway 7 and Jane Street in Vaughan, Ontario. A 195,245 square foot Wal-Mart Supercentre anchors the site. National tenants include Future Shop and Home Outfitters. An additional 383,252 square feet of development potential remain.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	195,245	74.88%	57.06%
Future Shop	32,940	12.63%	22.02%
Home Outfitters	32,570	12.49%	20.93%

*Welland SmartCentre, 102 Primeway Drive, Welland, Ontario*

Welland SmartCentre is a 132,114 square foot shopping centre that is situated on 26.31 acres at the intersection of Highway 406 and Woodlawn Road in Welland, Ontario. A 132,114 square foot Wal-Mart store anchors the site and a 100,939 square foot Canadian Tire shadow-anchors the site. Future development potential is an additional 262,219 square feet.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	132,114	100.00%	100.00%

*Whitby North SmartCentre, 4100 Baldwin Street S, Whitby, Ontario*

Whitby North SmartCentre is a 231,771 square foot shopping centre that is situated on 24.87 acres at the intersection of Baldwin Street South and Taunton Road West in Whitby, Ontario. A 132,724 square foot Wal-Mart store anchors the site. Other national tenants include Mark's Work Wearhouse, Bank of Nova Scotia, TD Canada Trust, Grand & Toy, Payless Shoesource, and East Side Mario's. The site can accommodate a 50,000 square foot expansion of the Wal-Mart store. A 148,571 square foot Real Canadian Superstore operates on lands immediately adjacent to the site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	132,724	57.27%	37.34%
LCBO	9,638	4.16%	5.16%

*Whitby Northeast SmartCentre, 4100 Baldwin Street S, Whitby, Ontario*

Whitby Northeast SmartCentre is a 20,847 square foot shopping centre that is situated at the intersection of Brock Street and Taunton Road in Whitby, Ontario. Boston Pizza and Royal Bank of Canada represent the national tenants currently operating on the site. An additional 37,526 square feet of development potential remain.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Boston Pizza	6,431	30.85%	17.50%
Royal Bank of Canada	5,542	26.58%	32.73%

*Windsor South SmartCentre, 3120 Dougall Avenue, Windsor, Ontario*

Windsor South SmartCentre is a 199,988 square foot shopping centre that is situated on 17.89 acres at the southeast quadrant of E.C. Row Expressway and Dougall Avenue in Windsor, Ontario. A 129,121 square foot Wal-Mart anchors the centre. Other national tenants include Burger King, Pizza Hut, Payless Shoesource, Moores, CIBC, and First Choice Haircutters. An additional 33,830 square feet of development potential remain on undeveloped lands.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	129,121	64.56%	52.39%
Super Pet	10,584	5.29%	7.90%
Moores	8,082	4.04%	5.78%

*Woodbridge SmartCentre, 3900 Highway 7, Woodbridge, Ontario*

Woodbridge SmartCentre is a 430,439 square foot shopping centre that is situated on 37 acres at the intersection of Weston Road and Highway 7 in Woodbridge, Ontario. A 34,085 square foot Linens n' Things and a 30,820 square foot Best Buy store anchor the site. Other national tenants include Chapters, Reitmans, The Beer Store, CIBC, Michaels, Sport Chek, Pier 1 Imports, and Toys R Us. Shadow anchors include a 75,000 square foot Canadian Tire and a 67,073 square foot Fortinos. Calloway owns a 50% interest in this property.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Linens n' Things	34,085	7.92%	7.67%
Best Buy	30,820	7.16%	6.55%
Toys R Us	29,997	6.97%	5.81%
Chapters	25,840	6.00%	5.41%
Michaels	22,556	5.24%	4.72%
Sport Chek	20,241	4.70%	4.18%

*Woodstock SmartCentre, 499 Norwich Avenue, Woodstock, Ontario*

Woodstock SmartCentre is a 216,281 square foot shopping centre that is situated on 19.39 acres at the northeast corner of Norwich Avenue and Juliana Drive in Woodstock, Ontario. The centre is anchored by a 130,387 square foot Wal-Mart. Other national tenants include Staples, Reitmans, Dollar Giant, Payless Shoesource, Mark's Work Wearhouse, and Radio Shack. The site can accommodate a 60,000 square foot expansion of the Wal-Mart store. The centre is shadow-anchored by a 93,333 square foot Canadian Tire. An additional 23,888 square feet of development potential remain on undeveloped lands.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	130,387	60.29%	39.95%
Staples	25,770	11.92%	13.25%
Mark's Work Wearhouse	8,015	3.71%	5.79%

**Quebec**

*Anjou Home Outfitters Centre, 7550 & 7600 Rue Beclard, Anjou, Quebec*

Anjou Home Outfitters Centre is a 42,431 square foot shopping centre that is situated at the intersection of Rue Beclard and Rue Renaude-Lapointe in Anjou, Quebec. A 40,030 square foot HBC Home Outfitters store anchors the site. Other national tenants include Shell Canada and A&W.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Home Outfitters	40,030	94.34%	64.89%

*Beauport SmartCentre, 224 Avenue Joseph-Casavant, Beauport, Quebec*

Beauport SmartCentre is a 174,271 square foot shopping centre that is situated on 17.2 acres at the northeast corner of Avenue Joseph Casavant and Avenue Clemenceau in the Quebec City suburb of Beauport, Quebec. A 128,206 square foot Wal-Mart anchors the centre. Other national tenants include L'Equipeur (Mark's Work Wearhouse), Marie Claire, Reitmans, Bank of Nova Scotia and Harvey's. Shadow anchors include a 124,182 square foot Reno Depot, a 60,000 square foot Canadian Tire and a 58,806 square foot Ameublements Tanguay store.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	128,206	73.57%	55.84%
Mark's Work Wearhouse	10,048	5.77%	10.72%

*Drummondville SmartCentre, 355 Boulevard St-Joseph, Drummondville, Quebec*

Drummondville SmartCentre is a 47,844 square foot shopping centre that is situated on 5.08 acres at the intersection of Boulevard Rene Levesque & Boulevard St-Joseph in Drummondville, Quebec. L'Equipeur (Mark's Work Wearhouse), Reitmans, Blockbuster, and CIBC are among the national retailers currently operating on the site. Remaining development potential on the site is an additional 3,250 square feet. Shadow anchors include a 130,224 square foot Wal-Mart store and a 69,400 square foot Loblaws. The site can accommodate 50,000 square feet of expansion of the Wal-Mart store.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Mark's (L'Equipeur)	8,425	17.61%	23.78%
Blockbuster	5,220	10.91%	17.34%
CIBC	5,038	10.53%	18.41%

*Hull SmartCentre (I), 35 Boulevard du Plateau, Hull, Quebec*

Hull SmartCentre (I) is a 245,755 square foot shopping centre that is situated on 29.68 acres at Boulevard du Plateau and Rue de la Montagne in Hull, Quebec. A 105,612 square foot Wal-Mart store anchors the site. National tenants include Staples, Sport Chek, Reitmans, Bouclair, and L'Equipeur (Mark's Work Wearhouse). A 30,000 square foot expansion of the Wal-Mart store can be accommodated on the site. Shadow anchors include an 84,600 square foot Cineplex Odeon and a 45,117 square foot Super C location. Calloway owns a 49.9% interest in this property.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	105,612	42.97%	29.86%
Staples	25,842	10.52%	9.93%

*Hull SmartCentre (II), 115 Boulevard du Plateau, Hull, Quebec*

Hull SmartCentre (II) is a 50,053 square foot shopping centre that is situated on Boulevard du Plateau in Hull, Quebec. A 30,185 square foot Winners anchors the site. National tenants include TD Canada Trust and Bank of Nova Scotia. Shadow anchors include an 84,600 square foot Famous Players and a 101,000 square foot Rona. Adjacent to this site is Hull SmartCentre (II), where a 105,612 square foot Wal-Mart store is located. Calloway owns a 49.9% interest in this property.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Winners	30,185	60.31%	45.11%
Bank of Nova Scotia	5,000	9.99%	16.98%
TD Canada Trust	4,308	8.61%	16.39%

*Kirkland SmartCentre, 17000 Route Transcanadienne, Kirkland, Quebec*

Kirkland SmartCentre is a 207,216 square foot shopping centre at the intersection of Boulevard St. Charles and Route Transcanadienne in Kirkland, Quebec. A 132,251 square foot Wal-Mart store and a 70,020 square foot The Brick anchor the site. Other national tenants include Grif & Graf.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	132,251	63.82%	47.93%
The Brick	70,020	33.79%	48.20%

*Laval West SmartCentre, 700 Autoroute Chomedey, Laval, Quebec*

Laval West SmartCentre is a 549,362 square foot shopping centre at the intersection of Autoroute Chomedey and Boulevard Samson in Laval, Quebec. A 127,951 square foot Wal-Mart store and a 125,022 square foot Rona anchor the site. Other national tenants include Home Outfitters, Winners, Moores, Reitmans, Pier 1 Imports, Future Shop, and Staples. A 30,000 square foot expansion of the Wal-Mart store can be accommodated on the site. Shadow anchors include an 84,000 square foot Canadian Tire and a 40,000 square foot IGA.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	127,951	23.29%	13.88%
Rona	125,022	22.76%	19.93%
Home Outfitters	34,387	6.26%	6.28%
Future Shop	34,108	6.21%	7.02%
Winners	27,364	4.98%	4.01%
Staples	25,786	4.69%	5.14%

*Magog SmartCentre, Magog, Quebec*

Magog SmartCentre is a development property that is situated at the intersection of Sherbrooke Boulevard and Pomerleau Street in Magog, Quebec. The site has 256,110 square feet of developable area. A 101,308 square foot Wal-Mart store will anchor the site.

*Mascouche SmartCentre, 155 Montee Masson, Mascouche, Quebec*

Mascouche SmartCentre is a 364,153 square foot shopping centre that is situated on 38.10 acres on the northwest interchange corner of Autoroute 640 and Autoroute 25 in the Montreal suburb of Mascouche, Quebec. The centre is anchored by a 106,141 square foot Wal-Mart and a 44,937 square foot Sobeys/IGA. Other national tenants include Home Outfitters, Winners, Staples, Future Shop, Bouclair, Moores, Reitmans, and L'Equipeur (Mark's Work Wearhouse). The site can accommodate a 30,000 square foot expansion of the Wal-Mart store. A 120,000 square foot Rona shadow-anchors the site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	106,141	29.15%	15.02%
IGA	44,937	12.34%	13.54%
Home Outfitters	39,912	10.96%	12.94%
Winners	28,000	7.69%	7.32%
Staples	25,780	7.08%	7.04%
Future Shop	19,970	5.48%	6.36%

*Montreal (Decarie) SmartCentre, 5400 Rue Jean Talon O, Montreal, Quebec*

Montreal (Decarie) SmartCentre is a 224,766 square foot shopping centre that is situated on 24.54 acres at Rue Jean Talon and Boulevard Decarie in Montreal, Quebec. A 128,207 square foot Wal-Mart store anchors the site. Other national tenants include L'Equipeur (Mark's Work Wearhouse), Reitmans, Pier 1 Imports, and Tim Hortons. An additional 14,565 square feet of development potential remain and the site can accommodate a 30,000 square foot expansion of the Wal-Mart store. Calloway owns a 50% interest in this property.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	128,207	57.04%	34.55%
Mark's (L'Equipeur)	12,086	5.38%	6.11%
Pier 1 Imports	9,505	4.23%	6.04%

*Montreal North SmartCentre, 6140 Boulevard Henri Bourassa, Montreal, Quebec*

Montreal North SmartCentre is a 247,054 square foot shopping centre that is situated on 23.24 acres at Boulevard Henri Bourassa and Boulevard Lacordaire in Montreal, Quebec. A 128,758 square foot Wal-Mart store and a 44,910 square foot IGA anchor the site. Other national tenants include Winners, L'Equipeur (Mark's Work Wearhouse), Reitmans, and Payless Shoesource. An additional 41,446 square feet of development potential remain on the site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	128,758	52.12%	37.36%
IGA	44,910	18.18%	20.72%
Winners	27,740	11.23%	11.63%

*Place Bourassa Mall, 6000 boulevard. Henri Bourassa Est, Montreal, Quebec*

Place Bourassa Mall is a 278,564 square foot enclosed shopping mall that is situated at the intersection of Boulevard Henri-Bourassa Est and Boulevard Lacordaire in Montreal, Quebec. A 127,552 square foot Zellers and a 42,531 square foot Super C anchor the centre. Other national tenants include Pharmaprix, Bouclair, The Source by Circuit City, Hallmark, and National Bank.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Zellers	127,552	45.79%	17.66%
Super C	42,531	15.27%	18.28%

*Rimouski SmartCentre, 415 Montee Industrielle-et-Commerciale, Rimouski, Quebec*

Rimouski SmartCentre is a 167,648 square foot shopping centre that is situated on 35.28 acres at the intersection of Montee Industrielle-et-Commerciale and 2ieme Rue Est in Rimouski, Quebec. A 127,087 square foot Wal-Mart store anchors the site. Other national tenants include Reitmans, Marie Claire, L'Equipeur (Mark's Work Wearhouse), Tim Hortons, and EB Games. An additional 102,400 square feet of development potential remain. A 30,000 square foot expansion of the Wal-Mart store can be accommodated. Shadow anchors include a 60,973 square foot Tanguay and a 44,000 square foot Super C location.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	127,087	75.81%	61.16%
Clement	7,337	4.38%	6.35%
Mark's (L'Equipeur)	6,003	3.58%	5.20%

*Saint-Constant SmartCentre, 500 Voie de Desserte, rue NR 132, Saint-Constant, Quebec*

Saint-Constant SmartCentre is a 303,696 square foot shopping centre that is situated on 40.76 acres at the intersection of Route 132 and Rue Macon in Saint-Constant, Quebec. A 123,474 square foot Wal-Mart store and a 44,761 square foot Metro Richelieu anchor the site. Other national tenants include L' Aubenerie, L'Equipeur (Mark's Work Wearhouse), Reitmans, EB Games, Dollarama, and Blockbuster. An additional 19,500 square feet of development potential remain on the site. A 30,000 square foot expansion of the Wal-Mart store can be accommodated. A 95,000 square foot Home Depot operates on lands immediately adjacent to the site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	123,474	40.66%	22.75%



<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Super C	44,761	14.74%	18.32%
L'Aubainerie Concept Mode	25,462	8.38%	6.12%

*Saint-Jean SmartCentre, 100 Rue Omer-Marcil, Saint-Jean, Quebec*

Saint-Jean SmartCentre is a 172,888 square foot shopping centre that is situated on 29.06 acres on the northeast corner of Rue Pierre-Caisse and Rue Bernier in Saint-Jean, Quebec. The centre is anchored by a 127,356 square foot Wal-Mart. Other national tenants include L'Equipeur (Mark's Work Wearhouse), Payless Shoesource, Reitmans, TD Canada Trust and Tim Hortons. The centre has an additional 38,883 square feet of future development potential remaining on undeveloped lands. The site can accommodate a 30,000 square foot expansion of the Wal-Mart store. The centre is shadow-anchored by an 80,000 square foot Maxi (Loblaws).

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	127,356	73.66%	54.04%
Mark's (L'Equipeur)	10,024	5.80%	8.19%

*Saint-Jerome SmartCentre, 1030 Boulevard Du Grand-Heron, Saint-Jerome, Quebec*

Saint-Jerome SmartCentre is a 116,750 square foot shopping centre that is situated on 17.70 acres at Boulevard Jean-Baptiste-Rolland & Rue Brière in St. Jerome, Quebec. A 44,856 square foot IGA anchors the site. National tenants include Bouclair, Dollarama, EB Games, Boston Pizza and TD Canada Trust. An additional 49,206 square feet of development potential remain on the site. A 133,683 square foot Wal-Mart and a 119,300 square foot Home Depot operate on lands adjacent to the site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
IGA	44,856	38.42%	31.64%
Bouclair	10,188	8.73%	8.63%
Dollarama	9,206	7.89%	6.88%

*Valleyfield SmartCentre, 2050 Boulevard Monseigneur-Langlois, Salaberry de Valleyfield, Quebec*

Valleyfield SmartCentre is a 161,236 square foot shopping centre that is situated on 17.95 acres on the southwest corner of Boulevard Monseigneur-Langlois and Rue Fabre in the Montreal suburb of Salaberry de Valleyfield, Quebec. The centre is adjacent to new residential subdivisions to the south and southwest. A 107,128 square foot Wal-Mart anchors the centre. Other national tenants include Dollarama, Reitmans, EB Games, Radio Shack, and Payless Shoesource. The site can accommodate a 30,000 square foot expansion of the Wal-Mart store.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	107,128	66.44%	44.96%

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Dollarama	9,321	5.78%	7.18%

*Victoriaville SmartCentre, Victoriaville, Quebec*

Victoriaville SmartCentre is a development property that is situated at the intersection of Boulevard Jutrus Est and Boulevard Bois-Francis Sud in Victoriaville, Quebec. The site has 42,040 square feet of developable area. A 130,224 square foot Wal-Mart store will anchor the site.

**New Brunswick**

*Fredericton North SmartCentre, Fredericton, New Brunswick*

Fredericton North SmartCentre is a development property that is situated at the intersection of Two Nations Crossing and St Mary's Street in Fredericton, New Brunswick. The site has 163,224 square feet of developable area. A 131,668 square foot Wal-Mart store will anchor the site.

*Saint John SmartCentre, 450 Westmoreland Road, Saint. John, New Brunswick*

Saint John SmartCentre is a 271,084 square foot shopping centre that is situated on 24.66 acres at the northwest quadrant of Westmoreland Road and McAllister Drive in Saint John, New Brunswick. A 128,375 square foot Wal-Mart and a 45,015 square foot Winners anchor the centre. Other national tenants include Future Shop, Sport Chek, Old Navy, Reitmans, Pier 1 Imports, CIBC, and Payless Shoesource. A 102,122 square foot Kent Building Supplies store and an 80,000 square foot Canadian Tire shadow-anchor the centre.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	128,375	47.36%	29.76%
Winners	45,015	16.61%	17.53%
Future Shop	18,680	6.89%	8.03%

**Nova Scotia**

*Bridgewater SmartCentre, New Pine Grove Road, Bridgewater, Nova Scotia*

Bridgewater SmartCentre is a 30,820 square foot shopping centre that is situated on 15.27 acres at New Pine Grove Road and Route 10 in Bridgewater, Nova Scotia. National tenants include EasyHome, EB Games, Boston Pizza, and Swiss Chalet. An additional 107,357 square feet of development potential remain on the site. Shadow anchors include an 85,020 square foot Wal-Mart and a 66,390 square foot Canadian Tire.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Boston Pizza	5,985	19.42%	12.95%
Swiss Chalet	5,091	16.52%	19.78%

*Halifax Bayers Lake Centre, 194 Chain Lake Drive, Halifax, Nova Scotia*

Halifax Bayers Lake Centre is a 155,377 square foot shopping centre that is situated on Chain Lake Drive in Halifax, Nova Scotia. A 35,483 square foot Future Shop anchors the Halifax Bayers Lake site. Shadow anchors include a 100,000 square foot Zellers and an 80,000 square foot Atlantic Superstore. Other national tenants include Winners, Roots, Moores, The Shoe Company, and Reitmans.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Future Shop	35,483	22.84%	20.19%
Winners	27,556	17.73%	10.25%
Cleve's Sporting Goods	11,989	7.72%	7.87%

*New Minas SmartCentre, 1019 Aalders Avenue, New Minas, Nova Scotia*

New Minas SmartCentre is a 45,487 square foot shopping centre that is situated on 14.0 acres at the northwest corner of Commercial Street and Jones Road in New Minas, Nova Scotia. The centre is shadow-anchored by a 108,994 square foot Wal-Mart store. National tenants include Sport Chek, Mark's Work Wearhouse, Bulk Barn, EB Games, and Bank of Nova Scotia.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Sport Chek	15,019	33.02%	31.75%
Mark's Work Wearhouse	12,750	28.03%	29.84%

*Truro SmartCentre, 140 Wade Road, Truro, Nova Scotia*

Truro SmartCentre is a 118,461 square foot shopping centre that is situated on 27.06 acres on the northeast corner of Highway 102 and McClures Mill Connection in Truro, Nova Scotia. The centre is anchored by a 106,329 square foot Wal-Mart. Other national tenants include First Choice Haircutters, Stitches and Penningtons. The centre has an additional 23,300 square feet of future development potential remaining on undeveloped lands. The site can accommodate a 30,000 square foot expansion to the Wal-Mart store. Kent Building Supplies has purchased a 10.57 acre parcel of land for the construction of a 60,000 square foot store adjacent to our site.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	106,329	89.76%	89.22%

**Prince Edward Island***Charlottetown SmartCentre, 80 Buchanan Drive, Charlottetown, Prince Edward Island*

Charlottetown SmartCentre is a 188,924 square foot shopping centre that is situated on 30.66 acres on University Avenue in Charlottetown, Prince Edward Island. A 104,392 square foot Wal-Mart anchors the centre. Other national tenants include Future Shop, Michaels, Old Navy, and Payless Shoesource. An additional 36,500 square feet of future development potential remain on undeveloped lands. The site can accommodate a 30,000 square foot expansion of the

Wal-Mart store. Shadow anchors include Home Depot, Sobeys and Canadian Tire located on adjoining lands and comprised of approximately 230,000 square feet.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	104,392	55.26%	39.09%
Michaels	21,862	11.57%	14.02%
Future Shop	18,749	9.92%	12.02%

### **Newfoundland & Labrador**

*Corner Brook SmartCentre, 16 Murphy Square, Corner Brook, Newfoundland & Labrador*

Corner Brook SmartCentre is a 178,980 square foot shopping centre that is situated on 14.92 acres on the northeast corner of St. Mark's Avenue and Lewin Parkway in Corner Brook, Newfoundland. The centre is anchored by a 106,352 square foot Wal-Mart. Other national tenants include Staples, Mark's Work Wearhouse, EB Games, EasyHome, and Tim Hortons. Shadow anchors include a 75,240 square foot Canadian Tire and a 60,000 square foot Dominion.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	106,352	59.42%	40.96%
Staples	25,059	14.00%	14.68%

*Gander SmartCentre, 55 Roe Avenue, Gander, Newfoundland & Labrador*

Gander SmartCentre is a 23,156 square foot shopping centre that is situated on approximately 23.61 acres at the intersection of Cooper Boulevard and Roe Avenue in Gander, Newfoundland. The site is shadow-anchored by an 88,402 square foot Wal-Mart store and a 60,000 Home Depot. Other national tenants include Bank of Nova Scotia, A Buck or Two, Penningtons, EasyHome, The Source by Circuit City, and EB Games. The centre has an additional 65,034 square feet of developable area remaining.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Bank of Nova Scotia	6,500	28.07%	33.24%
A Buck or Two	4,039	17.44%	14.37%

*Mount Pearl SmartCentre, 60 Merchant Drive, Mount Pearl, Newfoundland & Labrador*

Mount Pearl SmartCentre is a 248,736 square foot shopping centre that is situated on 28.93 acres at the northwest corner of Pitts Memorial Drive and Ruby Line in St. John's, Newfoundland. A 131,001 square foot Wal-Mart, a 30,000 square foot Staples and a 25,086 square foot Nubody's Fitness anchor the centre. Other national tenants include EasyHome, Reitmans, Mark's Work Wearhouse, Tim Hortons, EB Games, and Radio Shack. An additional 4,754 square feet of future development potential remain. The site can accommodate a 30,000 square foot expansion of the Wal-Mart store. Shadow anchors include an 83,233 square foot Canadian Tire and an 82,118 square foot Loblaws.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	131,001	52.67%	37.35%
Staples	30,000	12.06%	7.41%
Nubody's Fitness	25,086	10.09%	12.39%

*St. John's Central SmartCentre, 75 Kelsey Drive, St. John's, Newfoundland & Labrador*

St. John's Central SmartCentre is a 90,284 square foot shopping centre that is situated on 17.28 acres at Kelsey Drive and Kenmount Road in St. John's, Newfoundland. A 47,586 square foot IGA anchors the centre. Other national tenants include Mark's Work Wearhouse, Boston Pizza, A Buck or Two, and Moores. An additional 19,551 square feet of development potential remain on the site. Shadow anchors include a 133,554 square foot Wal-Mart, a 106,000 square foot Home Depot and a 71,300 square foot Canadian Tire.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
IGA	47,586	52.71%	44.37%
Mark's Work Wearhouse	13,119	14.53%	18.03%

*St. John's East SmartCentre (I), 90 Aberdeen Avenue, St. John's, Newfoundland & Labrador*

St. John's East SmartCentre (I) is a 272,752 square foot shopping centre that is situated on 31.27 acres at the intersection of Stavanger Drive and Torbay Road in St. John's, Newfoundland. A 128,273 square foot Wal-Mart store and a 27,301 square foot Winners anchor the site along with an 80,000 square foot Dominion (Loblaws) that shadow-anchors the site. Other national tenants include Sport Chek, Reitmans, Mark's Work Wearhouse, The Shoe Company, and Pier 1 Imports.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Wal-Mart	128,273	47.03%	30.30%
Winners	27,301	10.01%	10.01%

*St. John's East SmartCentre (II), 90 Aberdeen Avenue, St. John's, Newfoundland & Labrador*

St. John's East SmartCentre (II) is an 87,411 square foot shopping centre that is situated at the intersection of Stavanger Drive and Aberdeen Drive in St. John's, Newfoundland. National tenants include Staples, Future Shop, Michaels, and Old Navy.

<u>Major Tenants / Anchors</u>	<u>Net Rentable Area</u>	<u>% of Net Rentable Area</u>	<u>% of Gross Rental Revenue</u>
Staples	25,180	28.81%	26.80%
Future Shop	23,797	27.22%	22.89%
Michaels	21,934	25.09%	28.02%
Old Navy	16,500	18.88%	22.29%

## DECLARATION OF TRUST AND DESCRIPTION OF UNITS

### General

Calloway is an unincorporated open-end real estate investment trust established by the Declaration of Trust and governed by the laws of the Province of Alberta.

### Authorized Capital

The Declaration of Trust authorizes the issuance of an unlimited number of two classes of units: Units and Special Voting Units. As of March 1, 2007, the Trust had 75,489,035 Units and 15,019,079 Special Voting Units outstanding for a total of 90,508,114 outstanding Voting Units.

### Units

An unlimited number of Units may be created and issued pursuant to the Declaration of Trust. The Declaration of Trust provides that Units or rights to acquire Units may be issued at times, to the persons, for the consideration and on the terms and conditions that the Trustees determine. Each Unit represents an equal fractional undivided beneficial interest in any distributions from, and in any net assets of, Calloway in the event of termination or winding-up of Calloway. All Units are of the same class with equal rights and privileges. Each Unit is transferable, entitles the holder thereof to participate equally in distributions, including the distributions of net income and net realized capital gains of Calloway and distributions on liquidation, is fully paid and non-assessable and entitles the holder thereof to one vote at all meetings of Unitholders for each Unit held.

The Units do not represent a traditional investment and should not be viewed by investors as “shares” in Calloway. As holders of Units in Calloway, the Unitholders do not have the 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 (Canada) and are not insured under the provisions of that act or any other legislation. Furthermore, Calloway is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.**

### Special Voting Units

An unlimited number of Special Voting Units may be created and issued pursuant to the Declaration of Trust. Special Voting Units may be issued by the Trust from time to time which shall entitle the holder of an Exchangeable Security (as defined below) to such number of votes at meetings of Voting Unitholders as is equal to the number of Units into which such Exchangeable Security (other than an Exchangeable Security owned by the Trust or any subsidiary of the Trust) is then exchangeable or convertible for. For greater certainty, holders of Special Voting Units shall not be entitled, by virtue of their holding of Special Voting Units, to distributions of any nature whatsoever from the Trust nor shall they have any beneficial interest in any assets of the Trust on termination or winding up of the Trust. Special Voting Units are not separately transferable from the Exchangeable Security to which they relate and are automatically redeemed and cancelled upon the exercise or conversion of such Exchangeable Security.

Notwithstanding the foregoing, if in any given 365 day period in the five year period from July 1, 2005, the average weighted aggregate number of Special Voting Units plus Units held or controlled by Mitchell Goldhar, companies controlled by Mitchell Goldhar or affiliates of such companies (collectively referred to herein as “SmartCentres”) is equal to or greater than 15,000,000, then so long as Mr. Mitchell Goldhar remains a Trustee and SmartCentres directly or indirectly beneficially own or control less than 25% of the voting rights attached to all voting securities of the Trust, the Trust shall issue such number of additional Special Voting Units which will entitle SmartCentres to cast 25% of the votes attached at a meeting of the holders of Units and Special Voting Units. SmartCentres’s entitlement under this clause shall extend for an additional five year period should SmartCentres sell in aggregate at least \$800,000,000 of freehold assets (including freehold interests in assets sold under development arrangements) to the Trust or its affiliates during the initial

5 year period, provided that number of Units and Special Voting Units held or controlled by SmartCentres shall be increased to the lesser of 20,000,000 or 20% of the aggregate issued and outstanding Units plus Special Voting Units and provided that Mr. Mitchell Goldhar remains a Trustee.

### **Redemption Right**

Units are redeemable at any time on demand by the holders thereof. Upon receipt of the redemption request by the Trust, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of: (i) 90% of the "market price" of the Units on the principal market on which the Units are quoted for trading during the 10 trading day period commencing immediately after the date on which the Units are surrendered for redemption (the "Redemption Date"); and (ii) 100% of the "closing market price" on the principal market on which the Units are quoted for trading on the Redemption Date.

For the purposes of this calculation, "market price" will be an amount equal to the weighted average of the closing price of the Units for each of the trading days on which there was a closing price; provided that, if the applicable exchange or market does not provide a closing price but only provides the highest and lowest prices of the Units traded on a particular day, the "market price" shall be an amount equal to the weighted average of the highest and lowest prices for each of the trading days on which there was a trade; and provided further that if there was trading on the applicable exchange or market for fewer than five of the 10 trading days, the market price shall be the weighted average of the following prices established for each of the 10 trading days: the weighted average of the last bid and last ask prices for each day on which there was no trading; the closing price of the Units for each day that there was trading if the exchange or market provides a closing price; and the weighted average of the highest and lowest prices of the Units for each day that there was trading, if the market provides only the highest and lowest prices of Units traded on a particular day. The "closing market price" shall be an amount equal to the closing price of the Units if there was a trade on the date and the exchange or market provides a closing price; an amount equal to the weighted average of the highest and lowest prices of the Units if there was trading and the exchange or other market provides only the highest and lowest prices of Units traded on a particular day; or the weighted average of the last bid and last ask prices if there was no trading on the date.

The aggregate Redemption Price payable by the Trust in respect of any Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment on or before the last day of the following month; provided that the entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable by the Trust in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed \$50,000.00 (provided that the Trustees may, in their sole discretion, waive such limitation in respect of any calendar month); (ii) at the time such Units are tendered for redemption the outstanding Units shall be listed for trading on a stock exchange or traded or quoted on any other market which the Trustees consider, in their sole discretion, provides representative fair market value prices for the Units; and (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the Redemption Date or for more than five trading days during the 10 day trading period commencing immediately after the Redemption Date.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the foregoing limitations, then the Redemption Price for such Units shall be the fair market value thereof, as determined by the Trustees in the circumstances described in subparagraphs (ii) and (iii) above, and shall, subject to any applicable regulatory approvals, be paid and satisfied, at the option of the Trust, by way of the issuance and delivery by the Trust to each holder of Units tendered for redemption who is not entitled to receive cash in respect thereof on the Redemption Date of unsecured promissory notes with interest at a market rate to be determined by the Trustees, payable monthly, issued by the Trust (the "Notes"), each in the principal amount of \$1, on the basis of such number of Notes for such Units tendered for redemption equal to the product of (i) number of Units tendered for redemption multiplied by (ii) the Redemption Price per Unit specified above, which product will then be divided by \$1 on the date the Units were tendered for redemption. The Redemption Price payable pursuant to provision in respect of Units tendered for redemption during any month shall, subject to receipt of all necessary regulatory approvals, be paid by the transfer, to or to the order of the Unitholder who exercised the right of redemption, on the last day (the "Transfer Date") of the calendar month following the month in which the Units were tendered for redemption. Payments by the Trust of the Redemption Price are conclusively deemed to have been made upon the mailing of the Notes by registered mail in a postage prepaid envelope addressed to the former Unitholder. Upon such payment, the Trust shall be discharged from all liability to the former Unitholder in

respect of the Units so redeemed. No fractional Notes in a principal amount less than \$1 will be distributed and where the number of Notes to be received by the former Unitholder includes a fraction or a principal amount less than a multiple of \$1, such number shall be rounded to the next lowest number or multiple of \$1, as the case may be.

It is anticipated that the redemption right will not be the primary mechanism for holders of Units to dispose of their Units. Securities and/or obligations which may be distributed to Unitholders in connection with a redemption will not be listed on any stock exchange and no market is expected to develop in such securities and/or obligations and such securities and/or obligations may be subject to an indefinite "hold period" or other resale restrictions under applicable securities laws. Such securities and/or obligations may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans.

### **Unitholder Limited Liability**

On July 1, 2004, the *Income Trusts Liability Act* (Alberta) came into force. This act creates a statutory limitation on the liability of unitholders of income trusts governed by the laws of the Province of Alberta. The legislation states that an income trust is governed by the laws of Alberta if its declaration of trust or other constating document contains a provision to that effect. Calloway's Declaration of Trust contains such a provision. The legislation provides that a Unitholder will not be, as a beneficiary, liable for any act, default, obligation or liability of the Trustees that arises after the legislation comes into effect. However, the legislation has not yet been judicially considered and it is possible that reliance upon the legislation by a Unitholder could be successfully challenged on jurisdictional or other grounds.

Further, the Declaration of Trust provides that no Unitholder will be subject to any liability in connection with Calloway or its obligations and affairs and, in the event that a court determines Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, the Unitholder's share of Calloway's assets. Pursuant to the Declaration of Trust, Calloway will reimburse each Unitholder from any cost, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of any payment of a Calloway obligation by a Unitholder.

Further, the Declaration of Trust provides that written instruments signed by or on behalf of Calloway shall, if practicable, contain a provision to the effect that such obligation will not be binding upon Unitholders personally. Notwithstanding the terms of the Declaration of Trust, Unitholders may not be protected from liabilities of Calloway to the same extent as a shareholder is protected from the liabilities of a corporation. Personal liability may also arise in respect of claims against Calloway (to the extent that claims are not satisfied by Calloway) that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities.

The business of Calloway will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability to the Unitholders for claims against Calloway including, where commercially reasonable, by obtaining appropriate insurance, where available, for the operations of Calloway and, where commercially reasonable, having written agreements signed by or on behalf of Calloway include a provision that such obligations are not binding upon Unitholders personally.

However, in conducting its affairs, Calloway will be acquiring, and has acquired, real property investments subject to existing contractual obligations, including obligations under mortgages and leases. The Trustees will use all reasonable efforts to have any such obligations under mortgages on its properties and material contracts, other than leases, modified so as not to have such obligations binding upon any of the Unitholders or annuitants personally. However, Calloway may not be able to obtain such modification in all cases. To the extent that claims are not satisfied by Calloway, there is a risk that a Unitholder or annuitant will be held personally liable for obligations of Calloway where the liability is not disavowed as described above.

### **Limitations on Non-Resident Trust Unitholders**

Certain provisions of the Tax Act require that Calloway not be established nor maintained primarily for the benefit of Non-Residents. Accordingly, in order to comply with such provisions, the Declaration of Trust contains restrictions on the ownership of Units by Unitholders who are Non-Residents. At no time may Non-Residents be the beneficial owners of more than 49.9% of the Units, on a basic or fully-diluted basis (and for greater certainty, including Units into which Exchangeable Securities may be converted or exchanged), and the Trustees shall inform the Transfer Agent of this restriction. The Trustees may require a registered holder of Units and Special Voting Units to provide the Trustees with a



declaration as to the jurisdictions in which beneficial owners of the Units registered in such Unitholder's name are resident and as to whether such beneficial owners are Non-Residents (or in the case of a partnership, whether the partnership is a Non-Resident). If the Trustees become aware, as a result of acquiring such declarations as to beneficial ownership or as a result of any other investigations, that the beneficial owners of 49.9% of the Units (on a basic or fully-diluted basis, including Units into which Exchangeable Securities may be converted or exchanged) are, or may be, Non-Residents or that such a situation is imminent, the Trustees may make a public announcement thereof and shall not accept a subscription for Units from or issue or register a transfer of Units to a person unless the person provides a declaration in form and content satisfactory to the Trustees that the person is not a Non-Resident and does not hold such Units for the benefit of Non-Residents. If, notwithstanding the foregoing, the Trustees determine that more than 49.9% of the Units (on a basic or fully-diluted basis, including Units into which Exchangeable Securities may be converted or exchanged) are held by Non-Residents, the Trustees may send a notice to such Non-Resident holders of the Units or Exchangeable Securities, as the case may be, chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or Exchangeable Securities or a portion thereof within a specified period of not more than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or Exchangeable Securities or provided the Trustees with satisfactory evidence that they are not Non-Residents within such period, the Trustees may on behalf of such Unitholders sell such Units or Exchangeable Securities and, in the interim, shall suspend the voting and distribution rights attached to such Units or Exchangeable Securities (other than the right to receive the net proceeds from the sale). Upon such sale or conversion, the affected holders shall cease to be holders of the relevant Units or Exchangeable Securities and their rights shall be limited to receiving the net proceeds of sale upon surrender of the certificates, if any, representing such securities. The Trust may direct the Transfer Agent to do any of the foregoing.

### **Meetings of Trust Unitholders**

The Declaration of Trust provides that meetings of Voting Unitholders must be called and held for, among other matters, the election or removal of Trustees (except filling casual vacancies), the appointment or removal of the auditors of Calloway, the approval of amendments to the Declaration of Trust (except as described under "Amendments to the Declaration of Trust"), an increase or decrease in the number of Trustees, the sale of the assets of Calloway as an entirety or substantially as an entirety (other than as part of an internal reorganization), or the termination of Calloway. Meetings of Voting Unitholders will be called and held annually for, among other things, the election of the Trustees and the appointment of auditors of Calloway. The foregoing matters must be passed by at least a majority of the votes cast at a meeting of Unitholders called for such purpose.

A meeting of Voting Unitholders may be convened at any time and for any purpose by the Trustees and must be convened if requisitioned by the holders of not less than 10% of the Voting Units then outstanding by a written requisition. A requisition must, among other things, state in reasonable detail the business proposed to be transacted at the meeting.

Voting Unitholders may attend and vote at all meetings of Voting Unitholders either in person or by proxy and a proxyholder need not be a Voting Unitholder. Two persons present in person or represented by proxy and representing in the aggregate at least 10% of the votes attaching to all outstanding Units shall constitute a quorum for the transaction of business at all such meetings.

The Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Voting Unitholders.

### **Information and Reports**

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

Prior to each meeting of Unitholders, the Trustees will provide the Unitholders (along with notice of such meeting) a proxy form and an information circular containing information similar to that required to be provided to shareholders of a Canadian public corporation governed by the Canada Business Corporations Act.

## Trustees

The Declaration of Trust provides that, subject to the terms and conditions thereof, the Trustees may, in respect of the trust assets, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof and shall supervise the investments and conduct the affairs of Calloway. The Declaration of Trust provides that the Trustees shall act honestly and in good faith with a view to the best interest of Calloway and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Except as expressly prohibited by law, the Trustees may grant or delegate certain of the Trustees' authority to effect the actual administration of the duties of the Trustees under the Declaration of Trust. The Trustees may grant broad discretion to a third party to administer and manage the day-to-day operations of Calloway, and to make executive decisions which conform to the general policies and general principles set forth in the Declaration of Trust or otherwise established by the Trustees.

Pursuant to the Declaration of Trust, there shall be no fewer than seven (7) nor more than twelve (12) Trustees. Subject to the right of SmartCentres to appoint Trustees as described below, the number of Trustees may be increased or decreased within such limits from time to time by the Trustees or the Unitholders, provided that the Trustees may not, between meetings of Unitholders, appoint an additional Trustee if, after such appointment, the total number of Trustees would be greater than one and one-third of the number of Trustees in office immediately following the last annual meeting of Unitholders. A majority of the Trustees shall be Resident Canadians.

Subject to the right of SmartCentres to appoint Trustees as described below, Trustees will be elected annually by resolution passed by a majority of the votes cast at a meeting by Unitholders. Trustees elected at an annual meeting will be elected for a term expiring at the subsequent annual meeting and will be eligible for re-election. A Trustee elected or appointed to fill a vacancy shall hold office for the remaining term of the Trustee he or she is succeeding. The Declaration of Trust provides with respect to Trustees that a Trustee may be removed with or without cause by a majority of the votes cast at a meeting of Unitholders or with cause by a majority of the remaining Trustees.

The Declaration of Trust provides that:

- (a) for so long as Mitchell Goldhar, companies controlled by Mitchell Golhar or affiliates of such companies (collectively referred to herein as "SmartCentres") are the registered and beneficial owner of at least 5% but less than 15% of the issued and outstanding Units and Special Voting Units of the Trust, in aggregate, it shall be entitled to appoint one trustee to the Board of Trustees of the Trust and the number of trustees on the Board of Trustees shall be limited to eight;
- (b) for so long as SmartCentres is the registered and beneficial owner of at least 15% but less than 25% of the issued and outstanding Units and Special Voting Units of the Trust, in aggregate, it shall be entitled to appoint a total of two trustees to the Board of Trustees of the Trust and the number of trustees on the Board of Trustees shall be limited to a maximum of eight; and
- (c) for so long as SmartCentres is the registered and beneficial owner of at least 25% of the issued and outstanding Units and Special Voting Units of the Trust, in aggregate, it shall be entitled to appoint a total of three trustees to the Board of Trustees of the Trust and the number of trustees on the Board of Trustees shall be limited to a maximum of nine.

## Committees of Trustees

### *General*

The Trustees may appoint from among their number one or more committees of Trustees and may, subject to applicable law and to any provision hereof to the contrary, delegate to such committee or committees any of the powers of the Trustees. The Trustees shall have the power to appoint, employ or contract with any person for any matter relating to the Trust or its assets or affairs. The Trustees may grant or delegate such authority to a property manager as the Trustees may, subject to applicable law, in their sole discretion deem necessary or desirable without regard to whether such authority is normally granted or delegated by trustees. The Trustees shall have the power to determine the term and compensation of a property manager or any other person whom they may employ or with whom they may contract. The

Trustees shall have the power to grant powers of attorney as required in connection with any financing or security relating thereto.

*Audit Committee*

The Trustees shall appoint an audit committee (the “Audit Committee”) to consist of not less than three Trustees. The Audit Committee shall be composed of Trustees who comply with the provisions of Multilateral Instrument 52-110. Subject to the delegation to the Audit Committee of such other responsibilities as are determined by the Trustees from time to time and subject to such changes to its form and function as may be mandated by any relevant regulatory authorities, the Audit Committee shall:

- (a) review the Trust’s procedures for internal control with the external auditors and the Trust’s Chief Financial Officer;
- (b) review the engagement of the external auditors;
- (c) review and recommend to the Trustees for approval annual and quarterly financial statements and management’s discussion and analysis of financial condition and results of operation;
- (d) assess the Trust’s financial and accounting personnel; and
- (e) review any significant transactions outside the Trust’s ordinary course of business and all pending litigation involving the Trust.

The external auditors of the Trust are entitled to receive notice of every meeting of the Audit Committee and, at the expense of the Trust, to attend and be heard thereat and, if so requested by a member of the Audit Committee, shall attend any meeting of the Audit Committee held during the term of office of the external auditors.

*Investment Committee*

The Trustees shall appoint an investment committee (the “Investment Committee”) to consist of not less than three Trustees and not more than five Trustees, a majority of whom shall be Outside Trustees, two of whom shall be Trustees appointed by SmartCentres for so long as SmartCentres is the registered and beneficial owner of in excess of 15% of the issued and outstanding Units and/or Special Voting Units of the Trust (unless the prior written consent to the contrary or a written waiver of SmartCentres is obtained) and two-thirds of whom shall have had at least 5 years of substantive experience in the real estate industry. The duties of the Investment Committee will be to:

- (a) review all proposals regarding investments;
- (b) approve or reject proposed acquisitions and dispositions of investments by the Trust or any of its subsidiaries or Affiliates;
- (c) approve proposed transactions on behalf of the Trust or any of its subsidiaries or Affiliates; and
- (d) approve or reject all borrowings and the assumption or granting of any mortgage or other security interest in Real Property, including any assignment of rents and other monies derived from or related to Real Property, by the Trust or any of its subsidiaries and Affiliates.

Where for any reason a member of the Investment Committee is disqualified from voting on or participating in a decision, any other independent and disinterested Trustee not already a member of the Investment Committee may be designated by the Trustees to act as an alternate. Notwithstanding the appointment of the Investment Committee, the Trustees may consider and approve any matter which the Investment Committee has the authority to consider or approve.

*Corporate Governance and Compensation Committee*

The Trustees shall appoint a corporate governance and compensation committee (the “Corporate Governance and Compensation Committee”) to consist of not less than three Trustees and not more than four Trustees, one of whom shall be a Trustee appointed by SmartCentres for so long as SmartCentres is the registered and beneficial owner of in excess of 15% of the issued and outstanding Units and/or Special Voting Units of the Trust (unless the prior written consent to the contrary or a written waiver of SmartCentres is obtained). The duties of the Corporate Governance and Compensation Committee will be to review the governance of the Trust with the responsibility for the Trust’s corporate governance, human resources and compensation policies. In particular, the Corporate Governance and Compensation Committee will be responsible for:

- (a) assessing the effectiveness of the board of Trustees and each of its committees;
- (b) considering questions of management succession;
- (c) participating in the recruitment and selection of candidates as Trustees of Calloway;
- (d) considering and approving proposals by the Trustees of Calloway to engage outside advisers on behalf of the board of Trustees of Calloway;
- (e) administering Calloway’s long term incentive plan;
- (f) assessing the performance of the Chief Executive Officer;
- (g) reviewing and approving the compensation of senior management and consultants of Calloway and its subsidiaries; and
- (h) reviewing and making recommendations to the board concerning the level and nature of the compensation payable to the Trustees.

Where for any reason a member of the Corporate Governance and Compensation Committee is disqualified from voting on or participating in a decision, any other independent and disinterested Trustee not already a member of the Corporate Governance and Compensation Committee may be designated by the Trustees to act as an alternate. Notwithstanding the appointment of the Corporate Governance and Compensation Committee, the Trustees may consider and approve any matter which the Corporate Governance and Compensation Committee has authority to consider or approve.

*Property Manager*

The Trustees may exercise broad discretion in allowing any property manager to manage the Real Property of the Trust, including operating, maintaining, leasing and marketing the said properties, to act as agent for the Trust in respect thereof and to execute documents on behalf of the Trustees in respect thereof, all subject to the overriding authority of the Trustees over the management and affairs generally of the Trust.

**Officers**

The Trust may have a Chairman, a President, one or more Vice-Presidents and a Secretary and such other officers as the Trustees may appoint from time to time. One person may hold two or more offices. Any officer of the Trust may, but need not, be a Trustee. The Chairman, if not a Trustee, shall be entitled to receive notice of and attend all meetings of the Trustees but, unless he is a Trustee, shall not be entitled to vote at any such meeting. Officers of the Trust shall be appointed and discharged and their remuneration determined by the Trustees provided that the President shall be appointed on an annual basis and with the consent of not less than 75% of the Trustees.

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

The Declaration of Trust may be amended or altered from time to time by meetings of the Unitholders called for such purpose. While certain amendments may be made with the approval of at least a majority of the votes cast by Unitholders, certain fundamental amendments require the approval of at least two-thirds of the votes cast by Unitholders.

The Trustees may, without the approval of or any notice to Unitholders, make amendments to the Declaration of Trust:

- (a) for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or over the Trust, including respecting its status as a “unit trust” a “mutual fund trust” and a “registered investment” under the Tax Act or the distribution of its Units;
- (b) which, in the opinion of the Trustees, provide additional protection for or benefit to the Unitholders;
- (c) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which are, in the opinion of the Trustees, necessary or desirable and not prejudicial to the Unitholders;
- (d) which, in the opinion of the Trustees, are necessary or desirable as a result of changes in taxation laws from time to time, including, without limiting the generality of the foregoing, amendments which may affect the Trust, the Unitholders or annuitants under a plan of which a Unitholder acts as trustee or carrier or which may permit the Trust to qualify for any status under the Tax Act which would benefit the Trust or the Unitholders;
- (e) for any purpose (except one in respect of which a Unitholder vote is specifically otherwise required), if the Trustees are of the opinion that the amendment is not prejudicial to Unitholders and is necessary or desirable; and
- (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.

### **Distribution Reinvestment Plan**

Calloway has adopted a Distribution Reinvestment Plan that permits eligible Unitholders to elect to reinvest monthly distributions in additional Units. The price of Units issued under the Distribution Reinvestment Plan is based on the volume weighted average price for the sale of Units on the TSX during the ten days preceding the relevant distribution date (the “Market Price”). The purchase price of Units purchased with distributions under the Distribution Reinvestment Plan is equal to 97% of the Market Price. There are no commissions or brokerage charges payable on the purchase of Units under the Distribution Reinvestment Plan.

### **Term of the Trust and Sale of Substantially All Assets**

Calloway has been established for a term ending 21 years after the date of death of the last surviving issue of Her Majesty, Queen Elizabeth, alive on December 4, 2001. Pursuant to the Declaration of Trust, termination of Calloway or the sale or transfer of the assets of Calloway as an entirety or substantially as an entirety, except as part of an internal reorganization of the assets of Calloway as approved by the Trustees, requires approval by at least 66  $\frac{2}{3}$ % of the votes cast at a meeting of the Unitholders.

### **DISTRIBUTION POLICY**

The following outlines the distribution policy of Calloway as contained in the Declaration of Trust. The distribution policy may be amended only with the approval of a majority of the votes cast at a meeting of Voting Unitholders.

## General

The Trust currently intends to make monthly cash distributions to Unitholders on each Distribution Date equal, on an annual basis, to approximately 90 to 95%% of Adjusted Funds From Operations although, pursuant to the Declaration of Trust, Calloway is only required to pay or declare payable each taxation year an amount of as is necessary to ensure that the Trust will not be subject to tax on its net income and net capital gains under Part I of the Tax Act. Distributions shall be made in cash or Units pursuant to any distribution reinvestment plan or distribution reinvestment and Unit purchase plan adopted by the Trustees from time to time pursuant to the Declaration of Trust. Any distribution shall be made proportionately to persons who are Unitholders as at the close of business on the record date for such distribution, which shall be the last Business Day of the calendar month preceding the month in which the Distribution Date falls, or if such date is not a Business Day then the next following Business Day, or such other date, if any, as is fixed in accordance with the Declaration of Trust. It is expressly declared in the Declaration of Trust that a Unitholder shall have the legal right to enforce payment as of the Distribution Date of any amount which is required to be distributed to a Unitholder pursuant to the Declaration of Trust. The Trustees, if they so determine when income has been accrued but not collected may, on a temporary basis, transfer sufficient moneys from the capital to the income account of the Trust to permit distributions under the Declaration of Trust to be effected.

## Distribution History

The particulars of distributions made by Calloway from November 2002, the month it declared its first distribution, to and including the period ending February 28, 2006 are as follows:

<b>Distribution</b>	<b>Payment Date</b>	<b>Amount of Distribution</b>	<b>Portion of Distribution per Unit Taxable as Capital Gain</b>	<b>Portion of Distribution per Unit Taxable as Income</b>
2002				
November	December 13, 2002	\$0.0959 per Unit	0%	0%
December	December 31, 2002	\$0.0959 per Unit	0%	0%
2003				
January	February 14, 2003	\$0.0959 per Unit	12.1815%	33.0429%
February	March 14, 2003	\$0.0959 per Unit	12.1815%	33.0429%
March	April 14, 2003	\$0.0959 per Unit	12.1815%	33.0429%
April	May 14, 2003	\$0.0959 per Unit	12.1815%	33.0429%
May	June 13, 2003	\$0.0959 per Unit	12.1815%	33.0429%
June	July 15, 2003	\$0.0959 per Unit	12.1815%	33.0429%
July	August 15, 2003	\$0.0959 per Unit	12.1815%	33.0429%
August	September 15, 2003	\$0.0959 per Unit	12.1815%	33.0429%
September	October 15, 2003	\$0.0959 per Unit	12.1815%	33.0429%
October	November 14, 2003	\$0.0959 per Unit	12.1815%	33.0429%
November	December 15, 2003	\$0.0959 per Unit	12.1815%	33.0429%
December	December 31, 2003	\$0.0959 per Unit	12.1815%	33.0429%
2004				
January	February 16, 2004	\$0.0959 per Unit	0%	57.1031%
February	March 15, 2004	\$0.0959 per Unit	0%	57.1031%
March	April 15, 2004	\$0.0959 per Unit	0%	57.1031%
April	May 17, 2004	\$0.1000 per Unit	0%	57.1031%
May	June 15, 2004	\$0.1000 per Unit	0%	57.1031%
June	July 15, 2004	\$0.1000 per Unit	0%	57.1031%
July	August 18, 2004	\$0.1050 per Unit	0%	57.1031%
August	September 15, 2004	\$0.1050 per Unit	0%	57.1031%
September	October 15, 2004	\$0.1050 per Unit	0%	57.1031%
October	November 15, 2004	\$0.1050 per Unit	0%	57.1031%
November	December 15, 2004	\$0.1050 per Unit	0%	57.1031%
December	December 31, 2004	\$0.1050 per Unit	0%	57.1031%

<b>Distribution</b>	<b>Payment Date</b>	<b>Amount of Distribution</b>	<b>Portion of Distribution per Unit Taxable as Capital Gain</b>	<b>Portion of Distribution per Unit Taxable as Income</b>
2005				
January	February 15, 2005	\$0.1050 per Unit	24.1%	35.8%
February	March 15, 2005	\$0.1050 per Unit	24.1%	35.8%
March	April 15, 2005	\$0.1050 per Unit	24.1%	35.8%
April	May 16, 2005	\$0.11333 per Unit	24.1%	35.8%
May	June 15, 2005	\$0.11333 per Unit	24.1%	35.8%
June	July 15, 2005	\$0.11333 per Unit	24.1%	35.8%
July	August 15, 2005	\$0.11333 per Unit	24.1%	35.8%
August	September 15, 2005	\$0.12083 per Unit	24.1%	35.8%
September	October 17, 2005	\$0.12083 per Unit	24.1%	35.8%
October	November 15, 2005	\$0.12083 per Unit	24.1%	35.8%
November	December 15, 2005	\$0.12083 per Unit	24.1%	35.8%
December	January 16, 2006	\$0.12083 per Unit	24.1%	35.8%
2006				
January	February 15, 2006	\$0.12083 per Unit	5.1%	21.6%
February	March 15, 2006	\$0.12083 per Unit	5.1%	21.6%
March	April 17, 2006	\$0.12083 per Unit	5.1%	21.6%
April	May 15, 2006	\$0.12083 per Unit	5.1%	21.6%
May	June 15, 2006	\$0.12083 per Unit	5.1%	21.6%
June	July 17, 2006	\$0.12083 per Unit	5.1%	21.6%
July	August 15, 2006	\$0.12083 per Unit	5.1%	21.6%
August	September 15, 2006	\$0.125 per Unit	5.1%	21.6%
September	October 16, 2006	\$0.125 per Unit	5.1%	21.6%
October	November 15, 2006	\$0.125 per Unit	5.1%	21.6%
November	December 15, 2006	\$0.125 per Unit	5.1%	21.6%
December	January 15, 2007	\$0.125 per Unit	5.1%	21.6%
2007				
January	February 15, 2007	\$0.125 per Unit	(1)	(1)
February	March 15, 2007	\$0.125 per Unit	(1)	(1)

**Notes:**

(1) Taxable portion of distributions per Unit for 2007 will be determined early in 2008.

**DESCRIPTION OF OTHER SECURITIES****6% Convertible Debentures**

On May 14, 2004, Calloway completed a public offering of \$55,000,000 principal amount of 6.00% convertible unsecured subordinated debentures (the "6% Convertible Debentures"). The 6% Convertible Debentures are direct unsecured obligations of the Trust and are subordinated to all indebtedness of the Trust which, by the terms of the instrument creating or evidencing the indebtedness, is not expressed to be *pari passu* with, or subordinate in right of payment to, the 6% Convertible Debentures. The 6% Convertible Debentures mature on June 30, 2014 and interest is paid semi-annually on June 30 and December 31 in each year. The 6% Convertible Debentures are convertible at the holder's option into Units at any time prior to the earlier of the maturity date and the date fixed for redemption at a conversion price of \$17.00 per Unit. The 6% Convertible Debentures are not redeemable on or before June 30, 2008. After June 30, 2008 and prior to June 30, 2010, the 6% Convertible Debentures may be redeemed in whole or in part from time to time at Calloway's option provided that the 20-day weighted average market price for the Units on the TSX is not less than 125% of the conversion price. On or after June 30, 2010 and prior to the maturity date, the 6%

Convertible Debentures may be redeemed in whole or in part from time to time at Calloway's option at a price equal to their principal amount plus accrued and unpaid interest. Calloway may satisfy its obligation to pay principal or interest on the debentures, in whole or in part, by delivering Units. In the event that Calloway so elects to satisfy its obligation to pay the principal amount of the 6% Convertible Debentures with Units, the number of Units will be determined by dividing the principal amount by 95% of the market price on the TSX for the Units at that time.

#### **4.51% Debentures**

On September 22, 2005, Calloway issued \$200,000,000 principal amount of 4.51% Series A senior unsecured debentures (the "4.51% Debentures") due September 22, 2011 at a price equal to 99.978% of their principal amount. The 4.51% Debentures are direct, senior unsecured obligations of the Trust and rank equally with one another and with all other unsecured and unsubordinated indebtedness of the Trust. The 4.51% Debentures bear interest at an annual rate of 4.51% payable semi-annually in arrears on March 22 and September 22 in each year. At its option, Calloway may redeem the 4.51% Debentures, in whole or in part, at any time and from time to time, on payment of a redemption price equal to the greater of (i) the Canada Yield Price and (ii) par, together in each case with accrued and unpaid interest to the date fixed for redemption.

#### **5.37% Debentures**

On October 12, 2006, Calloway issued \$250,000,000 principal amount of 5.37% Series B senior unsecured debentures (the "5.37% Debentures") due October 12, 2016 at a price equal to 99.9066% of their principal amount. The 5.37% Debentures are direct, senior unsecured obligations of the Trust and rank equally with one another and with all other unsecured and unsubordinated indebtedness of the Trust. The 5.37% Debentures bear interest at an annual rate of 5.37% payable semi-annually in arrears on April 12 and October 12 in each year. At its option, Calloway may redeem the 5.37% Debentures, in whole or in part, at any time and from time to time, on payment of a redemption price equal to the greater of (i) the Canada Yield Price and (ii) par, together in each case with accrued and unpaid interest to the date fixed for redemption.

### **INVESTMENT GUIDELINES AND OPERATING POLICIES**

#### **Investment Guidelines**

The Declaration of Trust provides for certain restrictions on investments, which may be made by Calloway. The assets of Calloway may be invested only in accordance with the following restrictions:

1. the Trust will focus its acquisition activities on existing income-producing properties that are capital property of the Trust, including office, retail, industrial and mixed use properties, that are substantially leased;
2. notwithstanding anything in the Declaration of Trust to the contrary, the Trust shall not make any investment or take any action or omit to take any action that would result in Units not being units of a "mutual fund trust" and of a "unit trust" within the meaning of the *Income Tax Act*, that would result in Units being disqualified for investment by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans or registered education savings plans, or that would result in the Trust paying a tax under the registered investment provisions of the *Income Tax Act* imposed for exceeding certain investment limits;
3. the Trust may, directly or indirectly, invest in a joint venture arrangement for the purposes of owning interests or investments otherwise permitted to be held by the Trust, provided that such joint venture arrangement contains terms and conditions which, in the opinion of the Trustees, are commercially reasonable, including without limitation such terms and conditions relating to restrictions on transfer and the acquisition and sale of the Trust's and any joint venturer's interest in the joint venture arrangement, provisions to provide liquidity to the Trust, such as buy-sell mechanisms, provisions that limit the liability of the Trust to third parties, and provisions that provide for the participation of the Trust in the management of the joint venture arrangement. For purposes of this provision, a joint venture arrangement is an arrangement between the Trust and one or more other persons ("joint venturers") pursuant to which the Trust, directly or indirectly, conducts an undertaking for one or more of the purposes set out above and in respect of which the Trust may hold its interest



jointly or in common or in another manner with others either directly or through the ownership of securities of a corporation or other entity (a “joint venture entity”), including without limitation a general partnership, limited partnership or limited liability company;

4. except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, short-term government debt securities, or in money market instruments of, or guaranteed by, a Schedule 1 Canadian chartered bank maturing prior to one year from the date of issue, the Trust may not hold securities other than securities of a joint venture entity, trust or limited partnership or an entity or corporation wholly owned by the Trust formed and operated for the purpose of holding a particular Real Property or Real Properties or for any other purpose relating to the activities of the Trust, and provided further that, notwithstanding anything contained in the Declaration of Trust to the contrary, the Trust may acquire securities of other real estate investment trusts;
5. except as otherwise prohibited in the Declaration of Trust, the Trust may invest in interests (including fee ownership and leasehold interests) in income-producing Real Property that is capital property of the Trust;
6. the Trust shall not acquire any single investment in real property (whether directly or indirectly through its interest in a trust, limited partnership or corporation) if the cost to the Trust of such acquisition (including encumbrances assumed) will exceed 20% of the Gross Book Value calculated following such purchase;
7. the Trust shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in Real Property that is capital property of the Trust;
8. the Trust shall not invest directly in operating businesses unless such investment is through a corporation, limited partnership or trust;
9. subject to section 2, the Trust may invest directly in raw land for development properties adjacent to existing properties of the Trust provided such investment is through a corporation, limited partnership or trust established for the purpose of (i) the renovation or expansion of existing facilities that are capital property of the Trust, or (ii) the development of new facilities which will be capital property of the Trust;
10. the Trust may invest in mortgages or mortgage bonds (including, with the consent of a majority of the Trustees, a participating or convertible mortgage) where:
  - 10.1 the Real Property which is security therefore is income-producing Real Property which otherwise meets the general investment guidelines of the Trust adopted by the Trustees from time to time in accordance with the Declaration of Trust and the restrictions set out therein; and
  - 10.2 the aggregate value of the investments of the Trust in these mortgages, after giving effect to the proposed investment, will not exceed 20% of the Adjusted Unitholders’ Equity;
11. the Trust may invest in mortgages if the primary intention is to use the acquisition of the mortgages as a method of acquiring control of income-producing Real Property which would otherwise meet the investment guidelines of the Trust and provided the aggregate value of the investments of the Trust in these mortgages, after giving effect to the proposed investment, will not exceed 20% of the Adjusted Unitholders’ Equity; and
12. subject to section 2 above, the Trust may invest an amount (which, in the case of an amount invested to acquire Real Property, is the purchase price less the amount of any indebtedness assumed or incurred by the Trust and secured by a mortgage on such property) of up to 15% of the Adjusted Unitholders’ Equity of the Trust in investments or transactions which do not comply with sections 4, 5, 10 and 11 above or section 3 under the heading “Investment Guidelines and Operating Policies – Operating Policies”.

For the purpose of the foregoing guidelines, the assets, liabilities and transactions of a corporation or other entity wholly or partially owned by the Trust will be deemed to be those of the Trust on a proportionate consolidation basis. In addition, any references in the foregoing to investment in Real Property will be deemed to include an investment in a

joint venture arrangement. Nothing in the guidelines prohibits the Trust from holding or assigning some or all of the receivables due pursuant to any instalment receipt agreement.

Except as specifically set forth herein to the contrary, all of the foregoing prohibitions, limitations or requirements for investment shall be determined as at the date of investment by the Trust.

### **Operating Policies**

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

1. (i) any written instrument creating an obligation which is or includes the granting by the Trust of a mortgage, and (ii) to the extent the Trustees determine to be practicable and consistent with their duty to act in the best interests of the Unitholders, any written instrument which is, in the judgement of the Trustees, a material obligation, shall contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort shall not be had to, nor shall recourse or satisfaction be sought from, the private property of any of the Trustees, Unitholders, annuitants under a plan of which a Unitholder acts as a trustee or carrier, or officers, employees or agents of the Trust, but that only property of the Trust or a specific portion thereof shall be bound; the Trust, however, is not required, but shall use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the Trust upon the acquisition of Real Property;
2. the Trust shall not lease or sublease to any person any Real Property, premises or space where that person and its affiliates would, after the contemplated lease or sublease, be leasing or subleasing Real Property, premises or space having a fair market value net of encumbrances in excess of 20% of the Adjusted Unitholders' Equity of the Trust;
3. the limitation contained in subsection 2 shall not apply to the renewal or extension of a lease or sublease and shall not apply where the lessee or sublessee is, or where the lease or sublease is guaranteed (or an indemnity has been given) by:
  - 3.1 the Government of Canada, the Government of the United States, any province of Canada, any state of the United States or any municipality in Canada or the United States, or any agency thereof;
  - 3.2 any corporation, the bonds, debentures or other evidences of indebtedness of, or guaranteed by which, has received a rating from Standard & Poors of no less than investment grade (or equivalent from any other recognized credit rating agency) in each case, at the time the lease or sublease is entered into, or at the time other satisfactory leasing arrangements as determined by the Trustees, in their discretion, are entered into;
  - 3.3 a Canadian chartered bank registered federally or under the laws of a province of Canada; or
  - 3.4 Wal-Mart Canada Corp. and its related associates and affiliates.
4. the Trust may engage directly in construction or development to maintain its properties in good repair or to enhance the income producing ability of properties in which the Trust has an interest;
5. title to each Real Property shall be drawn up in the name of the Trustees or, to the extent permitted by applicable law, the Trust or a corporation or other entity wholly owned, directly or indirectly, by the Trust or jointly, directly or indirectly, by the Trust with joint venturers;
6. the Trust will not incur or assume any indebtedness if, after the incurring or assuming of the indebtedness, the total indebtedness of the Trust would be more than 60% of the Gross Book Value (65% if convertible debentures are outstanding). The Trustees may in their discretion use Fair Market Value in place of Gross Book

Value for the purposes of this subsection. For the purposes of this subsection the term “indebtedness” means (without duplication and excluding “non-controlling interests”) on a consolidated basis:

- 6.1 any obligation of the Trust for borrowed money;
- 6.2 any obligation of the Trust incurred in connection with the acquisition of property, assets or business;
- 6.3 any obligation of the Trust issued or assumed as the deferred purchase price of property;
- 6.4 any capital lease obligation of the Trust; and
- 6.5 any obligation of the type referred to in clauses 6.1 through 6.4 of another person, the payment of which the Trust has guaranteed or for which the Trust is responsible for or liable;

provided that (a) for the purposes of 6.1 through 6.4, an obligation (other than convertible debentures) will constitute indebtedness only to the extent that it would appear as a liability on the consolidated balance sheet of the Trust in accordance with generally accepted accounting principles; (b) obligations referred to in clauses 6.1 through 6.3 exclude trade accounts payable, distributions payable to Unitholders and accrued liabilities arising out of the ordinary course of business; and (c) convertible debentures will constitute indebtedness to the extent of the principal amount thereof outstanding;

- 7. the Trust shall not incur debt aggregating more than 20% of Gross Book Value (other than unsecured trade payables, accrued expenses and distributions payable) at floating interest rates or having a maturity of less than one year, not including term debt falling due in the next twelve months or variable rate debt for which the Trust has entered into interest rate swap agreements to fix the interest rate for a one year period or greater;
- 8. the Trust may directly or indirectly guarantee indebtedness or liabilities of a third party provided that such guarantee is related to the direct or indirect ownership or acquisition by the Trust of Real Property that would otherwise comply with the investment restrictions and operating guidelines set forth herein under the heading “Investment Guidelines and Operating Policies”;
- 9. the Trust shall be obliged to obtain an independent appraisal of any property acquired by the Trust that the Investment Committee determined, in its discretion, should be supported by an independent appraisal;
- 10. the Trust shall obtain and maintain at all times insurance coverage in respect of potential liabilities of the Trust and the accidental loss of value of the assets of the Trust from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practices of owners of comparable properties; and
- 11. the Trust shall have conducted a Phase I environmental audit of each Real Property to be acquired by it and, if the Phase I environmental audit report recommends a Phase II environmental audit be conducted, the Trust shall have conducted a Phase II environmental audit, in each case by an independent and experienced environmental consultant; such audit as a condition to any acquisition, shall be satisfactory to the Trustees. All new leases granted by the Trust shall contain appropriate covenants from the lessee respecting environmental matters as determined by the Trustees from time to time.

For the purposes of the foregoing policies, the assets, liabilities and transactions of a corporation or other entity wholly or partially owned by the Trust will be deemed to be those of the Trust on a proportionate consolidation basis. In addition, any references in the foregoing to investment in Real Property will be deemed to include an investment in a joint venture.

All of the foregoing prohibitions, limitations or requirements pursuant to the foregoing policies shall be determined as at the date of investment or other action by the Trust.

## MARKET FOR SECURITIES, TRADING PRICE AND VOLUME

### Units

The Units of the Trust are listed and posted for trading on the TSX under the trading symbol "CWT.UN". The following table sets forth the reported high and low sales prices and the trading volumes for the Units as reported by the TSX for the periods indicated:

	<u>Price Range</u>		<u>Trading Volume</u>
	<u>High</u>	<u>Low</u>	
<b>2002</b>			
November <sup>(1)</sup> .....	\$9.95	\$9.25	634,217
December .....	\$9.92	\$9.51	362,483
<b>Total for Period</b>			<b>996,700</b>
<b>2003</b>			
January .....	\$9.95	\$9.54	121,759
February .....	\$9.75	\$9.30	90,270
March .....	\$9.75	\$9.00	113,667
April .....	\$9.49	\$9.16	138,850
May .....	\$9.57	\$9.15	132,844
June .....	\$10.09	\$9.50	286,976
July .....	\$10.00	\$9.82	306,376
August .....	\$10.66	\$9.84	441,470
September .....	\$11.25	\$10.61	890,346
October .....	\$11.72	\$10.85	485,639
November .....	\$13.48	\$11.20	553,878
December .....	\$14.08	\$13.20	544,632
<b>Total for Period</b>			<b>4,106,707</b>
<b>2004</b>			
January .....	\$14.55	\$13.55	1,589,902
February .....	\$16.25	\$14.20	3,657,904
March .....	\$17.09	\$15.92	2,641,372
April .....	\$16.80	\$14.00	2,094,417
May .....	\$14.90	\$13.16	2,108,755
June .....	\$14.95	\$14.50	1,335,421
July .....	\$15.38	\$14.68	1,068,254
August .....	\$16.48	\$15.20	2,944,774
September .....	\$17.28	\$16.00	1,803,245
October .....	\$17.84	\$16.61	1,402,815
November .....	\$18.37	\$17.20	1,584,347
December .....	\$19.10	\$17.85	1,080,106
<b>Total for Period</b>			<b>23,311,312</b>
<b>2005</b>			
January .....	\$19.22	\$18.09	1,059,252
February .....	\$19.63	\$18.65	979,792
March .....	\$19.38	\$17.00	1,703,785
April .....	\$19.59	\$17.40	1,129,906
May .....	\$20.75	\$18.75	1,157,531
June .....	\$21.65	\$20.20	2,027,512
July .....	\$23.85	\$21.30	2,160,709
August .....	\$24.19	\$22.33	2,883,646
September .....	\$25.89	\$22.35	2,149,361
October .....	\$25.75	\$20.60	2,397,884
November .....	\$24.30	\$21.63	2,591,328
December .....	\$23.75	\$22.56	3,049,345
<b>Total for Period</b>			<b>23,290,051</b>

	<u>Price Range</u>		<u>Trading Volume</u>
	<u>High</u>	<u>Low</u>	
<b>2006</b>			
January .....	\$26.25	\$23.15	4,949,360
February .....	\$26.34	\$23.42	3,034,567
March .....	\$27.75	\$25.26	3,343,298
April .....	\$26.50	\$24.25	2,423,007
May .....	\$25.19	\$23.82	3,851,245
June .....	\$24.83	\$22.32	3,167,477
July .....	\$26.08	\$24.13	2,123,510
August .....	\$25.80	\$24.29	2,087,520
September .....	\$27.67	\$25.10	3,023,279
October .....	\$29.40	\$26.37	3,157,724
November .....	\$30.39	\$26.25	4,699,701
December .....	\$28.57	\$27.45	3,423,474
<b>Total for Period</b>			<b>39,284,162</b>
<b>2007</b>			
January .....	\$29.79	\$27.17	6,646,015
February .....	\$29.76	\$27.64	5,315,441
<b>Total for Period</b>			<b>11,961,456</b>

**Note:**

(1) The Units commenced trading on the TSX on November 4, 2002.

**6% Convertible Debentures**

The 6% Convertible Debentures of the Trust are listed and posted for trading on the TSX under the trading symbol "CWT.DB". The following table sets forth the reported high and low sales prices, the volume traded and the value traded for the 6% Convertible Debentures as reported by the TSX for the periods indicated:

	<u>Price Range</u>		<u>Volume Traded</u>	<u>Value Traded</u>
	<u>High</u>	<u>Low</u>		
<b>2004</b>				
May <sup>(1)</sup> .....	\$98.50	\$92.50	78,680	\$7,491,494.50
June .....	\$97.00	\$93.52	35,860	\$3,429,961.00
July .....	\$98.50	\$94.01	23,050	\$2,217,066.70
August .....	\$99.75	\$97.25	25,570	\$2,515,717.70
September .....	\$102.00	\$97.60	55,560	\$5,548,731.50
October .....	\$104.99	\$100.25	51,190	\$5,251,988.80
November .....	\$108.25	\$102.00	67,840	\$7,123,918.80
December .....	\$112.96	\$103.71	121,600	\$13,412,868.90
<b>Total for Period</b>			<b>459,350</b>	<b>\$46,991,747.90</b>
<b>2005</b>				
January .....	\$113.99	\$104.85	44,360	\$4,837,927.50
February .....	\$115.38	\$108.41	30,820	\$3,480,901.50
March .....	\$113.50	\$102.00	17,621	\$1,935,975.96
April .....	\$114.02	\$105.00	22,660	\$2,506,523.10
May .....	\$121.30	\$110.72	37,690	\$4,378,244.20
June .....	\$127.00	\$117.09	97,465	\$12,085,423.20
July .....	\$137.00	\$125.00	24,770	\$3,273,375.00
August .....	\$140.25	\$126.09	25,500	\$3,468,970.10
September .....	\$148.00	\$125.00	11,680	\$1,637,766.90
October .....	\$147.00	\$121.74	16,740	\$2,266,793.60
November .....	\$141.00	\$127.10	14,270	\$1,899,945.90

	<u>Price Range</u>		<u>Volume Traded</u>	<u>Value Traded</u>
	<u>High</u>	<u>Low</u>		
December.....	\$139.40	\$135.50	2,160	\$295,968.00
<b>Total for Period</b>			<b>345,736</b>	<b>\$42,067,814.96</b>
<b>2006</b>				
January.....	\$151.50	\$136.00	5,420	\$780,323.80
February.....	\$151.52	\$140.00	11,000	\$1,607,821.00
March.....	\$161.00	\$148.24	7,540	\$1,181,877.90
April.....	\$154.25	\$142.00	18,720	\$2,802,971.80
May.....	\$145.00	\$139.40	5,390	\$772,512.50
June.....	\$144.10	\$133.84	11,720	\$1,648,680.20
July.....	\$149.00	\$141.62	4,790	\$698,397.00
August.....	\$150.00	\$142.52	3,160	\$462,741.80
September.....	\$160.10	\$149.99	2,000	\$310,843.10
October.....	\$168.85	\$150.04	5,360	\$846,357.40
November.....	\$175.25	\$158.02	3,870	\$657,855.80
December.....	\$164.63	\$159.02	1,710	\$278,782.90
<b>Total for Period</b>			<b>80,680</b>	<b>\$12,049,165.20</b>
<b>2007</b>				
January.....	\$168.16	\$151.04	1,850	\$297,047.30
February.....	\$172.00	\$160.02	1,460	\$241,533.20
<b>Total for Period</b>			<b>3,310</b>	<b>\$538,580.50</b>

**Note:**

(1) The 6% Convertible Debentures commenced trading on the TSX on May 14, 2004.

**RISK FACTORS**

An investment in securities of Calloway involves a number of risks and uncertainties. This section describes the general material risks that management of Calloway believes may impact Calloway and the holders of its securities. If any of the following risks actually occur, Calloway's business, results of operations and financial condition, and the amount of cash available for distribution to Unitholders, could suffer. Further, the risks described below are not the only risks that Calloway faces. Additional risks not currently known to management of Calloway or that are currently deemed immaterial also may have a negative impact on Calloway and the holders of its securities.

**Risks Relating to the Business***Real Property Ownership*

All real property investments are subject to elements of risk. Such investments are affected by general economic conditions, local real estate markets, supply and demand for leased premises, competition from other available premises and various other factors. The nature of real property ownership involves competing against other landlords that may have greater resources or expertise than Calloway.

The value of real property and any improvements thereto may also depend on the credit and financial stability of the tenants and upon the vacancy rates of Calloway's portfolio of income producing properties. Calloway's Adjusted Funds From Operations would be adversely affected if a significant number of tenants were to become unable to meet their obligations under their leases or if a significant amount of available space in the properties in which Calloway has an interest were not able to be leased on economically favourable lease terms. In addition, the Adjusted Funds From Operations of Calloway would be adversely affected by increased vacancies in Calloway's portfolio of income producing properties. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to Calloway than the existing lease. In the event of default by a tenant, delays or limitations in

enforcing rights as lessor may be experienced and substantial costs in protecting Calloway's investment may be incurred. Furthermore, at any time, a tenant of any of Calloway's properties may seek the protection of bankruptcy, insolvency or similar laws that could result in the rejection and termination of such tenant's lease and thereby cause a reduction in the cash flow available to Calloway. The ability to rent unleased space in the properties in which Calloway has an interest will be affected by many factors. Costs may be incurred in making improvements or repairs to property. The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on Calloway's financial condition.

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 any income. If Calloway is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale.

Real property investments tend to be relatively illiquid with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. If Calloway were to be required to liquidate its real property investments, the proceeds to Calloway might be significantly less than the aggregate carrying value of its properties.

Calloway will be subject to the risks associated with debt financing on its properties and it may not be able to refinance its properties on terms that are as favourable as the terms of existing indebtedness. In order to minimize this risk, Calloway attempts to appropriately structure the timing of the renewal of significant tenant leases on the properties in relation to the time at which mortgage indebtedness on such properties becomes due for refinancing.

Calloway, as a result of recent acquisitions, has become reliant on the retail shopping centre market in general and on Wal-Mart in particular in meeting its financial targets. Significant deterioration of the retail shopping centre market in general or the financial health of Wal-Mart in particular could have an adverse effect on Calloway's business, financial condition or results of operations.

#### *Debt Financing*

As at December 31, 2006, Calloway had outstanding indebtedness of approximately \$1,963.4 million, of which approximately \$563.9 million was principal payments and debt maturing prior to January 1, 2012. In addition, approximately 0.6% of Calloway's indebtedness, as a percentage of Gross Book Value, was variable rate debt as at December 31, 2006. See "Overview of the Property Portfolio - Financing".

The ability of Calloway to make cash distributions or make other payments or advances is subject to applicable laws and contractual restrictions contained in the instruments governing its indebtedness. The degree to which Calloway is leveraged could have important consequences to the holders of its securities, including: that Calloway's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; that a significant portion of Calloway's cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations and distributions; that certain of Calloway's borrowings may be at variable rates of interest, which exposes it to the risk of increased interest rates; and that Calloway may be vulnerable to economic downturns including Calloway's ability to retain and attract tenants. Also, there can be no assurance that Calloway will continue to generate sufficient cash flow from operations to meet required interest and principal payments. Further, Calloway is subject to the risk that any of its existing indebtedness may not be able to be refinanced upon maturity or that the terms of such financing may not be as favourable as the terms of its existing indebtedness. These factors may adversely affect Calloway's cash distributions.

Calloway's various credit facilities provide first charge security interests on most of the properties in its portfolio of income producing properties, to the various lenders. These credit facilities contain numerous terms and covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of Calloway to create liens or other encumbrances, to pay distributions on its Units or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the credit facilities contain a number of financial covenants that require Calloway to meet certain financial ratios and financial condition tests. For example, certain of Calloway's loans require specific loan to value and debt service coverage ratios which must be maintained by Calloway. A failure to comply with the obligations in the credit facilities could result in a default which, if not cured or waived, could result in a reduction or

termination of distributions by Calloway and permit acceleration of the relevant indebtedness. If the indebtedness under the credit facilities were to be accelerated, there can be no assurance that the assets of Calloway would be sufficient to repay in full that indebtedness.

#### *General Uninsured Losses*

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

#### *Development Risks*

As a result of Calloway's recent entry into the property development business in its own right, Calloway is now also subject to the risks usually attributable to development projects, which include: (i) construction or other unforeseeable delays; (ii) cost overruns; and (iii) the failure of tenants to occupy and pay rent in accordance with lease agreements, some of which are conditional.

#### *Future Property Acquisitions*

Calloway's success depends in large part on identifying suitable acquisition and development opportunities, pursuing such opportunities, consummating acquisitions and acquiring developments, and effectively operating the properties it acquires. If Calloway is unable to manage its growth effectively, its business, operating results and financial condition could be adversely affected.

#### *Competition for Real Property Investments*

Calloway competes for suitable real property investments with individuals, corporations, other real estate investment trusts and similar vehicles, and institutions (both Canadian and foreign) which are presently seeking or which may seek in the future real property investments similar to those desired by Calloway. Many of these investors have greater financial resources than Calloway, or operate without Calloway's investment restrictions, or according to more flexible conditions. An increase in the availability of investment funds, and an increase in interest in real property investments, would tend to increase competition for real property investments thereby increasing purchase prices and reducing the yield thereon.

#### *Environmental Matters*

As an owner of real property, Calloway will be subject to various federal, provincial, territorial and municipal laws relating to environmental matters. Such laws provide that Calloway could be liable for the costs of removal of certain hazardous substances and remediation of certain hazardous locations. The failure to remove or remediate such substances or locations, if any, could adversely affect Calloway's ability to sell such real estate or to borrow using such real estate as collateral and could potentially also result in claims against Calloway. Calloway is not aware of any material non-compliance with environmental laws at any of its properties. Calloway is also not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties or any pending or threatened claims relating to environmental conditions at its properties. Calloway has policies and procedures to review and monitor environmental exposure. It is Calloway's operating policy to obtain a Phase I environmental assessment and (if recommended in the Phase I environmental assessment) a Phase II environmental assessment, each of which are to be conducted by an independent and experienced environmental consultant prior to acquiring a property.

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



the future. Compliance with more stringent environmental laws and regulations could have an adverse effect on Calloway's business, financial condition or results of operation.

#### *Land Leases*

To the extent the properties in which Calloway has or will have an interest are located on leased land, the land leases may be subject to periodic rate resets that may fluctuate and may result in significant rental rate adjustments.

#### *Potential Conflicts of Interest*

Calloway may be subject to various conflicts of interest because of the fact that the Trustees and executive management, and their associates, are engaged in a wide range of real estate and other business activities. Calloway may become involved in transactions which conflict with the interests of the foregoing. The Trustees, executive management and their associates or affiliates may from time to time deal with persons, firms, institutions or corporations with which Calloway may be dealing, or which may be seeking investments similar to those desired by Calloway. The interests of these persons could conflict with those of Calloway. In addition, from time to time, these persons may be competing with Calloway for available investment opportunities. The Declaration of Trust contains "conflicts of interest" provisions requiring Trustees to disclose material interests in material contracts and transactions and refrain from voting.

Kevin Pshebniski has disclosed in writing that, as an officer of Hopewell Development Corporation, a Calgary based real estate developer with which Calloway has entered into a development agreement, he will be interested in any contract or transaction, or proposed contract or transaction, with that company and its affiliates. David Calnan is a partner of Shea Nerland Calnan, a law firm that provides legal services to Calloway. Mitchell Goldhar has disclosed in writing that, as a director, officer and significant shareholder of SmartCentres, he will be interested in any contract or transaction or proposed contract or transaction with SmartCentres and its affiliates. Peter Forde has disclosed in writing that, as an officer of SmartCentres he will be interested in any contract or transaction or proposed contract or transaction, with SmartCentres and its affiliates.

#### *Capital Requirements*

Calloway accesses the capital markets from time-to-time. If Calloway were to be unable to raise additional funds through the issuance of debt, equity or equity-related securities, certain of its acquisition or development activities may be curtailed. Furthermore, Calloway may not be able to raise additional funds on favourable terms.

#### *Reliance on Key Personnel*

Management of Calloway depends on the services of certain key personnel. Investors who are not prepared to rely on this management should not invest in Units. The loss of the services of key personnel could have an adverse effect on Calloway. Calloway does not have key man insurance on any of its key employees.

#### *Trustees*

The Trustees, with the exception of Simon Nyilassy, will not devote their full time and attention to the affairs of Calloway. In addition, SmartCentres has the ability to appoint members to the board of Trustees and certain committees of the board of Trustees disproportionate to their relative percentage ownership in Trust Units. See "Declaration of Trust and Description of Units - Trustees".

### **Risks Relating to the Units**

#### *Potential Volatility of Unit Prices*

The price for the Units could be subject to wide fluctuations in response to quarter-to-quarter variations in operating results, the gain or loss of significant properties, changes in income estimates by analysts and market conditions in the industry, as well as general economic conditions or other risk factors set out herein. In addition, stock markets have experienced volatility

that has affected the market prices for many issuers' stocks and that often has been unrelated to the operating performance of such issuers. These market fluctuations may adversely affect the market price of the Units.

A publicly traded real estate investment trust will not necessarily trade at values determined solely by reference to the underlying value of its real estate assets. Accordingly, the Units may trade at a premium or a discount to the underlying value of Calloway's real estate assets.

One of the factors that may influence the market price of the Units is market interest rates relative to the monthly cash distributions of Calloway to the Unitholders. An increase in market interest rates or a decrease in monthly cash distributions by Calloway could adversely affect the market price of the Units. In addition, the market price for the Units may be affected by changes in general market conditions, fluctuations in the markets for equity securities and numerous other factors beyond the control of Calloway.

*Cash Distributions are Not Guaranteed and will Fluctuate with Calloway's Performance*

A return on an investment in Units of Calloway is not comparable to the return on an investment in a fixed-income security. The recovery of an investment in Units is at risk, and any anticipated return on an investment in Units is based on many performance assumptions.

Although Calloway intends to make distributions of a significant percentage of its available cash to its Unitholders, these cash distributions are not assured and may be reduced or suspended. The ability of Calloway to make cash distributions and the actual amount distributed will be dependant upon, among other things, the financial performance of the properties in its Property Portfolio, its debt covenants and obligations, its working capital requirements and its future capital requirements. In addition, the market value of the Units may decline for a variety of reasons including if Calloway is unable to meet its cash distribution targets in the future, and that decline may be significant.

It is important for a person making an investment in Units of Calloway to consider the particular risk factors that may affect both Calloway and the real estate industry in which Calloway operates and which may therefore affect the stability of the cash distributions on the Units of Calloway. See the other risk factors set out in this section which describes Calloway's assessment of those risk factors, as well as the potential consequences to a Unitholder if a risk should occur. Also see the section of this annual information form entitled "Ratings on Securities".

*Return of Capital*

The after-tax return from an investment in Units to Unitholders that is subject to Canadian income tax can be made up of both a "return on" and a "return of" capital. That composition may change over time, thus affecting a Unitholder's after-tax return. Returns on capital are generally taxed as ordinary income, capital gains or as dividends in the hands of a Unitholder. Returns of capital are generally tax-deferred (and reduce the Unitholder's cost base in the unit for tax purposes).

*Availability of Cash Flow*

Cash distributions to Unitholders may be reduced from time to time if such distributions would exceed the cash obligations of the Trust from time to time due to items such as principal repayments, tenant allowances, leasing commissions and capital expenditures and redemption of Units, if any. Calloway may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. Calloway anticipates temporarily funding such items, if necessary, through an operating line of credit in expectation of refinancing long-term debt on its maturity.

*Tax Related Risk Factors*

*Income Trust Proposals*

2006 Proposed Tax Changes

On December 21, 2006, the Minister of Finance (Canada) released draft amendments to the Tax Act to implement

changes to the taxation of income trusts announced on October 31, 2006 as part of its “Tax Fairness Plan” (the “2006 Proposed Tax Changes”). The 2006 Proposed Tax Changes would change the manner in which certain flow-through entities and the distributions from such entities are taxed. Under the 2006 Proposed Tax Changes, certain publicly-traded flow-through trusts and partnerships referred to as “specified investment flow-throughs” or “SIFTs” will be taxed in a manner similar to the taxation of corporations and investors in SIFTs will be treated in a manner similar to shareholders of a corporation. These changes will generally take effect beginning with the 2007 taxation year for SIFT trusts and SIFT partnerships that begin to be publicly-traded after October 2006. For SIFT trusts the units of which were publicly traded on October 31, 2006 (“Existing Trusts”) (other than Existing Trusts which qualify for the REIT Exception as described below), the 2006 Proposed Tax Changes are contemplated to apply commencing with taxation years ending in or after 2011. However, at the time of the announcement of the 2006 Proposed Tax Changes, the Minister of Finance (Canada) indicated that there will be circumstances where an Existing Trust may lose its transitional relief, including where the Existing Trust undergoes “undue expansion”. On December 15, 2006, the Department of Finance released guidelines indicating how much an Existing Trust will be permitted to grow before losing its transitional relief.

The Minister of Finance (Canada) invited constructive commentary on the technical aspects of the draft amendments to the Tax Act prior to January 31, 2007, following which legislation to implement all components of the Tax Fairness Plan would be introduced. Such legislation has not yet been introduced. The summary below is based strictly on the general information found in the background paper issued by the Minister of Finance (Canada) at the time of the announcement (the “Backgrounder”) which is not legislation, various guidelines released by the Minister of Finance (Canada) (the “Guidelines”) which are also not legislation, and the draft amendments to the Tax Act released on December 21, 2006. There can be no assurance that the final form of the 2006 Proposed Tax Changes will be as summarized below.

#### The Proposed New Taxation Regime

Pursuant to the 2006 Proposed Tax Changes, a “specified investment flow-through” trust (a “SIFT trust”) will be prevented from deducting any part of the amounts payable to its unitholders in respect of (i) income from a business it carries on in Canada or from a “non-portfolio property” (exceeding any losses for the taxation year from a business it carries on in Canada or non-portfolio property); and (ii) taxable capital gains from its dispositions of non-portfolio properties (exceeding its allowable capital losses from the disposition of such properties). For these purposes, “non-portfolio properties” of a trust include properties held by the trust that are (i) certain securities in a “subject entity” that (a) have a total fair market value that is greater than 10% of the equity value of the subject entity, or (b) together with any securities that the trust holds of entities affiliated with the subject entity have a total fair market value that is greater than 50% of the equity value of the trust itself; (ii) Canadian resource properties, timber resource properties and real property situated in Canada if the total fair market value of the trust’s Canadian resource properties, timber resource properties and real property situated in Canada is greater than 50% of the equity value of the trust itself; and (iii) property that the trust (or a non-arm’s length person or partnership) uses in the course of carrying on a business in Canada. A subject entity will include corporations resident in Canada, trusts resident in Canada, Canadian resident partnerships as defined in the 2006 Proposed Tax Changes and a non resident person or partnership other than a Canadian resident partnership the principal source of income of which is one or any combination of sources in Canada. A deduction is permitted for dividends received by a SIFT trust. Income which a SIFT trust is unable to deduct will be taxed in the SIFT trust at rates of tax similar to the combined federal and provincial corporate tax rate. Distributions that are paid as returns of capital will not attract this tax. Pursuant to the 2006 Proposed Tax Changes, distributions of income of a SIFT trust received by its unitholders that are not deductible to the SIFT trust will be treated as taxable dividends from a taxable Canadian corporation in the hands of the unitholders. Pursuant to the 2006 Proposed Tax Changes, such distributions may be eligible for the enhanced gross-up and dividend tax credit.

#### The REIT Exception

The 2006 Proposed Tax Changes will apply to SIFT trusts, which will include publicly traded income trusts resident in Canada. However, a publicly traded income trust that is a “real estate investment trust” as defined in the draft amendments that would otherwise be a SIFT trust will be excluded from the SIFT trust definition and will therefore not be subject to the 2006 Proposed Tax Changes (the “REIT Exception”). For these purposes, real estate investment trusts are defined to include trusts that are resident in Canada throughout the taxation year and that meet a series of conditions relating to the nature of their income and investments. Specifically, in order for a trust to qualify for the REIT Exception for a given taxation year (i) the trust must, at no time in the taxation year, hold non-portfolio property, as defined above,

other than real properties situated in Canada, (ii) not less than 95% of the trust's income for the year must be income from properties and gains from the disposition of real properties, (iii) not less than 75% of the trust's income for the year must be directly or indirectly attributable to rents from, mortgages on, or gains from the disposition of, real properties situated in Canada, and (iv) the trust must, throughout the taxation year, hold real properties situated in Canada, cash and debt or other obligations of governments in Canada with a total fair market value that is not less than 75% of the trust's equity value. For these purposes "real properties situated in Canada" does not include depreciable property, the capital cost allowance rate for which is greater than 5%. The 2006 Proposed Tax Changes provide that a "look-through" rule will apply so that a trust could qualify as a real estate investment trust where it holds its Canadian real properties either directly or indirectly through intermediate entities.

#### Risks Related to the 2006 Proposed Tax Changes

There can be no assurance that the 2006 Proposed Tax Changes will be enacted into law in the form proposed or at all or that the final legislation will be consistent with the Background, Guidelines or draft amendments to the Tax Act and, accordingly, there can be no assurance that Calloway will or will not qualify for the REIT Exception. There can also be no assurance that further review of the tax treatment of flow-through entities will not be undertaken or that Canadian federal income tax law respecting flow-through entities or the 2006 Proposed Tax Changes will not be further changed in a manner which adversely affects Calloway and Unitholders. To the extent that changes are made to the 2006 Proposed Tax Changes, such changes could result in the Canadian federal income tax considerations previously applicable to Calloway and its Unitholders, and those currently contemplated being applicable to Calloway and its Unitholders, being materially different in certain respects and such changes may be materially adverse to Calloway and its Unitholders.

**The 2006 Proposed Tax Changes, as currently drafted, do not fully accommodate the current business structure used by many Canadian real estate investment trusts and contain a number of technical tests that many Canadian real estate investment trusts may find difficult to satisfy. If the 2006 Proposed Tax Changes are enacted as proposed, Calloway may not qualify for the REIT Exception, and may be subject to the 2006 Proposed Tax Changes;** however, no final determination can be made until the legislation incorporating the 2006 Proposed Tax Changes Proposals is released. Assuming that Calloway qualifies for the REIT Exception, Calloway intends to structure its business and affairs so that it will continue to qualify for such exception. If, once the legislation incorporating the 2006 Proposed Tax Changes is released, it is determined that Calloway does not qualify for the REIT Exception, Calloway will consider reorganizing its assets and operations in order to qualify for such exception, provided such a reorganization is in the best interests of Calloway and its Unitholders. However, if any such reorganization is necessary in order to qualify for the REIT Exception, Calloway may not be able to continue to grow through the acquisition of significant amounts of income producing properties until the completion of such reorganization without attracting an application of the 2006 Proposed Tax Changes earlier than the 2011 taxation year. If it is determined that Calloway does not qualify for the REIT Exception, and Calloway does not reorganize its assets and operations in order to qualify for such exception prior to the application of the 2006 Proposed Tax Changes to Calloway and its Unitholders, the application of the 2006 Proposed Tax Changes would be expected to have a negative effect on Calloway and its Unitholders. Among other potential negative consequences to Calloway and its Unitholders, the 2006 Proposed Tax Changes may impact the future level of cash distributions made by Calloway. In particular, there can be no assurance that Calloway will be able to maintain the current level of distributions and the current portion of distributions that is treated as a non-taxable return of capital. If Calloway is not able to maintain or grow its current level of cash distributions, the market value of Calloway's Units may be negatively affected.

#### Changes in Legislation

There can be no assurance that Canadian federal income tax laws respecting the treatment of mutual fund trusts, including real estate investment trusts, will not be changed in a manner which adversely affects the holders of Units.

#### Qualification as a "Mutual Fund Trust" or Registered Investment

If Calloway ceases to qualify as a "mutual fund trust" or "registered investment" under the Tax Act, the income tax considerations for Unitholders would be materially and adversely different in certain respects, including that Units may cease to be qualified investments for Plans and may become foreign property for Plans and other tax-exempt entities. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

*Distributions Payable In Units*

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

*Tax Deferred Distributions*

The extent to which distributions will be tax deferred in the future will depend in part on the extent to which Calloway is able to deduct capital cost allowance relating to properties directly held by Calloway.

*Structural Subordination of the Units*

In the event of a bankruptcy, liquidation or reorganization of Calloway or 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 Calloway or its subsidiaries before any assets are made available for distribution to the Trust. The Units will be effectively subordinated to most of the indebtedness and other liabilities of Calloway and its subsidiaries. Neither Calloway nor its subsidiaries will be limited in their ability to incur secured or unsecured indebtedness.

*Redemption Right*

It is anticipated that the redemption right will not be the primary mechanism for Unitholders to liquidate their investments. Further, the entitlement of holders of Units to receive cash upon the redemption of their Units is subject to the limitations. Also, securities and/or obligations of the Trust or held by the Trust which may be distributed in specie to Unitholders in connection with a redemption will not be listed on any stock exchange and no established market is expected to develop for such securities and/or obligations. See "Declaration of Trust and Description of Units - Redemption Right".

*Distribution of Securities on Redemption or Termination of the Trust*

Upon a redemption of Units or termination of the Trust, the Trustees may distribute securities and/or obligations of the Trust or held by the Trust directly to the Unitholders, subject to obtaining any required regulatory approvals. Such securities and/or obligations so distributed may not be qualified investments for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, depending upon the circumstances at the time. Further, no established market may exist for the securities so distributed at the time of the distribution and no market may ever develop. See "Declaration of Trust and Description of Units - Redemption Right".

*Unitholder Liability*

On July 1, 2004, the *Income Trusts Liability Act* (Alberta) came into force. This act creates a statutory limitation on the liability of unitholders of income trusts governed by the laws of the Province of Alberta. The legislation states that an income trust is governed by the laws of Alberta if its declaration of trust or other constating document contains a provision to that effect. Calloway's Declaration of Trust contains such a provision. The legislation provides that a Unitholder will not be, as a beneficiary, liable for any act, default, obligation or liability of the Trustees that arises after the legislation comes into effect. However, the legislation has not yet been judicially considered and it is possible that reliance upon the legislation by a Unitholder could be successfully challenged on jurisdictional or other grounds.

Further, the Declaration of Trust provides that no Unitholder will be subject to any liability in connection with Calloway or its obligations and affairs and, in the event that a court determines Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, the Unitholder's share of Calloway's assets. Pursuant to the

Declaration of Trust, Calloway will reimburse each Unitholder from any cost, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of any payment of a Calloway obligation by a Unitholder.

Further, the Declaration of Trust provides that written instruments signed by or on behalf of Calloway shall, if practicable, contain a provision to the effect that such obligation will not be binding upon Unitholders personally. Notwithstanding the terms of the Declaration of Trust, Unitholders may not be protected from liabilities of Calloway to the same extent as a shareholder is protected from the liabilities of a corporation. Personal liability may also arise in respect of claims against Calloway (to the extent that claims are not satisfied by Calloway) that do not arise under contracts, including claims in tort, claims for taxes and possibly certain other statutory liabilities.

The business of Calloway will be conducted, upon the advice of counsel, in such a way and in such jurisdictions as to avoid as far as possible any material risk of liability to the Unitholders for claims against Calloway including, where commercially reasonable, by obtaining appropriate insurance, where available, for the operations of Calloway and, where commercially reasonable, having written agreements signed by or on behalf of Calloway include a provision that such obligations are not binding upon Unitholders personally.

However, in conducting its affairs, Calloway will be acquiring, and has acquired, real property investments subject to existing contractual obligations, including obligations under mortgages and leases. The Trustees will use all reasonable efforts to have any such obligations under mortgages on its properties and material contracts, other than leases, modified so as not to have such obligations binding upon any of the Unitholders or annuitants personally. However, Calloway may not be able to obtain such modification in all cases. To the extent that claims are not satisfied by Calloway, there is a risk that a Unitholder or annuitant will be held personally liable for obligations of Calloway where the liability is not disavowed as described above.

#### *Nature of Units*

Securities such as the Units share certain, though not all, attributes common to shares of a company. As holders of Units, Unitholders will not have the statutory rights normally associated with ownership of shares of a company including, for example, the right to bring “oppression” or “derivative” actions.

Further, the Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporations Act* (Canada) and are not insured under the provisions of the Act or any other legislation.

#### *Dilution*

Calloway is authorized to issue an unlimited number of Units. Any issuance of Units may have a dilutive effect on existing Unitholders.

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

Further, according to reports filed under applicable Canadian securities legislation, Mitchell Goldhar of Vaughan, Ontario currently beneficially owns or controls a number of the outstanding units of the Trust which, together with the securities he beneficially owns or controls which are exchangeable at his option for units of the Trust for no additional consideration and the associated Special Voting Units, represent approximately 22.6% voting interest in the Trust. Further, according to the above mentioned reports, Mr. Goldhar currently beneficially owns or controls additional rights to acquire Units of the Trust which, if exercised or converted, would result in him increasing his beneficial economic and voting interest in the Trust to as much as approximately 33.0%. Notwithstanding the foregoing, the Declaration of Trust provides that if in any given 365 day period in the five year period from July 1, 2005, the average weighted aggregate number of Special Voting Units plus Units held or controlled by Mitchell Goldhar, companies controlled by Mitchell Goldhar or affiliates of such companies (collectively referred to herein as “SmartCentres”) is equal to or greater than 15,000,000, then so long as Mr. Mitchell Goldhar remains a Trustee and SmartCentres directly or indirectly beneficially owns or controls less than 25% of the voting rights attached to all voting securities of the Trust, the Trust shall issue such number of additional Special Voting Units which will entitle SmartCentres to cast 25% of the votes attached to all voting securities of Calloway at a meeting of the holders of Units and Special Voting Units. SmartCentres’ entitlement under this clause shall extend for an additional five year period should SmartCentres sell in aggregate at least \$800,000,000 of freehold assets (including freehold interests in assets sold under development arrangements) to the Trust or its affiliates

during the initial 5 year period, provided that number of Units and Special Voting Units held or controlled by SmartCentres shall be increased to the lesser of 20,000,000 or 20% of the aggregate issued and outstanding Units plus Special Voting Units and provided that Mr. Mitchell Goldhar remains a trustee of Calloway. If Mr. Goldhar sells substantial amounts of Units in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such effect. As a result of his voting interest in the Trust, Mr. Goldhar may be able to exert significant influence over matters that are to be determined by votes of the Voting Unitholders of the Trust. The timing and receipt of any takeover or control premium by Unitholders could depend on the determination of Mr. Goldhar as to when to sell Units. This could delay or prevent a change of control that would be attractive to, and provide liquidity for, Unitholders, and could limit the price that investors are willing to pay in the future for Units.

## **Risks Relating to the Debentures**

### *Credit Ratings*

Credit ratings are intended to provide investors with an independent measure of credit quality of an issue of securities. The credit ratings accorded to the 4.51% Debentures and the 5.37% Debentures are not a recommendation to purchase, hold or sell the 4.51% Debentures and the 5.37% Debentures inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There is no assurance that these ratings will remain in effect for any given period of time or that these ratings will not be revised or withdrawn entirely by DBRS in the future if in its judgment circumstances are so warranted. Real or anticipated changes in credit ratings on the 4.51% Debentures and the 5.37% Debentures may affect the market value of the 4.51% Debentures and the 5.37% Debentures. In addition, real or anticipated changes in credit ratings can affect the cost at which Calloway can access the debenture market. No credit rating has been provided for the 6% Convertible Debentures.

### **Structural Subordination of Debentures**

Liabilities of a parent entity with assets held by various subsidiaries may result in the structural subordination of the lenders of the parent entity. The parent entity is entitled only to the residual equity of its subsidiaries after all debt obligations of its subsidiaries are discharged. In the event of a bankruptcy, liquidation or reorganization of Calloway, holders of indebtedness of Calloway (including holders of Debentures) may become subordinate to lenders to the subsidiaries of Calloway.

Certain of the subsidiaries of Calloway have provided a form of guarantee pursuant to which the trustee for the 4.51% Debentures and the 5.37% Debentures is, subject to the indenture governing the 4.51% Debentures and the 5.37% Debentures, entitled to seek redress from such subsidiaries for the guaranteed indebtedness. These guarantees are intended to eliminate structural subordination which arises as a consequence of Calloway's assets being held in various subsidiaries. Although all subsidiaries which own material assets have provided a guarantee, not all subsidiaries of Calloway have provided such a guarantee. In addition, there can be no assurance that the trustee for the 4.51% Debentures and the 5.37% Debentures will, or will be able to, effectively enforce the guarantee. Note that no such guarantees have been provided with respect to the 6% Convertible Debentures.

### **Market Value Fluctuation**

Prevailing interest rates will affect the market value of the Debentures, as they carry a fixed interest rate. Assuming all other factors remain unchanged, the market value of the Debentures, which carry a fixed interest rate, will decline as prevailing interest rates for comparable debt instruments rise, and increase as prevailing interest rates for comparable debt instruments decline.

### **Trading Market for Debentures**

If the Debentures are traded by a holder after their acquisition by that holder, they may trade at a discount from their acquisition cost to the holder depending on prevailing interest rates, the market for similar securities, the performance of Calloway and other factors. No assurance can be given as to whether an active trading market will develop or be maintained for the Debentures. To the extent that an active trading market for the Debentures does not develop, the

liquidity and trading prices for the Debentures may be adversely affected. The 4.51% Debentures and the 5.37% Debentures are not listed for trading on any stock exchange.

### Statutory Remedies

Calloway is not a legally recognized entity within the relevant definitions of the *Bankruptcy and Insolvency Act*, the *Companies' Creditors Arrangement Act* and in some cases, the *Winding Up and Restructuring Act*. As a result, in the event a restructuring of Calloway were necessary, Calloway would not be able to access the remedies available thereunder. In the event of a restructuring, a holder of Debentures may be in a different position than a holder of secured indebtedness of a corporation.

## MANAGEMENT OF CALLOWAY

### General

An experienced and capable executive management team provides strategic direction to Calloway, subject to the supervision of the board of Trustees. Members of the executive management team have an extensive understanding of the commercial real estate industry in Calloway's target markets. The executive management of Calloway seeks to achieve and maintain geographic asset diversity, staggered lease maturities, staggered debt maturities, reasonable asset leverage, strong tenant covenants, high occupancy rates with contractual rental rate increases and appropriate capital improvement and redevelopment programs. All of Calloway's investments are subject to specific investment guidelines and the operations of Calloway are subject to specific operating policies. See "Investment Guidelines and Operating Policies".

### Trustees and Executive Officers of Calloway

The following table sets forth the name, age, municipality of residence, office held with Calloway, experience and principal occupation during at least the last five (5) years and the approximate number of Voting Units beneficially owned or controlled as of March 1, 2007 of each of the current Trustees and executive officers of Calloway:

<u>Name, Age and Municipality Of Residence</u>	<u>Current Office In Calloway<sup>(4)</sup></u>	<u>Principal Occupation</u>
Simon Nyilassy, 51 Toronto, Ontario	President, Chief Executive Officer and Trustee	President and Chief Executive Officer of Calloway Real Estate Investment Trust since July 8, 2005. Executive Vice-President Finance and Treasury of SmartCentres (formerly FirstPro Shopping Centres), a private shopping centre development company in Vaughan, Ontario, from November 2000 to July 8, 2005. Finance consultant from August 1998 to November 2000. Trustee of Calloway Real Estate Investment Trust since November, 2003. Mr. Nyilassy is a Chartered Accountant and has a Bachelor of Science degree from the University of Warwick (1976).
David M. Calnan <sup>(2)</sup> , 51 Calgary, Alberta	Secretary and Trustee	Partner of Shea Nerland Calnan, Barristers and Solicitors, from 1990 to present. Secretary and a Trustee of Calloway Real Estate Investment Trust since December 4, 2001.
Jamie M. McVicar <sup>(1)(3)</sup> , 48 Canmore, Alberta	Trustee	Chief Financial Officer then Vice President Finance and Administration at Devonian Properties Inc., a property development company, from October 2000 to present. President of Newell Post Developments Ltd., a property development company, from June 1998 to June 2000. Legal counsel for Oxford Development Group, a property development company, from 1988 to June 1998. Trustee of Calloway Real Estate Investment Trust since December 4, 2001. Mr. McVicar is a member of the Law Society of Alberta and has a Bachelor of Commerce from the University of Alberta (1980), Bachelor of Laws from the University of Western Ontario (1981) and Masters of Business Administration from the University of Toronto (1982).



<u>Name, Age and Municipality Of Residence</u>	<u>Current Office In Calloway<sup>(4)</sup></u>	<u>Principal Occupation</u>
Kevin B. Pshebniski <sup>(1)(2)</sup> , 44 Calgary, Alberta	Trustee	President of Hopewell Development Corporation, a property development company, from September 1998 to present. Chief Operating Officer of Hopewell Development Corporation from September 1997 to September 1998. Vice-President with Hopewell Group of Companies from January 1996 to September 1997. Trustee of Calloway Real Estate Investment Trust since December 4, 2001. Mr. Pshebniski holds a Bachelor of Science (Geol. Major) and a Bachelor of Laws from the University of Manitoba and is a member of the Law Society of Alberta.
Michael Young <sup>(3)(5)</sup> , 62 Dallas, Texas	Trustee	President of Quadrant Capital Partners, a private equity firm with offices in Toronto and Dallas since November 2003. Managing Director for CIBC World Markets from 1994 to October, 2003 and was appointed Global Head of Real Estate for CIBC World Markets in 1997. Trustee of Calloway Real Estate Investment Trust since November 11, 2003. Mr. Young holds a Bachelors degree from the University of Western Ontario (1967)
Al Mawani <sup>(1)</sup> , 55 Toronto, Ontario	Trustee	Mr. Mawani is currently president of Exponent Capital Partners Inc., a private equity firm. Prior to January 31, 2004, Mr. Mawani was a Vice-President of Industrial Promotion Services Ltd., another private equity firm. Prior thereto, Mr. Mawani was Executive Vice-President of Business Development for one year and Senior Vice-President and Chief Financial Officer for 10 years at Oxford Properties Group Inc., one of Canada's largest real estate companies. Mr. Mawani is a Chartered Accountant and has a Masters in Business Administration from the University of Toronto and a Masters of Laws from Osgoode Hall Law School. He is also a member of the Financial Executives Institute.
Mitchell Goldhar <sup>(2)(5)</sup> , 45 Toronto, Ontario	Trustee	Mitchell Goldhar is the owner of SmartCentres (formerly FirstPro Shopping Centres), a private shopping centre development company in Vaughan, Ontario. Mr. Goldhar has been in the real estate development business for 22 years. Since developing the first new Canadian Wal-Mart store in Barrie, Ontario 13 years ago, Mr. Goldhar has developed over 175 shopping centres across Canada (135 of them with Wal-Mart stores). Mitchell is a graduate of York University with a Bachelors of Political Science (1985). He teaches at the University of Toronto, Rotman School of Management. Mitchell is a member of the Board of Directors of The Hospital for Sick Children.
Peter Forde <sup>(2)(5)</sup> , 52 Richmond Hill, Ontario	Trustee	Chief Operating Officer of SmartCentres (formerly FirstPro Shopping Centres), a private shopping centre development company in Vaughan, Ontario, since September 2005. Executive Vice-President Finance and Administration of SmartCentres from 1998 to September 2005, Vice-President and Chief Financial Officer of Nexacor Realty Management Inc. (real estate subsidiary of Bell Canada) from January 1996 to October 1998. Mr. Forde is a Chartered Accountant and has a Bachelor of Business Administration degree from York University (1977).

<u>Name, Age and Municipality Of Residence</u>	<u>Current Office In Calloway</u> <sup>(4)</sup>	<u>Principal Occupation</u>
J. Michael Storey <sup>(2)(3)</sup> , 49 Calgary, Alberta	Trustee	President of Exeter Financial Corp. a private real estate lending and investment company. President and Chief Executive Officer of Calloway Real Estate Investment Trust from December 4, 2001 to July 8, 2005. President, Chief Executive Officer and a Director of Calloway Properties Inc. from May 1, 1997 to January 22, 2002. Prior employment included various management positions in real estate development firms including Princeton Developments Limited, Stewart Green Properties Ltd. and Oxford Properties Group Inc. Mr. Storey has a Bachelor of Science in Mechanical Engineering from the University of Washington and a Masters of Business Administration from the University of British Columbia.
Marc Charlebois, 46 Oakville, Ontario	Chief Operating Officer	Chief Operating Officer of Calloway Real Estate Investment Trust since September 2005. Chief Operating Officer of PenEquity Management Corporation, a pension fund asset manager and developer of retail shopping centres, from April 1995 to August 2005. Mr. Charlebois holds a Bachelor of Engineering from the Royal Military College of Canada and a Masters in Business Administration from Queen's University.
Bart Munn, 50 Toronto, Ontario	Chief Financial Officer	Chief Financial Officer of Calloway Real Estate Investment Trust since December 2005. Vice President and Chief Financial Officer of Morguard Corporation, a publicly traded owner and manager of commercial and residential real estate, from 1999 to 2005. Vice President and Chief Financial Officer of Morguard Real Estate Investment Trust from 1997 to 1999. Also held the position of Senior Vice President Finance & Administration for Morguard Investments Limited, a wholly owned subsidiary of Morguard Corporation, from 1991 until 2005. Mr. Munn is a Chartered Accountant.
Rudy Gobin, 45 Toronto, Ontario	Executive Vice President, Operations	Executive Vice President, Operations and Asset Management of Calloway Real Estate Investment Trust since January 2007. Executive Vice President Finance and Operations of SmartCentres (formerly FirstPro Shopping Centres), a private shopping centre development company in Vaughan, Ontario, from 2001 to 2006. Chief Financial Officer of Nexacor Realty Management (real estate subsidiary of Bell Canada) from March 1998 to May 2001. Mr. Gobin is a Chartered Accountant and has a Bachelor of Commerce from the University of Toronto (1987).

**Notes:**

- (1) Member of the Audit Committee. For further details on the Audit Committee, please refer to the section entitled "Audit Committee".
- (2) Member of the Investment Committee.
- (3) Member of Compensation, Nominating and Governance Committee.
- (4) Each of the Trustees of Calloway serve in such capacity until the next annual meeting of Unitholders of Calloway unless re-elected at that Meeting to serve for a further one year term.
- (5) Appointed as a Trustee by SmartCentres pursuant to its rights under the Declaration of Trust. See "Declaration of Trust and Description of Units – Trustees."

As of March 1, 2007, the Trustees and executive officers of Calloway, as a group, beneficially owned or controlled, directly and indirectly, 10,185,650 Units (13.5% of issued and outstanding Units) and 11,002,718 Special Voting Units (73.3% of the issued and outstanding Special Voting Units), for a total of 23.4% of the issued and outstanding Voting Units. Notwithstanding the foregoing, see the section entitled "Declaration of Trust and Description of Units – Special Voting Units" which describes circumstances under which Mr. Goldhar, via SmartCentres, may acquire additional Special Voting Units.

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

Except as set out below, to the best of the knowledge of management of the Trust, no person or company who is a Trustee or executive officer of the Trust, or a person or company that is the direct or indirect owner of, or who exercises control or direction over, a sufficient number of Voting Units of the Trust so as to materially affect the control of the Trust:

- (a) is, as at the date of this annual information form or has been, within the 10 years before the date of this annual information form, a director or executive officer of any company, that:
  - (i) while that person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive
  - (ii) while that person was acting in that capacity, was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or
  - (iii) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the 10 years before the date of this annual information form, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, officer or shareholder.

Sable Technologies, Inc., a California based company of which Kevin Pshebniski was a director, filed bankruptcy protection documentation in California on August 12, 2001. Kevin Pshebniski was a director of Sable Technologies, Inc. at the time.

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

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

Kevin Pshebniski has disclosed in writing that, as an officer of Hopewell Development Corporation, a Calgary based real estate developer with which Calloway has entered into a development agreement, he will be interested in any contract or transaction, or proposed contract or transaction, with that company and its affiliates. David Calnan is a partner of Shea Nerland Calnan, a law firm that provides legal services to Calloway. Mitchell Goldhar has disclosed in writing that, as a director, officer and significant shareholder of SmartCentres, he will be interested in any contract or transaction or proposed

contract or transaction with SmartCentres and its affiliates. Peter Forde has disclosed in writing that, as an officer of SmartCentres he will be interested in any contract or transaction or proposed contract or transaction, with SmartCentres and its affiliates.

## **OPERATION OF THE PROPERTY PORTFOLIO**

### **Employees**

As at December 31, 2006, Calloway had 118 employees responsible for asset management, property management, new business which includes both acquisitions and developments and property and corporate accounting.

### **Leasing Function**

The leasing function for the Property Portfolio is primarily provided by SmartCentres. Calloway and SmartCentres have developed a leasing strategy for each property reflecting the nature of the property, its position within the local marketplace, prevailing and forecast economic conditions and the state of the local real estate market and status of existing tenancies.

### **Property Management Function**

In December 2006, Calloway internalized the majority of the property management function for the Property Portfolio which was previously provided primarily by SmartCentres. Commencing in 2007, approximately 93.3% of the total leaseable area of Calloway's Property Portfolio is managed internally by Calloway while the remaining 6.7% is externally managed by third parties.

### **Environmental Policy**

Calloway will endeavour to ensure that the Property Portfolio is managed in compliance with all applicable environmental laws and regulations and has adopted and implement rules, standards and procedures to deal with all applicable environmental issues for each asset in the Property Portfolio. Calloway's operating policy requires it to obtain a Phase 1 environmental assessment conducted by an independent and experienced environmental consultant prior to acquiring a property.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

Calloway has not been, nor is presently involved in, any legal proceedings or regulatory actions material to it and insofar as it is aware, no such proceedings or actions are contemplated.

## **TRANSFER AGENT AND REGISTRAR**

Computershare Trust Company of Canada at its principal offices in Toronto, Ontario and Calgary, Alberta is the transfer agent and registrar for the Units and the Debentures.

## **MATERIAL CONTRACTS**

There following are the only material contracts, other than contracts entered into in the ordinary course of business, that are material to Calloway and that were entered into within the most recently completed financial year, or before the most recently completed financial year but that are still in effect:

- (a) The Declaration of Trust, the particulars of which are set out under "Declaration of Trust and Description of Units".
- (b) The trust indenture dated May 14, 2004 between Calloway as issuer and Computershare Trust Company of Canada as trustee providing for the issuance of the 6% Convertible Debentures. See "Description of Other Securities – 6% Convertible Debentures Due June 30, 2014".

- (c) The trust indenture dated September 22, 2005 between Calloway as issuer and Computershare Trust Company of Canada as trustee providing for the issuance of the 4.51% Debentures. See “Description of Other Securities – 4.51% Series A Senior Unsecured Debentures Due September 22, 2010”.
- (d) The first supplemental trust indenture dated October 12, 2006 between Calloway as issuer and Computershare Trust Company of Canada as trustee providing for the issuance of the 5.37% Debentures. See “Description of Other Securities – 5.37% Series A Senior Unsecured Debentures Due October 12, 2016”.
- (e) The Holdings Trust Declaration of Trust. See “Information Respecting Calloway Holdings Trust”.
- (f) The Calloway LP Agreement. See “Information Regarding Calloway Limited Partnership”.

### **INTERESTS OF EXPERTS**

PricewaterhouseCoopers LLP, Chartered Accountants, the auditors of the Trust, are named as having prepared or certified a statement, report or valuation described or included in a filing made by the Trust under National Instrument 51-102 during, or relating to, the Trust’s most recently completed financial year. PricewaterhouseCoopers LLP is independent of the Trust in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Ontario.

### **AUDIT COMMITTEE**

#### **Audit Committee Charter**

A copy of the charter of the Audit Committee is attached as Schedule A to this Annual Information Form.

#### **Audit Committee Composition**

The Audit Committee consists of Al Mawani (chair), Jamie McVicar and Kevin Pshebniski. Each member of the Audit Committee is independent and financially literate, as such terms are defined in Multilateral Instrument 52-110 – Audit Committees.

#### **Relevant Education and Experience**

In addition to each member’s general business experience, the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee are set forth below.

*Al Mawani* – Mr. Mawani is currently president of Exponent Capital Partners Inc., a private equity firm. Prior to January 31, 2004, Mr. Mawani was a Vice-President of Industrial Promotion Services Ltd., another private equity firm. Prior thereto, Mr. Mawani was Executive Vice-President of Business Development for one year and Senior Vice-President and Chief Financial Officer for 10 years at Oxford Properties Group Inc., one of Canada’s largest real estate companies. Mr. Mawani is a Chartered Accountant and has a Masters in Business Administration from the University of Toronto. He is a member of the Financial Executives Institute and is a trustee of IPC US Real Estate Investment Trust and Boardwalk Real Estate Investment Trust.

*Jamie McVicar* – Mr. McVicar has been the Chief Financial Officer, and most recently, Vice President Finance and Administration at Devonian Properties Ltd. since October 2000. Mr. McVicar was the President of Newell Post Developments Ltd. from June 1998 to June 2000. Mr. McVicar also acted as legal counsel for Oxford Development Group from 1988 to June 1998.

*Kevin Pshebniski* – Mr. Pshebniski was the Vice President with Hopewell Group of Companies from January 1996 to September 1997, Chief Operating Officer of Hopewell Development Corporation from September 1997 to September 1998

and is currently the President of Hopewell Development Corporation. Mr. Pshebniski has also been the Vice President of Exeter Financial Corp., a private mortgage finance company, from 1995 to present.

### **Pre-Approval Policies and Procedures**

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

### **External Auditor Service Fees**

The aggregate amounts paid or accrued by the Trust with respect to fees payable to PricewaterhouseCoopers LLP, the current external auditors for the Trust, for audit (including separate audits of subsidiary entities, financings and regulatory reporting requirements), audit-related, tax and other services in the fiscal years ended December 31, 2006 and 2005 were as follows:

	<u>2006</u>	<u>2005</u>
Audit fees <sup>(1)</sup>	\$346,345 <sup>(5)</sup>	\$155,000
Audit-related fees <sup>(2)</sup>	\$93,800	\$20,000 <sup>(6)</sup>
Tax fees <sup>(3)</sup>	\$62,581	\$0
All other fees <sup>(4)</sup>	\$364,803	\$34,000
TOTAL	\$867,529	\$209,000

#### **Notes:**

- (1) "Audit fees" include the aggregate professional fees paid to the external auditors for the audit of the annual consolidated financial statements and other regulatory audits and filings.
- (2) "Audit-related fees" include the aggregate fees paid to the external auditors for services related to the audit services, including namely review of quarterly financial statements and management's discussion and analysis thereon, audit of property common area costs, advise on audit committee charter and consultations regarding financial reporting and accounting standards.
- (3) "Tax fees" include the aggregate fees paid to the external auditors for tax compliance, tax advice, tax planning and advisory services, including namely preparation of tax returns, deferred unit plan considerations and sales tax assistance.
- (4) "All other fees" include the aggregate fees paid to the external auditors for all other services other than those presented in the categories of audit fees, audit-related fees and tax fees, including namely assistance with management information circulars and prospectuses, service related to underwriter's due diligence and assistance to legal counsel for applications for relief to securities commissions.
- (5) \$115,345 of this amount paid in 2006 relates to the 2005 audit.
- (6) PricewaterhouseCoopers LLP commenced providing services as external auditor in the third quarter of 2005.

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

## **INFORMATION RESPECTING CALLOWAY HOLDINGS TRUST**

### **General**

Calloway Holdings Trust (the "Holdings Trust") is an unincorporated open-ended limited purpose trust formed under the laws of the Province of Alberta and created pursuant to a declaration of trust dated June 15, 2005 (the "Holdings Trust Declaration of Trust").

Holdings Trust is administered by a board of trustees. The sole trustee of Holdings Trust is Simon Nyilassy, the President, Chief Executive Officer and a Trustee of the Trust. See "Management of Calloway".

All of the units of Holdings Trust ("Holdings Trust Units") are held by the Trust. Holdings Trust owns all of the LP Class A Units of Calloway LP.

## **Business**

Holdings Trust is a limited purpose trust and its operations and activities shall be restricted to the following activities:

- (a) investing in such securities and/or obligations as may be approved from time to time by the trustees of Holdings Trust, including the securities and/or obligations of Calloway LP, and otherwise lending funds to Calloway LP and its affiliates and borrowing funds for any such purposes;
- (b) issuing guarantees of the obligation and indebtedness of any of its subsidiaries or affiliates and charging, pledging, hypothecating or granting any security interest, mortgage or encumbrance over or with respect to any or all of the assets of Holdings Trust in connection with any such guarantees;
- (c) disposing of any part of the assets of Holdings Trust;
- (d) temporarily holding cash and short term investments in accordance with a policy from time to time determined by the trustees of Holdings Trust and other investments (including investments in Calloway LP) for the purposes of paying expenses and liabilities of Holdings Trust, paying amounts payable by Holdings Trust in connection with the redemption of any units of Holdings Trust, and making distributions to the unitholders of Holdings Trust; and
- (e) undertaking such other activities as shall be approved by the trustees of Holdings Trust from time to time.

## **Holdings Trust Units**

Holdings Trust's authorized capital consists of an unlimited number of Holdings Trust Units. All of the issued and outstanding Holdings Trust Units are held by the Trust.

Each Holdings Trust Unit represents an equal fractional undivided beneficial interest in any distributions from Holdings Trust, and in any net assets of, Holdings Trust in the event of termination or winding-up of Holdings Trust. All Holdings Trust Units are of the same class with equal rights and privileges. Each Holdings Trust Unit is transferable, entitles the holder thereof to participate equally in distributions, including the distributions of net income and net realized capital gains of Holdings Trust and distributions on liquidation, is fully paid and non-assessable and entitles the holder thereof to one vote at all meetings of unitholders for each Holdings Trust Unit held.

## **Issuance of Holdings Trust Units**

The Holdings Trust Declaration of Trust provides that Holdings Trust Units or rights to acquire Holdings Trust Units may be issued at the times, to the persons, for the consideration and on the terms and conditions that the trustees determine. At the option of the trustees, Holdings Trust Units may be issued in satisfaction of any distribution of Holdings Trust to unitholders on a pro rata basis to the extent Holdings Trust does not have available cash to fund such distributions. The Holdings Trust Declaration of Trust also provides that, unless the trustees determine otherwise, immediately after any pro rata distribution of Holdings Trust Units to all unitholders in satisfaction of any non-cash distribution, the number of outstanding Holdings Trust Units will be consolidated such that each unitholder will hold after the consolidation the same number of Holdings Trust Units as the unitholder held before the non-cash distribution, except where tax was required to be withheld. In this case, each certificate, if any, representing a number of Holdings Trust Units prior to the non-cash distribution is deemed to represent the same number of Holdings Trust Units after the non-cash distribution and the consolidation.

## **Cash Distributions**

The amount of cash to be distributed periodically per Holdings Trust Unit will generally be equal to a pro rata share of all amounts received by Holdings Trust in each period including, without limitation, distributions on or in respect of the LP Class A Units of Calloway LP owned by the Trust less: (i) administrative expenses and other obligations of Holdings

Trust; and (ii) amounts which may be paid by Holdings Trust in connection with any cash redemptions of Holdings Trust Units. Any income of Holdings Trust which is applied to any such cash redemptions of Holdings Trust Units or is otherwise unavailable for cash distribution will be distributed to unitholders in the form of additional Holdings Trust Units. Such additional Holdings Trust Units will be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

### **Trustees**

Holdings Trust is administered by a board of trustees. The Holdings Trust Declaration of Trust establishes a board of trustees comprised of not more than nine members nor less than one member. Trustees shall be reappointed or replaced every year as may be determined by a majority of the votes cast at an annual meeting of the unitholders of Holdings Trust. Persons who are Non-Residents are disqualified from being a trustee.

The Holdings Trust Declaration of Trust provides that, subject to the terms and conditions thereof, the trustees may, in respect of the assets of Holdings Trust, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof and shall supervise the investments and conduct the affairs of Holdings Trust. The trustees are responsible for, among other things: (i) acting for, voting on behalf of and representing Holdings Trust as a unitholder in Calloway LP; (ii) maintaining records and providing reports to unitholders; (iii) supervising the activities of Holdings Trust; (iv) managing the affairs of Holdings Trust; (v) providing direction as to the election or removal of directors of the general partner of Calloway LP; (vi) ensuring that the restrictions in the Holdings Trust Declaration of Trust on Non-Resident ownership are met; and (vii) declaring distributions from Holdings Trust to unitholders.

A trustee may resign upon written notice to Holdings Trust and may be removed by a majority of the votes cast at a special meeting of the unitholders and the vacancy created by such removal may be filled at the same meeting, failing which it may be filled by the trustees.

A quorum of the trustees, being a majority of the trustees then holding office, may fill a vacancy in the trustees, except a vacancy resulting from an increase in the number of trustees or from a failure of the unitholders to elect the required number of trustees. In the absence of a quorum of the trustees, or if the vacancy has arisen from a failure of the unitholders to elect the required number of trustees, the trustees shall forthwith call a special meeting of unitholders to fill the vacancy. If the trustees fail to call such meeting or if there are no trustees then in office, any unitholder may call the meeting.

The Holdings Trust Declaration of Trust provides that the trustees may, between annual meetings of the unitholders, appoint one or more additional trustees to serve until the next annual meeting of the unitholders, but the number of additional trustees shall not at any time exceed one-third of the number of trustees who held office at the expiration of the immediately preceding annual meeting of the unitholders.

The Holdings Trust Declaration of Trust provides that the trustees shall act honestly and in good faith with a view to the best interests of Holdings Trust and in connection therewith shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Holdings Trust Declaration of Trust provides that the trustees shall be entitled to indemnification from Holdings Trust respect of the exercise of their powers and the discharge of their duties in the absence of breach of their duties and standard of care. The duties and standard of care of the trustees provided in the Holdings Trust Declaration of Trust are similar to those imposed on a director of a corporation.

Except as expressly prohibited by law, the trustees may grant or delegate certain of the trustees' authority to effect the actual administration of the duties of the trustees under the Holdings Trust Declaration of Trust. The trustees may grant broad discretion to a third party to administer and manage the day-to-day operations of Holdings Trust, and to make executive decisions which conform to the general policies and general principles set forth in the Holdings Trust Declaration of Trust or otherwise established by the trustees.

See the table in "Management of Calloway" which outlines the name and municipality of residence of the sole trustee of Holdings Trust, Simon Nyilassy, together with his principal occupation for the previous five years.



### **Amendments to the Holdings Trust Declaration of Trust**

The Holdings Trust Declaration of Trust may be amended or altered from time to time by at least 66  $\frac{2}{3}$ % of the votes cast at a meeting of the unitholders called for such purpose.

The trustees may, without the approval of the unitholders, make certain amendments to the Holdings Trust Declaration of Trust, including amendments:

- (a) for the purpose of ensuring continuing compliance with applicable laws (including the Tax Act), regulations, requirements or policies of any governmental or other authority having jurisdiction over the trustees or over the Holdings Trust;
- (b) deemed necessary or advisable to ensure that Holdings Trust has not been established nor maintained primarily for the benefit of Non-Residents;
- (c) which, in the opinion of the trustees, provide additional protection for or benefit to the unitholders;
- (d) to remove any conflicts or inconsistencies in the Holdings Trust Declaration of Trust or making corrections, including the correction or rectification of any ambiguities, defective provisions, errors, mistakes or omissions, which are, in the opinion of the trustees, necessary or desirable and not prejudicial to the unitholders; and
- (e) which, in the opinion of the trustees, are necessary or desirable as a result of changes in taxation laws.

### **INFORMATION RESPECTING CALLOWAY LIMITED PARTNERSHIP**

#### **General**

Calloway Limited Partnership (“Calloway LP”) is a limited partnership formed under the laws of the Province of Alberta pursuant to a limited partnership agreement dated June 15, 2005, as amended December 8, 2006 (the “Calloway LP Agreement”).

#### **Business**

The business of Calloway LP is that of acquiring and operating Real Property and any and all other activities that Calloway LP may engage in from time to time with a view to a profit and that the general partners determine to be in the best interests of Calloway LP, provided that all such business shall relate to the ownership of Real Property.

Calloway GP, as majority general partner of Calloway LP, manages the business and affairs of Calloway LP. See “Information Respecting Calloway GP Inc.”

#### **Partnership Units**

An unlimited number of LP Class A Units, LP Class B Series 1 Units, LP Class B Series 2, LP Class C Series 1, LP Class C Series 2, LP Class D Series 1 Units, LP Class D Series 2, LP Class E Series 1 Units, LP Class E Series 2, and LP Class F Units may be issued. Holders of LP Class B Series 1 Units and LP Class C Series 1 Units are considered to be general partners for the purposes of the *Partnership Act* (Alberta) while holders of all other classes of units are considered to be limited partners for the purposes of the *Partnership Act* (Alberta). There shall be no restriction on the number of partnership units that a partner may hold in Calloway LP. No fractional partnership units will be issued and no person shall have any rights to receive fractional partnership units or to receive cash in lieu of the issue of a fraction of a partnership unit.

Holders of LP Class A Units, LP Class B Series 1 Units, LP Class B Series 2 Units, LP Class D Series 1 Units and LP Class D Series 2 Units are entitled to notice of, and to attend and vote at, meetings of partners of Calloway LP. Holders

of LP Class C Series 1 Units, LP Class C Series 2 Units, LP Class E Series 1 Units, LP Class E Series 2 Units and LP Class F Units are entitled to notice of, and to attend, meetings of partners of Calloway LP but are not entitled to vote thereat. At meetings of partners of Calloway LP, the holders of LP Class A Units shall have 5 votes for each LP Class A Unit held, the holders of LP Class B Series 1 Units, LP Class B Series 2 Units, LP Class D Series 1 and LP Class D Series 2 Units shall have 1 vote for each such partnership unit held, and the holders of LP Class C Series 1 Units, LP Class C 2 Series Units, LP Class E Series 1 Units, LP Class E Series 2 Units, LP Class F Units shall have no votes for each such partnership unit held.

Holders of LP Class C Series 1 Units are entitled to exchange their LP Class C Series 1 Units in consideration for LP Class B Series 1 Units and/or cash pursuant to and subject to the terms and conditions set out in the Exchange Agreement 5. Holders of LP Class B Series 1 Units are entitled to exchange their LP Class B Series 1 Units in consideration for Units of the Trust pursuant to and subject to the terms and conditions set out in the Exchange Agreement 5.

Holders of LP Class C Series 2 Units are entitled to exchange their LP Class C Series 2 Units in consideration for LP Class B Series 2 Units and/or cash pursuant to and subject to the terms and conditions set out in the Exchange Agreement 7. Holders of LP Class B Series 2 Units are entitled to exchange their LP Class B Series 2 Units in consideration for Units of the Trust pursuant to and subject to the terms and conditions set out in the Exchange Agreement 7.

Holders of LP Class E Series 1 Units are entitled to exchange their LP Class E Series 1 Units in consideration for LP Class D Series 1 Units and/or cash pursuant to and subject to the terms and conditions set out in the Exchange Agreement 5 and the LP Agreement. Holders of LP Class D Series 1 Units are entitled to exchange their LP Class D Series 1 Units in consideration for Units of the Trust pursuant to and subject to the terms and conditions set out in the Exchange Agreement 5 and the LP Agreement.

Holders of LP Class E Series 2 Units are entitled to exchange their LP Class E Series 2 Units in consideration for LP Class D Series 2 Units and/or cash pursuant to and subject to the terms and conditions set out in the Exchange Agreement 7 and the LP Agreement. Holders of LP Class D Series 2 Units are entitled to exchange their LP Class D Series 2 Units in consideration for Units of the Trust pursuant to and subject to the terms and conditions set out in the Exchange Agreement 7 and the LP Agreement.

Subject to the restrictions contained in the Calloway LP Agreement and subject to the prior written consent of the majority general partner (i.e. Calloway GP), partnership units may be transferred by a partner. The majority general partner has the right to deny the transfer of partnership units including, without limitation, any transfer to a Non-Resident or a partnership that is not a "Canadian partnership" within the meaning of the Tax Act and in certain of other circumstances.

As of March 1, 2007, there were 3,080,001 LP Class A Units, 13,127,958 LP Class B Series 1 Units, 789,444 LP Class B Series 2 Units, 7,678,031 LP Class C Series 1 Units, 2,550,000 LP Class C Series 2 Units, 311,022 LP Class D Series 1 Units, 34,130 LP Class D Series 2 Units, 36,270 LP Class E Series 1 Units, nil Class E Series 2 Units and nil LP Class F Units issued and outstanding. As of March 1, 2007, Holdings Trust owns all of the outstanding LP Class A Units while others own all of the other outstanding Calloway LP partnership units.

### **Expenses of the Partnership**

Calloway LP will reimburse the general partners for all direct costs and expenses incurred on the partnership's behalf by the general partners in the performance of its duties hereunder, but specifically excluding expenses of any action, suit or other proceedings in which or in relation to which the general partners are adjudged to be in breach of any duty or responsibility imposed on it hereunder. In addition, Calloway LP will reimburse the general partners for all indirect costs, including general office and administrative expenses, reasonably allocable to the partnership. Calloway LP will be responsible for the payment of any goods and services tax, if any, with respect to fees paid to the general partners.

### **Allocation of Net Income and Loss for Tax Purposes**

The income for tax purposes or loss for tax purposes for a given fiscal year shall be calculated in accordance with the provisions of the Tax Act and the maximum discretionary deductions available to Calloway LP in computing its income

shall be claimed to the extent such deductions reduce the taxable income of the partnership, but not to the extent such deductions would create a loss for purposes of the Tax Act. Such income for tax purposes or loss for tax purposes from each source for that fiscal year, and all other items of income, gain, loss, deduction, recapture and credit of the partnership, which are allocable for the purposes of the Tax Act and other relevant taxing statutes, shall be allocated to the partners (including, for greater certainty, partners who become or cease to be partners during the fiscal year of the partnership) in an amount calculated by multiplying the aggregate amount to be allocated among the partners by a fraction, the numerator of which is the sum of the cash distributions received by that partner and the aggregate amount of any loans made by the partnership to that partner in lieu of a distribution pursuant to the applicable provisions of the Calloway LP Agreement with respect to that fiscal year, and the denominator of which is the total amount of the cash distributions and the aggregate amount of all loans under pursuant to the applicable provisions of the Calloway LP Agreement made by the partnership to all partners with respect to that fiscal year. For greater certainty, a cash distribution made by the partnership to a partner in a year that is used to repay a loan made pursuant to the applicable provisions of the Calloway LP Agreement shall not be included as a cash distribution received by the partner for these purposes.

The income or loss of the partnership for accounting purposes for a given fiscal year shall be allocated among the partners in the same proportion as income for tax purposes or loss for tax purposes is allocated for such fiscal year.

#### **Amount of Income Allocated**

The amount of income allocated to a partner may exceed or be less than the amount of cash distributed by the partnership to that partner in respect of a given fiscal year.

#### **Where No Cash Distributions Made**

If, with respect to a given partnership fiscal year, no cash distribution is made by Calloway LP to its partners, the income for tax purposes or loss for tax purposes from each source for that fiscal year will be allocated as follows:

- (a) as to 0.01%, to the majority general partner (i.e. Calloway GP);
- (b) as to 0.01%, to the holders of the LP Class C Series 1 Units, LP Class C Series 2 Units, LP Class E Series 1 Units, LP Class E Series 2 Units and the LP Class F Units, pro rata among them in accordance with the number of units held by each such partner; and
- (c) as to the remainder, to the holders of the LP Class A Units, the LP Class B Series 1 Units, LP Class B Series 2 Units, LP Class D Series 1 Units and LP Class D Series 2 Units pro rata among them in accordance with the number of units held by each such partner.

#### **Where Cash Distributions Made**

Calloway LP will distribute to the partners whose names appear on the record on the last day of each month, all of the month's free cash flow of Calloway LP as determined by the majority general partner (i.e. Calloway GP) available to the partnership for distribution and such distributions shall be allocated among the partners as follows:

- (a) as to 0.01%, to the majority general partner (i.e. Calloway GP);
- (b) as to 0.01%, to the holders of the LP Class C Series 1 Units, the LP Class C Series 2 Units, the LP Class E Series 1 Units and the LP Class E Series 2 Units, pro rata among them in accordance with the number of units held by each such Partner;
- (c) to the holders of the LP Class F Units, an amount equal to their specified preferential return, pro rata among them in accordance with the number of units held by each such partner;

- (d) to the holders of the LP Class B Series 1 Units, LP Class B Series 2 Units, LP Class D Series 1 Units and LP Class D Series 2 Units, such amounts as are necessary such that the amount distributed in respect of each such partner is equal to the amount that the Trust would have distributed to such partner if each LP Class B Series 1 Unit, LP Class B Series 2 Unit, LP Class D Series 1 Units and LP Class D Series 2 Unit owned by such partner were a Unit of the Trust; and
- (e) as to the remaining amount, to the holders of the LP Class A Units, pro rata among them in accordance with the number of units owned by each such Partner.

Notwithstanding the foregoing, each partner may, in lieu of receiving the distributions described above at the time indicated above, choose to be loaned amounts from the partnership equal to those amounts which would otherwise have been distributed, and to have the aggregate of all distributions described above made to it on the first business day following the end of the fiscal year in which such distributions would otherwise have been made. Each loan made in a fiscal year will not bear interest and will be due and payable in full on the first business day following the end of the fiscal year during which the loan was made. Any person who has received loans in lieu of distributions in a fiscal year in which such person has ceased to be a partner shall receive distributions on the first business day following the end of that fiscal year equal to the amount that would otherwise have been distributed to such person during that portion of the fiscal year in which such person was a partner. With respect to amounts distributed to a partner or a person who has ceased to be a partner at any time after the making of a loan to a partner, the partner shall be deemed to have irrevocably directed that the amount of any such distribution first be applied to repay loans previously advanced.

#### **INFORMATION RESPECTING CALLOWAY GP INC.**

Calloway GP Inc. (“Calloway GP”) was established under the *Business Corporations Act* (Alberta) on May 25, 2005. Calloway GP is the general partner of Calloway LP and conducts no other business.

Calloway GP is authorized to issue an unlimited number of common shares. All of the outstanding common shares of Calloway GP are owned by Holdings Trust. Each common share entitles its holder to receive notice of and to attend all meetings of the shareholders of Calloway GP and to one vote at such meetings. The holders of common shares are, at the discretion of the board of directors of Calloway GP and subject to applicable legal restrictions, entitled to receive any dividends declared by the board of directors on the common shares. The holders of common shares are entitled to share equally in any distribution of the assets of Calloway GP upon the liquidation, dissolution, bankruptcy or winding-up of Calloway GP or other distribution of its assets among its shareholders for the purpose of winding-up its affairs. Such participation is subject to the rights, privileges, restrictions and conditions attaching to any instruments having priority over the common shares.

The directors of Calloway GP are Simon Nyilassy, the President, Chief Executive Officer and a Trustee of the Trust, and David Calnan, a Trustee of the Trust. Simon Nyilassy also serves as the President of Calloway GP while David M. Calnan serves as the Secretary of Calloway GP. See “Management of Calloway”.

#### **INFORMATION RESPECTING CALLOWAY LIMITED PARTNERSHIP II**

##### **General**

Calloway Limited Partnership II (“Calloway LP II”) is a limited partnership formed under the laws of the Province of Alberta pursuant to a limited partnership agreement dated February 6, 2006 (the “Calloway LP II Agreement”).

##### **Business**

The business of Calloway LP II is that of acquiring and operating Real Property and any and all other activities that Calloway LP II may engage in from time to time with a view to a profit and that the general partners determine to be in the best interests of Calloway LP II, provided that all such business shall relate to the ownership of Real Property.

Calloway LP II Inc., as general partner of Calloway LP II, manages the business and affairs of Calloway LP II. See “Information Respecting Calloway LP II Inc.”

### **Partnership Units**

An unlimited number of LP II Class A Units and LP II Class B Units may be issued. There shall be no restriction on the number of partnership units that a partner may hold in Calloway LP II. No fractional partnership units will be issued and no person shall have any rights to receive fractional partnership units or to receive cash in lieu of the issue of a fraction of a partnership unit.

Holders of LP II Class A Units and LP II Class B Units are entitled to notice, of and to attend and vote at, meetings of partners of Calloway LP II. At meetings of partners of Calloway LP II, the holders of LP II Class A Units shall have 5 votes for each LP II Class A Unit held and the LP II Class B Units shall have 1 vote for each LP II Class B Unit held.

Subject to the restrictions contained in the Calloway LP II Agreement and subject to the prior written consent of the general partner (i.e. Calloway LP II Inc.), partnership units may be transferred by a partner. The general partner has the right to deny the transfer of partnership units including, without limitation, any transfer to a Non-Resident or a partnership that is not a “Canadian partnership” within the meaning of the Tax Act and in certain of other circumstances.

As of March 1, 2007, there was 200,001 LP II Class A Units and 756,525 LP II Class B Units issued and outstanding. As of March 1, 2007, Holdings Trust owns all of the outstanding LP II Class A Units while others own all of the outstanding LP II Class B Units.

### **Expenses of the Partnership**

Calloway LP II will reimburse the general partner for all direct costs and expenses incurred on the partnership’s behalf by the general partner in the performance of its duties hereunder, but specifically excluding expenses of any action, suit or other proceedings in which or in relation to which the general partner is adjudged to be in breach of any duty or responsibility imposed on it hereunder. In addition, Calloway LP II will reimburse the general partner for all indirect costs, including general office and administrative expenses, reasonably allocable to the partnership. Calloway LP II will be responsible for the payment of any goods and services tax, if any, with respect to fees paid to the general partner.

### **Allocation of Net Income and Loss for Tax Purposes**

The income for tax purposes or loss for tax purposes for a given fiscal year shall be calculated in accordance with the provisions of the Tax Act and the maximum discretionary deductions available to Calloway LP II in computing its income shall be claimed to the extent such deductions reduce the taxable income of the partnership, but not to the extent such deductions would create a loss for purposes of the Tax Act. Such income for tax purposes or loss for tax purposes from each source for that fiscal year, and all other items of income, gain, loss, deduction, recapture and credit of the partnership, which are allocable for the purposes of the Tax Act and other relevant taxing statutes, shall be allocated to the partners (including, for greater certainty, partners who become or cease to be partners during the fiscal year of the partnership) in an amount calculated by multiplying the aggregate amount to be allocated among the partners by a fraction, the numerator of which is the sum of the cash distributions received by that partner with respect to that fiscal year, and the denominator of which is the total amount of the cash distributions made by the partnership to all partners with respect to that fiscal year.

The income or loss of the partnership for accounting purposes for a given fiscal year shall be allocated among the partners in the same proportion as income for tax purposes or loss for tax purposes is allocated for such fiscal year.

### **Amount of Income Allocated**

The amount of income allocated to a partner may exceed or be less than the amount of cash distributed by the partnership to that partner in respect of a given fiscal year.

### Where No Cash Distributions Made

If, with respect to a given partnership fiscal year, no cash distribution is made by Calloway LP II to its partners, the income for tax purposes or loss for tax purposes from each source for that fiscal year will be allocated as follows:

- (a) as to 0.01%, to the general partner (i.e. Calloway LP II Inc.); and
- (b) as to the remainder, to the holders of the LP II Class A Units and the LP II Class B Units pro rata among them in accordance with the number of units held by each such partner.

### Where Cash Distributions Made

Calloway LP II will distribute to the partners whose names appear on the record on the last day of each month, all of the month's free cash flow of Calloway LP II as determined by the general partner (i.e. Calloway LP II Inc.) available to the partnership for distribution and such distributions shall be allocated among the partners as follows:

- (a) as to 0.01%, to the general partner (i.e. Calloway LP II Inc.);
- (b) to the holders of the LP II Class B Units, such amounts as are necessary such that the amount distributed in respect of each such partner is equal to the amount that the Trust would have distributed to such partner if each LP II Class B Unit owned by such partner were a Unit of the Trust; and
- (c) as to the remaining amount, to the holders of the LP II Class A Units, pro rata among them in accordance with the number of units owned by each such Partner.

### INFORMATION RESPECTING CALLOWAY LP II INC.

Calloway LP II Inc. was established under the *Business Corporations Act* (Alberta) on February 3, 2006. Calloway LP II Inc. is the general partner of Calloway LP II and conducts no other business.

Calloway LP II Inc. is authorized to issue an unlimited number of common shares. All of the outstanding common shares of Calloway LP II Inc. are owned by Holdings Trust. Each common share entitles its holder to receive notice of and to attend all meetings of the shareholders of Calloway LP II Inc. and to one vote at such meetings. The holders of common shares are, at the discretion of the board of directors of Calloway LP II Inc. and subject to applicable legal restrictions, entitled to receive any dividends declared by the board of directors on the common shares. The holders of common shares are entitled to share equally in any distribution of the assets of Calloway LP II Inc. upon the liquidation, dissolution, bankruptcy or winding-up of Calloway LP II Inc. or other distribution of its assets among its shareholders for the purpose of winding-up its affairs. Such participation is subject to the rights, privileges, restrictions and conditions attaching to any instruments having priority over the common shares.

The directors of Calloway LP II Inc. are Simon Nyilassy, the President, Chief Executive Officer and a Trustee of the Trust, and David Calnan, a Trustee of the Trust. Simon Nyilassy also serves as the President of Calloway LP II Inc. while David M. Calnan serves as the Secretary of Calloway LP II Inc. See "Management of Calloway".

### ADDITIONAL INFORMATION

Additional information relating to the Trust may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information, including trustees' and officers' remuneration and indebtedness, principal holders of the Trust's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Trust's Information Circular for its most recent meeting of Unitholders which involved the election of Trustees.

Additional financial information is provided in the Trust's consolidated financial statements and management discussion and analysis for its most recently completed financial year.

## SCHEDULE A

### CHARTER OF THE AUDIT COMMITTEE

#### I. The Board of Trustees' Mandate for the Audit Committee

1. **The Board of Trustees** (the "Board") bears responsibility for the stewardship of Calloway Real Estate Investment Trust (the "Trust"). To discharge that responsibility, the Board supervises the management of the business and affairs of the Trust. The Board's supervisory function involves Board oversight or monitoring of all significant aspects of the management of the Trust's business and affairs.

Financial reporting and disclosure by the Trust constitutes a significant aspect of the management of the Trust's business and affairs.

The objective of the Board's monitoring of the Trust's financial reporting and disclosure (the "Financial Reporting Objective") is to gain reasonable assurance of the following:

- a) that the Trust complies with all applicable laws, regulations, rules, policies and other requirements of governments, regulatory agencies and stock exchanges relating to financial reporting and disclosure;
- b) that the accounting principles, significant judgements and disclosures which underlie or are incorporated in the Trust's financial statements are the most appropriate in the prevailing circumstances;
- c) that the Trust's quarterly and annual financial statements are accurate and present fairly the Trust's financial position and performance in accordance with generally accepted accounting principles; and
- d) that appropriate information concerning the financial position and performance of the Trust is disseminated to the public in a timely manner.

The Board is of the view that the Financial Reporting Objective cannot be reliably met unless the following activities (the "Fundamental Activities") are conducted effectively:

- a) the Trust's accounting functions are performed in accordance with a system of internal financial controls designed to capture and record properly and accurately all of the Trust's financial transactions;
- b) the Trust's internal financial controls are regularly assessed for effectiveness and efficiency;
- c) the Trust's quarterly and annual financial statements are properly prepared by management;
- d) the Trust's quarterly and annual financial statements are reported on by an external auditor appointed by the unitholders of the Trust; and
- e) the financial components of the Trust's Disclosure Policy are complied with by management and the Board.

To assist the Board in its monitoring of the Trust's financial reporting and disclosure, the Board hereby acknowledges the existence of a committee of the Board known as the Audit Committee (the "Committee"), as established in the Declaration of Trust (the "Declaration"). The Committee shall develop for the Board's approval a Charter which, amongst other things, will describe the activities in which the Committee will engage to operationalize the powers delegated to it in the Declaration, for the purpose of gaining reasonable assurance that the Fundamental Activities are being conducted effectively and that the Financial Reporting Objective is being met.



**2. Composition of the Committee**

- a) The Committee shall be appointed annually by the Board and consist of not less than three (3) members from among the Trustees of the Trust, each of whom shall be an independent trustee and free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her objective judgement as a member of the Committee. Officers of the Trust including the Chairman of the Board, may not serve as members of the Audit Committee.
- b) The Board shall designate the Chairman of the Committee.

**3. Reliance on Experts**

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be entitled to rely in good faith upon:

- a) financial statements of the Trust represented to him or her, by an officer of the Trust or in a written report of the external auditors, to present fairly the financial position of the Trust in accordance with Canadian generally accepted accounting principles ("GAAP"); and
- b) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

**4. Authority of the Committee**

The Committee shall have the authority:

- a) to institute investigations of improprieties, or suspected improprieties, within the scope of its responsibilities,
- b) to inspect any and all books and records of the Trust and affiliated entities,
- c) to discuss with Trust personnel, any affected party and the external auditors, such accounts, records and other matters as any member of the Committee considers necessary and appropriate,
- d) to engage independent counsel and other advisors as it determines necessary to carry out its duties, and
- e) to access Trust resources including administrative support to assist in carrying out its duties.

**5. Limitations on Committee's Duties**

In contributing to the Committee's discharging of its duties under this mandate, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this mandate is intended, or may be construed, to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of the Committee's duties is monitoring and reviewing to gain reasonable assurance (but not to ensure) that the Fundamental Activities are being conducted effectively and that the Financial Reporting Objective is being met and to enable the Committee to report thereon to the Board.

**II. Audit Committee Charter**

The Audit Committee's Charter outlines how the Committee will satisfy the requirements set forth by the Board in its mandate. This Charter comprises:

- Operating Principles;

- Operating Procedures;
- Specific Responsibilities and Duties.

#### **A. Operating Principles**

The Committee shall fulfill its responsibilities within the context of the following principles:

**1) Values**

The Committee expects the management of the Trust to operate in compliance with the Trust's Code of Business Conduct and Ethics and other policies; with laws and regulations governing the Trust; and to maintain strong financial reporting and control processes.

**2) Communications**

The Chairman (and others on the Committee) expects to have direct, open and frank communications throughout the year with management, other Committee Chairmen, the external auditors and other key Committee advisors as applicable.

**3) Financial Literacy**

All Audit Committee Members should be sufficiently versed in financial matters to understand the Trust's accounting practices and policies and the major judgements involved in preparing the financial statements.

**4) Annual Audit Committee Work Plan**

The Committee, in consultation with management and the external auditors, shall develop an annual Audit Committee Work Plan responsive to the Committee's responsibilities as set out in this Charter. In addition, the Committee, in consultation with management and the external auditors, shall develop and participate in a process for review of important financial topics that have the potential to impact the Trust's financial disclosure.

**5) Meeting Agendas**

Committee meeting agendas shall be the responsibility of the Chairman of the Committee in consultation with Committee members, senior management and the external auditors.

**6) Committee Expectations and Information Needs**

The Committee shall communicate its expectations to management and the external auditors with respect to the nature, timing and extent of its information needs. The Committee expects that written materials will be received from management and the external auditors at least two days in advance of meeting dates.

**7) External Resources**

To assist the Committee in discharging its responsibilities, the Committee may, in addition to the external auditors, at the expense of the Trust, retain one or more persons having special expertise.

**8) In Camera Meetings**

At a minimum of once per year, the members of the Committee shall meet in private session with the external auditors; with management; and with the Committee members only.

**9) Reporting to the Board**

The Committee, through its Chairman, shall report after each Committee meeting to the Board at the Board's next regular meeting.

**10) Committee Self Assessment**

The Committee shall annually review, discuss and assess its own performance. In addition, the Committee shall periodically review its role and responsibilities.

**11) The External Auditors**

The Committee expects that, in discharging their responsibilities to the unitholders, the external auditors shall be accountable to the Board through the Audit Committee. The external auditors shall report all material issues or potentially material issues to the Committee.

**B. Operating Procedures**

- 1) The Committee shall meet at least four times annually, or more frequently as circumstances dictate. Meeting shall be held at the call of the Chairman, upon the request of any member of the Committee or at the request of the external auditors.
- 2) A quorum shall be a majority of the members. However, it shall be the practice of the Audit Committee to require review, and if necessary, approval of certain important matters by all members of the Audit Committee.
- 3) Unless the Committee otherwise specifies, the Secretary or Assistant Secretary of the Trust shall act as Secretary of all meetings of the Committee.
- 4) In the absence of the Chairman of the Committee, the members shall appoint an acting Chairman.
- 5) Questions arising at any meeting of the Committee shall be decided by a majority of the votes cast. In the case of an equality of votes, the Chairman of the meeting shall not have a second or casting vote in addition to his original vote, if any.
- 6) Any member may participate in a meeting of the Committee by means of a conference telephone or other communication equipment by means of which all persons participating in the meeting can hear each other and a member so participating shall be considered to be present in person at that meeting.
- 7) A copy of the minutes of each meeting of the Committee shall be provided to each member of the Committee and to each director of the Trust in a timely fashion.
- 8) A written resolution of the Committee, signed by all of the members of the Committee, is valid as if it had been passed at a meeting of the Committee.

**C. Specific Responsibilities and Duties**

To fulfill its responsibilities and duties, the Committee shall:

**Financial Reporting**

- 1) review the Trust's annual and quarterly financial statements with management and the external auditors to gain reasonable assurance that the statements are accurate, complete, represent fairly the Trust's financial position and performance and are in accordance with GAAP and report thereon to the Board before such financial statements are approved by the Board;
- 2) review with management and the external auditors the financial statements of the Trust's significant subsidiaries;
- 3) receive from the external auditors reports on their review of the annual and quarterly financial statements;

- 4) receive from management a copy of the representation letter provided to the external auditors and receive from management any additional representations required by the Committee;
- 5) review and, if appropriate, recommend approval to the Board of news releases and reports to unitholders issued by the Trust with respect to the Trust's annual and quarterly financial statements;
- 6) be satisfied that adequate procedures are in place for the review of the Trust's public disclosure of financial information extracted or derived from the Trust's financial statements and must periodically assess the adequacy of those procedures;
- 7) review and if appropriate, recommend approval to the Board of prospectuses, business acquisition reports, material change disclosures of a financial nature, management discussion and analysis, annual information forms and similar disclosure documents to be issued by the Trust;
- 8) review any correspondence that the Trust may receive from securities regulators or government agencies relating to financial reporting matters;
- 9) review the financial statement certification process;

#### **Accounting Policies**

- 1) review with management and the external auditors the appropriateness of the Trust's accounting policies, disclosures, key estimates and judgements, including changes or variations thereto;
- 2) obtain reasonable assurance that they are in compliance with GAAP; and report thereon to the Board;
- 3) review with management and the external auditors the degree of conservatism of the Trust's underlying accounting policies and key estimates and judgements;

#### **Risk and Uncertainty**

- 1) acknowledging that it is the responsibility of the Board, in consultation with management, to identify the principal business risks facing the Trust, determine the Trust's tolerance for risk and approve risk management policies, the Committee shall focus on financial risk and gain reasonable assurance that financial risk is being effectively managed or controlled by:
  - a) reviewing with management the Trust's tolerance for financial risks;
  - b) reviewing with management its assessment of the significant financial risks facing the Trust;
  - c) reviewing with management the Trust's policies and any proposed changes thereto for managing those significant financial risks;
  - d) reviewing with management its plans, processes and programs to manage and control such risks;
- 2) ascertain that policies and procedures are in place to minimize environmental, occupational health and safety and other risks to asset value and mitigate damage to or deterioration of asset value and review such policies and procedures periodically;
- 3) review policies and compliance therewith that require significant actual or potential liabilities, contingent or otherwise, to be reported to the Board in a timely fashion;

- 4) review interest rate risk mitigation strategies, including the use of derivative financial instruments;
- 5) review the adequacy of insurance coverages maintained by the Trust;
- 6) review regularly with management, the external auditors and the Trust's legal counsel, any legal claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Trust and the manner in which these matters have been disclosed in the financial statements;

#### **Financial Controls and Control Deviations**

- 1) review with management and in consultation with the external auditors the appropriateness and effectiveness of the Trust's internal controls, policies and business practices which impact the financial integrity of the Trust, including those relating to accounting, information systems, financial reporting, management reporting, insurance and risk management;
- 2) review the plans of the external auditors in regards to the evaluation and testing of internal financial controls;
- 3) receive regular reports from management, the external auditors and its legal department on all significant deviations or indications/detection of fraud and the corrective activity undertaken in respect thereto;
- 4) periodically review with management the need for an internal audit function;

#### **Compliance with Laws and Regulations**

- 1) review regular reports from management and others (e.g. external auditors) with respect to the Trust's compliance with laws and regulations having a material impact on the financial statements including:
  - a) tax and financial reporting laws and regulations
  - b) legal withholding requirements
  - c) environmental protection laws and regulations
  - d) other laws and regulations which expose directors to liability;
- 2) review the status of the Trust's tax returns and those of its subsidiaries;

#### **Relationship with External Auditors**

- 1) recommend to the Board the nomination of the external auditors or the discharge of the external auditor when circumstances are warranted;
- 2) approve the remuneration and the terms of engagement of the external auditors as set forth in the Engagement Letter;
- 3) when there is to be a change of external auditors, review all issues and provide documentation related to the change, as specified by the relevant securities commissions in Canada and the planned steps for an orderly transition period;
- 4) review the performance of the external auditors annually or more frequently as required;

- 5) receive annually from the external auditors an acknowledgement in writing that the unitholders, as represented by the Board and the Committee, are their primary client;
- 6) pre-approve all non-audit services to be provided to the Trust or its subsidiary entities by its external auditors or the external auditors of the Trust's subsidiary entities. The Audit Committee may satisfy the pre-approval requirement if:
  - a) the aggregate amount of all the non-audit services that were not pre-approved constitutes no more than five per cent of the total amount of revenues paid by the Trust to its external auditors during the fiscal year in which the services are provided;
  - b) the services were not recognized by the Trust at the time of the engagement to be non-audit services; and
  - c) the services are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee;
- 7) receive a report annually from the external auditors with respect to their independence, such report to include a disclosure of all engagements (and fees related thereto) for non-audit services provided to the Trust;
- 8) review with the external auditors the scope of the audit, the areas of special emphasis to be addressed in the audit and the materiality levels which the external auditors propose to employ;
- 9) meet at a minimum of once per year with the external auditors in the absence of management to determine, inter alia, that no management restrictions have been placed on the scope and extent of the audit examinations by the external auditors or the reporting of their findings to the Committee and that there was no disagreement with management on a significant accounting issue;
- 10) establish effective communication processes with management and the Trust's external auditors to assist the Committee to monitor objectively the quality and effectiveness of the relationship among the external auditors, management and the Committee;

**Other Responsibilities**

- 1) periodically review the form, content and level of detail of financial reports to the Board;
- 2) approve annually the reasonableness of the expenses of the Chairman of the Board and the Chief Executive Officer;
- 3) after consultation with the Chief Financial Officer and the external auditors, gain reasonable assurance, at least annually, of the quality and sufficiency of the Trust's accounting and financial personnel and other resources;
- 4) review in advance the appointment of the Trust's senior financial executives;
- 5) establish procedures for the receipt, retention and treatment of complaints and concerns of employees, unitholders and members of the public received by the Trust regarding accounting, internal accounting controls, or auditing matters;
- 6) investigate any matters that, in the Committee's discretion, fall within the Committee's duties;

- 7) review reports from the external auditors, and/or other Committee Chairmen on their review of compliance with the Trust's Code of Business Conduct and Ethics;
- 8) review and approve the Trust's hiring policies regarding partners, employees and former partners and employees of the present or former external auditor of the Trust;
- 9) enquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters, which are directed to the Committee;
- 10) review any significant transactions outside of the Trust's ordinary course of business;
- 11) perform such other functions as may from time to time be assigned to the Committee by the Board;

**Accountability**

- 1) review and update this Charter on a regular basis for approval by the Board; and
- 2) review the description of the Committee's activities as set forth in the Declaration of Trust.